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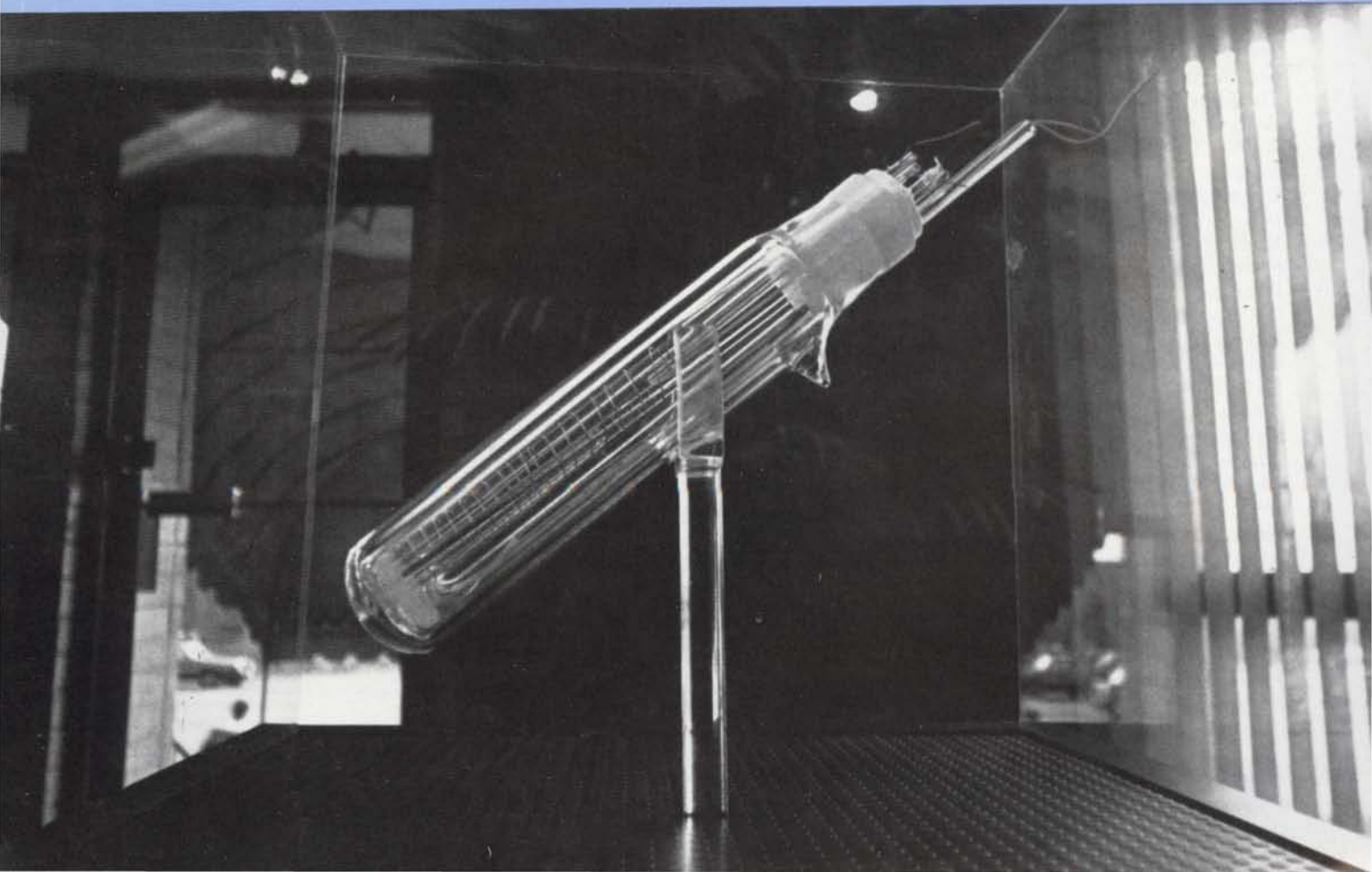
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From the Editor

It is not often enough that we get the opportunity to prove our contention that “there are no limits to growth,” and that all the fretting about over-population introduced by the malthusians and most of the so-called environmentalist folk is just a lot of unscientific hand-wringing destined to make the real problems worse, and to combat problems that don’t really exist. So with great pleasure, I direct your attention to the *Feature* which is the report-back from Science & Technology editor Carol White on the international “cold fusion” conference in Como, Italy. This publication, and its founder Lyndon LaRouche, have been proponents of a fusion solution to the world’s energy and ecological crisis for a long, long time, and so we find the promise of the greatest scientific advance of the second half of our century to be not only good, but also, exciting.

And while you have your gray matter attuned to these questions of the laws of the physical universe, I recommend the informative book review on well-tempered tuning which appears in the *National* section.

And then, alas, the world—the poor old world as we confront it today. *International* leads with the precarious strategic picture in Europe, in the wake of the Bush-Gorbachov summit, starting with the expanding war in Yugoslavia, followed by a first-hand report from Lithuania. Please note the parallels here; not by accident, the Kremlin bosses continue to commit atrocities in the Baltic states, and have issued an ugly warning to western Europe about not intervening to stop Serbia’s imperial rampage in Yugoslavia.

We think readers will find, on their own, much that speaks to their own interests in our unique coverage in this issue, especially in the *Economics* area. And so, let me conclude by telling subscribers about a few of the special packages now in preparation: an article devoted to Wolfgang Amadeus Mozart, on the occasion of the bicentennial of his death; a full report from Baghdad by the Committee to Save the Children in Iraq; a detailed indictment of Israeli genocide against Palestinians; and an extensive report from Buenos Aires, on the nationalists’ struggle to defend Argentina against Anglo-American/Soviet dismemberment. If you don’t have a subscription yet, now is a good time to sign up.

Nora Hamerman

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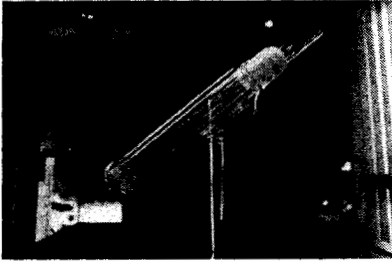
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The freemasons and kooks are at it again, at their "Encampment" in the California Redwoods.

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Correction: The new commercial food irradiation plant, Vindicator of Florida, scheduled to open in mid-August, is the most modern in the world and one of the largest—but not as large as noted in our July 26 article. It will be able to handle 500 to 600 million *pounds* of produce per year—not tons.

BCCI scandal a 'coup' for the Basel bankers

by EIR Economics Staff

Federal Reserve General Counsel J. Virgil Mattingly, Jr. and Fed Bank Supervision Director William Taylor told the Senate on Aug. 1 that the complex scandal over the Bank of Credit and Commerce International (BCCI) should and shall result in a vast increase of power for the supranational Bank for International Settlements in Basel, Switzerland—the central bankers' central bank. The U.S. Federal Reserve, they made clear, and not the elected U.S. government, will be the American enforcer for the BIS.

The Fed officials told Sen. John Kerry's (D-Mass.) Senate Foreign Relations Subcommittee on Narcotics that Congress must rapidly pass the Fed's "Foreign Bank Supervision Enhancement Act" (S. 1019), or face a world banking crash. The Fed's "BCCI bill," also called "Garn-Kerry," would turn the \$20 billion BCCI bankruptcy into a gain of wildly unconstitutional powers for the Fed and the BIS over the U.S. economy.

In addition to the bill, the Fed officials demanded more regulatory power for "the Basel Committee of the BIS, which is setting up the exchange that is needed," in Mattingly's words. All BIS central banks plan to "change their country's laws to conform with the decisions of the Basel Committee," he announced.

The Fed should know. Taylor has been U.S. delegate to the BIS Committee on Bank Supervision, called the "Basel" or "Cooke Committee," for years. The Cooke Committee was run from 1975-88 by Bank of England official Peter Cooke, who then moved to the Price Waterhouse accounting firm. It was he who wrote the June 1991 Price Waterhouse accounting report on BCCI, which resulted in the seizure by the Bank of England and other central banks of BCCI offices in 69 countries on July 5.

Since then, the BIS grip over the U.S. government has increased. Three days after seizing BCCI, the BIS appointed New York Federal Reserve President E. Gerald Corrigan as

the new chairman of the "Cooke Committee."

On Aug. 6, President George Bush confirmed the appointment of the Fed's other BIS representative, William Taylor, to head the Federal Deposit Insurance Corp. The Fed and Bush forced out retiring FDIC chief William Seidman, and have put the bank insurance, and hence the savings, of the American people in the hands of the BIS.

'Not even a ripple'

Cooke Committee officials in London, New York, and Washington bragged in interviews with *EIR* that their paramilitary operation on five continents to close BCCI was a "coup for the BIS."

"The whole point of the BCCI affair is that . . . we were able to close a huge international bank without even a ripple in the international markets," a spokesman for New York Fed's President Corrigan said Aug. 2. "This is our first major coup. . . . The BIS system works!"

"The BCCI events are a success for the BIS Cooke Committee," said Robert Bench, now a Washington director of Price Waterhouse, former U.S. Comptroller of the Currency, and as such a Cooke Committee member for many years. "It was the cooperation and coordination among the BIS Cooke Committee, that led to the BCCI exposures," he said (see interview, below).

The BIS executed the maneuver, he said, "to demonstrate that our coordination and control gets results. We have shown that we can have a \$20 billion bank go belly up—and not even a ripple!"

The BIS's perfect performance in the BCCI affair gives the central banks license to become a one-world government, Cooke members conclude. Every BIS central bank is presently going to its country's elected government and demanding a rewrite of national laws, along the following lines:

- "There are too many banks in the world," as one offi-

cial said, and every country must reduce the number of banks.

- There is too much lending going on, and that must be reduced.

- There is too much control generally over *national economies by national governments*; more control must be given to the BIS central bankers.

A deliberate time-bomb

On-the-record testimony by BIS and Fed officials demonstrates that BCCI's operations, as well as the bursting of the BCCI bubble, were managed by the BIS for almost 20 years as a time-bomb. The BIS deliberately detonated the crisis to provide the occasion for the Basel bankers to reorganize world finances.

Lyndon H. LaRouche and the editors of *EIR* predicted the entire mess, in the 1978 book *Dope, Inc.* There, we reported that the Bank of England, BIS, and the Fed were writing bank rules to let the drug-running Hongkong and Shanghai Banking Corp. (the HongShang) into the United States. We warned that such deregulation would allow in trillions of dollars of illegal foreign bank operations, just such as those that were subsequently conducted by the BCCI.

The purpose of the Anglo-Swiss dope bank invasion was described by LaRouche as an "organized crime" operation: first to devalue the U.S. banking and industrial system, using deregulation, interest rate hikes, and speculation, and then to buy it up cheap, a nickel on the dollar, by slapping on BIS-controlled re-regulation.

In effect, the BIS deliberately gave the U.S. "financial AIDS," and now wants euthanasia for the U.S. banks.

The deregulation phase

The *deregulation* phase continued from 1972, right after the Aug. 15, 1971 decoupling of the dollar from gold, through 1987. The Federal Reserve and the BIS central banks were aware that BCCI was a dirty bank as early as 1972, the Fed's Virgil Mattingly told the Senate Foreign Relations Committee on Aug. 1.

In 1975, the BIS set up the Committee on Bank Supervision—the Cooke Committee—as the basis of a supranational financial dictatorship. *Every piece of U.S. bank deregulation legislation was written or authorized by that BIS Committee:*

- The 1978 International Banking Act, written by Peter Cooke and John Heimann—Jimmy Carter's Comptroller of the Currency, formerly of Salomon Brothers merchant bank—allowed Hongshang, BCCI, Banco Ambrosiano, Banca Nazionale del Lavoro, and others, into the United States.

- Heimann, Felix Rohatyn (Lazard Frères), Robert Hormats (Goldman, Sachs), Donald Regan (Merrill Lynch), and other merchant bankers became U.S. government officials and members of the Cooke Committee.

- These very men drafted the savings and loan deregulation bills in 1980-82, the usury deregulation bills in 1980-83, and the International Bank Facilities (IBFs), which

brought the Eurodollar market into the U.S.

- Pushing it all through the Senate was Jake Garn (R-Utah), author of the 1981 Garn-St Germain omnibus bank deregulation act.

BIS-controlled re-regulation

The *re-regulation* phase started in 1987, when Peter Cooke set up a "BIS College on BCCI," a committee of central bankers to run BCCI, hands-on. The group consisted of the central banks of England, Switzerland, Spain, Hong Kong, Luxembourg, and the Cayman Islands. They told the Fed how to handle BCCI in the U.S., as Cooke himself, and Robert Bench, report proudly.

The same individuals who had written all the deregulation legislation then proceeded to cry "scandal" about BCCI, and to demand re-regulation of U.S. banking. John Heimann, who had moved to Merrill Lynch, led the charge, testifying frequently against BCCI.

In early 1988, the New York Fed, according to President Corrigan, began investigation of BCCI, along with New York District Attorney Robert Morgenthau. They brought the scandal before the Congress via Senator Kerry.

The press outlets pumping the scandal since 1990 have been those owned by British merchant banks, starting with Lazard Frères' *Washington Post*.

Finally, Senator Garn author of the Garn-St Germain deregulation act, on May 9 introduced the Fed's BCCI bill into Congress. According to the testimony of Taylor and Mattingly on Aug. 1, the bill has the following provisions:

- "The Fed has asked for responsibility to monitor all foreign banks," Mattingly said. This would put in law for the first time that the Fed, never the elected national government, has this power. (Currently the Fed shares that power with the states.)

- The bill gives the Fed the power to say that "no foreign bank may open a branch in the U.S. unless it can show proper home country supervision." This allows more HongShang and BCCI banks into the U.S., but it bars Third World, Japanese, or other banks from countries with quasi-national banking systems.

- No U.S. judge will be able to overturn decisions made by the Fed regarding foreign banks.

- Under Section 6, "Cooperation with Foreign Supervisors," the bill states that the Fed "may disclose information obtained in the course of supervision or examination to *any foreign bank authority*" without asking the U.S. government. This means that anything the Fed finds out about any U.S. bank or company, as well as foreign banks, could and will be disclosed to the BIS.

There is only one proper response to the BCCI affair: Nationalize the Federal Reserve, and implement LaRouche's 1981 Federal Reserve Reform Act, which would create a Third National Bank for the United States, run by the government, and not private foreign bankers.

'Power must be ceded to the central banks'

Robert Bench, the former U.S. Comptroller of the Currency and a member of the Bank for International Settlements Cooke Committee, was interviewed on Aug. 2, 1991. Bench is now with Price Waterhouse accountants in Washington, D.C.

EIR: What is the role of the BIS Cooke Committee in the Bank of Credit and Commerce International (BCCI) affair? There's not much criticism of the Federal Reserve.

Bench: In fact, the BCCI events are a success for the BIS Cooke Committee. It was the cooperation and coordination among the BIS Cooke Committee members that led to the BCCI exposures. Now, a new, stronger international supervisory regime is emerging as a further result of the BCCI affair.

The BIS Basel Committee on Bank Supervision, named after Peter Cooke, its first head, was established as part of the Basel Concordat in 1975 to deal with just such problems. The Concordat came about because there was a sudden rash of collapses, the collapse of Herstatt, which was caused by the failure of the central banks to coordinate.

Then we had the collapse of Banco Ambrosiano's Luxembourg subsidiary in 1982, in which neither Italy nor Luxembourg would take responsibility for the Luxembourg subsidiary. So we expanded the Concordat in 1983. The expansion focused on expanding powers of *consolidated regulation*. Under consolidated regulation, we set up a system in which the central bank of the parent country where a bank is headquartered, must take responsibility for the bank's entire international operations and subsidiaries. Italy, in the case of Banco Ambrosiano, for example.

Now the problem with BCCI, of course, is that it had three or more home countries, Abu Dhabi, Luxembourg, and the Cayman Islands. And there's a hole in that last 1983 version of the Concordat, which says a bank in effect can get away with three parents.

We were aware that this loophole was being deliberately utilized by BCCI. So, in 1987, when we saw BCCI was getting to be a really large bank, a BIS College of Supervisors was formed specifically to monitor BCCI. The college consisted of the central banks where BCCI had offices: Bank of England, Swiss National Bank, Spanish National Bank, and Luxembourg Monetary Authority, to start, to strengthen supervision over BCCI. Later, Hong Kong and Grand Cayman were added to the college.

EIR: No one from the U.S. Federal Reserve?

Bench: No. . . . The BIS central banks' trend is an increasing web around the banks. They are already casting a huge and tight net over these institutions.

During the post-1987 period of oversight by these supervisors, a lot more become known about BCCI. And we used it to demonstrate that our coordination and control get results. Why, even the *Washington Post* said the other day that here we have a \$20 billion bank go belly up, and not even a ripple! One could argue this is a major sign that the regulators have done their job.

Now, the BIS Cooke Committee is demanding that all banks operating internationally should be *consolidated on a global basis*. We need a new expansion of the Basel Concordat, to close that loophole used by BCCI.

EIR: Wasn't New York Fed chief Gerald Corrigan just named chairman of the Cooke Committee?

Bench: Yes. Now we'll probably have to call it the Corrigan Committee. Look, the problem is, that the only reason the central banks don't have the powers they need, is the *national governments get in their way*. Every government has to go and *legislate* individually what the Basel Committee wants, in each national legislature. There's too much independence of legislatures.

There's been no "Law of the Sea Conference," or even GATT [General Agreement on Tariffs and Trade] discussion, of this level of "risk and regulatory legislation" of banks. So, Gerry Corrigan has been made the Basel chairman and he's going to deal with this. He's the right man in the right place at the right time.

EIR: How will the BIS strengthen its controls?

Bench: Governments have to give central banks cross-border inspection authority, they need absolute authority to shut banks, remove management, remove directors. You can't have this situation where the Bank of England was thwarted in doing its job by the Court. Read the London *Financial Times* yesterday. Imagine a judge in the U.S. daring to reverse the Fed's closure of the Bank of New England! Ridiculous.

The central banks need a lot more authority to carry out their international responsibilities. National governments have to give the central banks whatever they need.

The role and *raison d'être* of a bank regulator is to prevent financial meltdown, to prevent a *systemic* collapse. Any career regulator sees that as job number one. Whereas, the enforcement agent, like the Department of Justice, would *not* have that as his preoccupation. That's why there is tension between government agencies, and also across countries.

The result of the BCCI scandal will be that countries all over the world are going to start passing the laws which the central banks want. That's why the Fed has this new Senate bill (S.1019) on Foreign Bank Supervision.

'Financial AIDS' hits Japan, Hashimoto

by Kathy Wolfe

Japanese Finance Minister Ryutaro Hashimoto will resign to take responsibility for scandals plaguing Japan's financial sector, the Japanese press reported Aug. 6. Hashimoto himself denied it the next day, but even if the press is lying, his chance to become Japan's next prime minister in October, and his career, are now done for.

After resisting demands to quit over the Nomura stock scandal since June 21, Hashimoto confirmed on July 27 that his former top aide, Toyoki Kobayashi, had acted as an intermediary in securing possibly illegal loans in a "totally unrelated" scandal at the huge Fuji Bank.

On July 25, Fuji Bank announced it had fired three executives caught in a loan fraud scheme involving nearly \$2 billion. Days later, three more of Japan's largest banks were implicated. Fuji and other Japanese banks are in a cash squeeze because of Bank for International Settlements (BIS) capital restrictions, which have forced a contraction of Japanese bank lending over the past year. The Fuji employees reportedly issued false documents showing deposits at the bank for 23 corporate clients, mostly real estate companies, which the desperate realtors then used as collateral to get loans elsewhere. Hashimoto's aide is said to have known about the deal.

There are now four or five such "totally unrelated" scandals rocking all of Japanese finance, industry, and government. The situation reeks of the kind of sting operation the BIS set up with the Bank of Credit and Commerce International (BCCI) scandal, which has become a time bomb for financial warfare against the U.S. and other nations.

The first of the recent Japan scandals against Nomura Securities was begun by Britain's Dope, Inc. bank Jardine Matheson (see *EIR*, June 19 and June 26).

Fatal disease

Hashimoto reportedly coined the term "Financial AIDS" to describe the banking and financial deregulation which the BIS central bankers have used to destroy the U.S. and other western financial systems over the past 20 years. He is being targeted not for what he has done wrong, but for what he might have done correctly.

Before the scandals broke in June, Hashimoto was the front-runner to replace Bush's favorite doormat, Prime Min-

ister Toshiki Kaifu, as head of state. Kaifu is highly unpopular for kowtowing to Bush's genocide in Iraq earlier this year. Hashimoto as prime minister might have attempted to defend Japan's Meiji Era banking system and Japanese industry from the BIS's demands.

Hashimoto "admitted responsibility" in the Fuji Bank scandal Aug. 6 and apologized to the public, which is silly. The BIS and Jardine's are counting on him and other Japanese leaders to be impotently self-effacing, according to profile. The only way to stop the destruction of Japan, in fact, is for Japanese patriots to break all the rules and name the names of the BIS and private western bankers who are cooking up these scandals to pry open the Japanese market.

Let's face it: The BIS's "flea market" economics carries "financial AIDS" as efficiently as mosquitos carry the HIV virus. And you can't be "just a little bit HIV-positive." If Tokyo backs down and lets the BIS really deregulate Japanese markets, it will gridlock the whole Japanese economy.

Prime Minister Kaifu, on the other hand, is suddenly now assured of reelection in October, promoting himself as "Mr. Clean" to Hashimoto's "fallen idol" image. Reality is that Bush, the Federal Reserve, and the BIS want to keep Kaifu in office because he's the one ready to play geisha to their plans for a new BIS occupation of Japan.

Kaifu opened an emergency session of Japan's Parliament on the scandal crisis on Aug. 5, with a call for political and financial "reforms" which make Lyndon Johnson's "Great Society" speech look conservative.

Kaifu said: "There are a number of systemic issues in the way politics and government currently work that need to be reformed." He expressed regret over the recent brokerage scandal and called the brokerages' conduct "deplorable" because "they are at variance with our ideal of a fair society."

Kaifu will submit an amendment to the law covering securities trading that would increase inspections of securities firms, ban compensation, and generally deregulate financial markets.

Kaifu is further demanding election law reforms including redistricting of Japanese electoral districts which would give far more seats in Parliament to the "New Age" yuppies in Japan's suburbs. Kaifu's reforms would also give the new U.S.-modeled watchdog agencies tighter control over how political leaders raise electoral funds.

Wall Street's Securities and Exchange Commission (SEC) meanwhile has sent letters of investigation to at least three of Japan's four main securities firms, asking them for information and threatening indictments.

The New York Stock Exchange and the National Association of Securities Dealers, which operate the two biggest U.S. stock markets, recently sent letters to the Big Four firms requesting to "verify that Nomura and other Japanese firms' U.S. subsidiaries were abiding by" U.S. law. Whether the Japanese are "still beating their wives" is expected to be the next SEC-Wall Street inquiry.

U.S. state budgets unraveling already

by H. Graham Lowry

Five weeks after the July 1 beginning of the fiscal year, state budgets are already collapsing under huge and interest payments for emergency borrowing. Bitter legislative fights in a number of states dragged on well past the fiscal year deadline, only to end in the drafting of budgets which have already been denounced as inadequate to pay the bills. The state of Connecticut, still without a budget following Gov. Lowell Weicker's Aug. 7 veto of the legislature's latest tax plan, faced the prospect of a government shutdown for the second time.

Huge shortfalls

Under the current rate of U.S. economic collapse, the plain truth is that no budgets will meet their projected revenue or spending levels. The situation in Maryland provides a dramatic case in point. After a series of blood-letting sessions during the past fiscal year, cutting more than \$650 million to bring the budget into line, the General Assembly was informed June 25 that this year's shortfall was *already* projected at a whopping \$300 million.

On Aug. 1, state budget officials announced the figure could grow to \$675 million next year; and Gov. William Donald Schaefer ordered state agencies to prepare for \$300 million in new cuts, about 5% of the general fund, beginning Oct. 1. Additional layoffs of state workers are considered "inevitable," and the chairman of the Maryland's House Appropriations Committee declared, "I think people are going to have to bite the bullet on taxes."

In California, Gov. Pete Wilson signed a \$55.7 billion budget July 16, which included \$3.2 billion in cuts and a record \$7.3 billion increase in sales and income taxes. The next day, he announced that he would still lay off up to 20,000 state workers, unless the legislature gave him a free hand to cut their wages and benefits by \$800 million. As it is, the California budget is full of holes, including \$2.5 billion in borrowing from special funds, shifting and delaying pension payments, and smoke-and-mirrors bookkeeping changes. Nearly \$1.4 billion in cuts to public schools was sold as a one-time reduction, with the money to be restored a year from now.

For his performance as Dr. Frankenstein in putting this budget together, Governor Wilson is now touted in the national media as a future Republican presidential contender. Beyond the fiscal sleight-of-hand in the state's budget projections, the entire package is absurdly premised on an economic upturn, echoing the ravings of George Bush. Even California's chief economist, however, estimates a one-in-three chance that the economy will not recover, but will experience what Wall Street wags call a "dead-cat bounce."

In Illinois, Gov. Jim Edgar signed budget bills July 24 which drastically reduce income assistance and health programs for the poor, in a package of cuts totaling \$1.5 billion—nearly half the total in California. But the Illinois health care appropriation assumes \$640 million in federal matching funds, tied to new *state assessments* on hospitals and nursing homes based on the amount of Medicaid services they deliver. Worse yet, this bookkeeping trick assumes federal funding from the very programs the Bush administration says it intends to eliminate.

Constitutional crisis looms for Connecticut

The budget deadlock in Connecticut between the governor and the Assembly over tax policies threatened to become a constitutional crisis following Weicker's latest budget veto. The final temporary budget expired Aug. 5, and the state would thus be without funds if the veto were sustained as expected. The Assembly has repeatedly rejected Weicker's attempt to institute a state income tax, and the governor has vetoed every budget without one. Legislative leaders declared they have no plans to pass another temporary spending bill, but intend to challenge Weicker's authority to run the government by executive decree.

The budget dictators of Wall Street have been pushing for exactly such powers to impose austerity, and Standard and Poor's bond rating agency jumped in Aug. 5 by putting Connecticut's bond-anticipation notes and general obligation bonds on its "credit watch." S&P threatened to lower both ratings, due to the state's "continuing budget impasse and deteriorating financial condition."

The chimera of economic recovery and visions of coffers bulging with revenues have dazzled state governments across the country. But despite record tax hikes across the country, which may equal the \$23 billion in federal tax increases which Congress enacted last fall, state governments are already scrambling for funds. Even with major tax increases in half the states last year, state tax collections nationwide grew less than 1% during the first three months of 1991.

In many of the older industrial states of the Northeast and Midwest, revenue shortfalls doubled and tripled during the first six months of this year, forcing those states to reopen their budgets for additional major cuts. "If revenues don't pick up in the next month or two," said a spokesman for the National Association of State Budget Officers, "they will be right back in there."

Cholera in the U.S. 'a matter of time'

by Valerie Rush

With the discovery of one cholera case in Canada and the rapid spread of the disease across Mexico and Central America, U.S. health specialists are convinced that cholera outbreaks in the United States are just a matter of time.

According to Paul Blake, of the U.S. Centers for Disease Control in Atlanta, Georgia, "Trying to keep it out is just about impossible." Blake disputed claims that U.S. living standards will contain the disease, noting that there were many, and spreading, pockets of poverty in the U.S. lacking proper water and sewage facilities, precisely the conditions for breeding a cholera epidemic.

One such pocket of poverty lies just north of San Diego, California, where over 10,000 migrant Mexican workers live in squalor, with no electricity, public services, or sanitation facilities. Health authorities in San Diego began testing thousands of these workers for the cholera bacteria after Mexican Health Secretary Jesús Kumate announced the existence of 253 cholera cases in that country. Said physician Stephen Waterman, San Diego faces "a potential danger" of a cholera outbreak, especially in light of recent budget cutbacks in health and medical services for the poor.

Kumate insists that the disease is "under control," but five Mexican states have officially reported cholera outbreaks. Two Health Department physicians broke their silence Aug. 1 to demand that "the truth must be told about cholera, as the disease—like any other—requires a great awareness on the part of the population to prevent it, since it is a question of hygiene."

While Mexico's worst cases are occurring in outlying rural areas like poverty-stricken Chiapas along the Guatemalan border, the disease is also spreading in the interior of the country. The city of Puebla, just a few hours from Mexico City, is reporting scores of cases and numerous deaths, and at least two victims of the disease have now been acknowledged in Mexico City. According to Mexico City official Eduardo Cano, the cholera bacillus has been found in the raw sewage flowing out of Mexico City that is used to irrigate surrounding croplands. Mexico City and its metropolitan surroundings are home to nearly 20 million people. As of Aug. 1, the Mexican Department of Health was admitting to only three cholera deaths, and to a total of 327 cases. However, scores of cholera fatalities are

being reported in the local media.

Fearful of a cholera contagion spreading among the 41,000 Central Americans living in Mexican refugee camps along the border with Guatemala, the U.N. High Commission for Refugees has prohibited the direct consumption of water in the camps. But Erasmo Sainz Carrete, the head of the Mexican refugee organization, said that controlling cholera in the camps would be easy in comparison to the problems Mexico will face should the slums surrounding Mexico City become infected, "because it would be practically impossible to control it."

Central America, another 'Peru'

Guatemala is the first Central American country to be hit with the cholera epidemic, and 20 official cases were being reported as of Aug. 6, out of a likely 60 under investigation. Guatemalan President Jorge Serrano Elias has declared a national emergency, noting the irony that "we had thought [the disease] would come from the south, but it hit us from the north," that is, from Mexico. If the epidemic in Guatemala surges out of control, an estimated 700,000 (out of a total population of 9.5 million) could become infected. Comparisons between Guatemala and Peru are regularly made by the media, in view of the fact that Guatemala has but one doctor and one hospital bed per thousand inhabitants.

Sixteen of Guatemala's cholera victims have been identified in the southwest, bordering El Salvador, which has just announced a state of alert in anticipation of the arrival of cholera there "within a matter of hours." Next door, Honduras is gearing for an outbreak there. And on Aug. 6, nervous Panamanian health authorities seized an entire boatload of food and fish products which was purchased in various Central American countries and sold in the Panamanian port of Colón without passing through sanitary controls.

The disease is spreading rapidly in Colombia, although officials there—as in Mexico—are scrambling to deny it. Cholera outbreaks have been detected all along its Atlantic, Pacific, and Caribbean coasts, while at least four urban cases of cholera have been identified in the capital city of Bogotá. On July 27, Colombia's National Health Institute reported 76 official cholera fatalities, and on Aug. 3, admitted to 4,431 probable cases of the disease, and 916 confirmed.

Perhaps most frightening are reports from Peru that a new epidemic of unknown origins is spreading through its jungle regions, in the wake of cholera's ravages. With symptoms similar to those of cholera, the new disease is said to have infected 81 people, of whom 17 have already died.

Juan Aguilar, U.N. health adviser on Ibero-America and the Caribbean, told journalists in Bogotá Aug. 3 that "the war against cholera is not being won." He said that widespread poverty across the continent provided an ideal breeding ground for the disease, and that it was there to stay. Aguilar also predicted that cholera would spread from continent to continent, until the entire planet was infected.

Environmentalists declare world war on Malaysia

by Rogelio A. Maduro

In what promises to be another in an escalating series of wars against sovereign governments, the environmentalist movement has launched a global assault on Malaysia. On July 5, eight environmentalists assaulted and took over several log barges and cranes in the province of Sarawak, to protest the harvesting of timber. The assault and subsequent arrest of the perpetrators have been used to mobilize environmentalists worldwide to put pressure on western governments to ban the importation of wood and other products from Malaysia.

Although Malaysia is the immediate target, the environmentalists have made it clear that Indonesia is to follow soon, and the ultimate target is Brazil and India, yet too powerful to challenge. The war against Malaysia is part of a sequence of actions scheduled to take place before the U.N. "Earth Summit" in Brazil in June of next year.

During the summit, an international ecological treaty will be signed which will govern all trade and economic activity in the name of saving Mother Earth from man's supposedly destructive industrial activities. The treaty, now embodied in a document called Agenda 21, will create an international military force under the control of the United Nations. This military force will enforce the international ecological dictatorship. Before this treaty is signed, however, all resistance to such a dictatorship has to be crushed.

The environmental assault on Malaysia's logging industry on July 5 was carried out with great precision by the white-skinned, Anglo-Saxon environmentalists who had been flown in from a base of operations called the Rainforest Information Center in Australia. The environmentalists, mostly members of Earth First!, an organization which advocates violence and terrorism "in defense of Mother Earth," were part of a team of 20 foreigners, the rest of whom were providing logistical and media support.

At the crack of dawn, the "Sarawak 8," as they call themselves, assaulted several cranes and barges used for logging, chaining themselves to the equipment.

The action had been carefully planned, and the press was present throughout the incident, taking footage which was quickly sent to Singapore for international transmission. After eight and a half hours, the police ended the takeover by arresting the environmentalists. It should be noted that

none of the many other foreign environmentalists present was arrested, or in any way harassed by the Malaysian police.

The Sarawak 8, six of whom pleaded guilty and are now serving 60-day jail terms, have become *causes célèbres* internationally. Their arrest is being used by the international environmental movement to whip up hatred and hysteria against the government of Malaysia.

The eight environmentalists arrested in Malaysia are: Anja Light, Sweden, Rainforest Information Center; Angie Zelter, U.K., Earth First!; Carsten Huettche, Germany, Robin Wood; Jake Burbridge, U.K., Earth First!; Jake Kreilick, U.S., Earth First!; Deborah Witkin, U.S., independent; Ralf Schmitt, Germany, Robin Wood; Nancy Rolfe, Australia, Earth First!

The profile of this operation is extremely interesting. While groups such as Earth First!, Robin Wood, and the Rainforest Action Network are organizing to "save the rain forest," the Gaia Foundation is organizing indigenous movements in various countries to "save" the tribes of the Penan from modern civilization. The Gaia Foundation, which promotes the revival of pagan religions, plans to use the same indigenous people's networks against other governments in future campaigns.

In essence, the war against Malaysia is being used to set up an international infrastructure that can attack and topple the sovereign governments of Third World nations, using the excuse of saving the environment. The timing of this operation is critical: The Earth Summit in Brazil is only eight months away. Malaysia was chosen as the first target for four basic reasons:

- 1) It is small and isolated. The most coveted target is Brazil, but first the environmentalists have to organize their war machine by taking on a smaller, more vulnerable country;

- 2) Prime Minister Mahathir Mohamad is passionately committed to economic development and industrialization of Malaysia;

- 3) Malaysian representatives have led the fight against international environmental treaties, including the Montreal Protocol banning the use of chlorofluorocarbons (CFCs), a ban which will cause the collapse of the international refrigeration industry.

ation chain and cost the lives of 20-40 million people every year through starvation and food-borne diseases;

4) Australia serves as an excellent base of operations against Malaysia. Australia's popular opinion has already been predisposed against the Malaysian government due to its policy of hanging all major drug dealers they catch, which has included several Australians.

An economic war

The environmental war against Malaysia is now being largely carried out in the West. In the last few weeks, the environmentalists have carried out a timber ship blockade in Nantes, France; a port blockade in Bremen, Germany; demonstrations at the Group of Seven meeting in London, and at the Malaysian embassies in The Hague and London.

Altogether, these actions have generated a lot of press coverage and increased the pressure on governments to ban the imports of products from Malaysia. The environmentalists are trying to force an economic embargo that would destroy the economy of Malaysia.

The campaign will escalate during the second week of September, when the environmentalists are going to carry coordinated actions in Western Europe, the United States, Canada, and Japan. Those actions will lead to Oct. 7, which has been declared an international action day for the Penan. In Germany the environmental groups, including the Green Party, will hold a nationwide protest day against the timber trade, centering around demonstrations in 60 different cities.

The deforestation myth

All of these actions against Malaysia are being taken on the basis of purportedly saving the rain forests from destruction. The environmentalists, however, refuse to tell the truth. Deforestation is a very serious ecological problem—a matter of fact, after the spread of AIDS, deforestation is the world's leading ecological problem.

What is never mentioned to the public, however, is that over 60% of global deforestation is the result of the use of wood as a fuel source. A study by the United Nations has documented that 83% of logs cut down in the Third World are used as firewood. In Central African countries, for example, firewood and biomass burning provide over 90% of all energy consumption. If the environmentalists were serious about saving the rain forests, they would support a crash program to industrialize the Third World, and bring modern energy technologies, such as nuclear and hydroelectric power, to replace wood as an energy source.

Another 20 to 25% of deforestation is the result of slash-and-burn primitive agriculture. Logging accounts for approximately 18% of deforestation, and most logging companies replant trees, which in the tropics can rapidly reforest the area cut down. It is indeed true that improper logging practices have caused severe damage to the ecosystems in some parts of the world, but Malaysia has an advanced forestry

program by Third World standards, and is committed to replanting areas that have been logged.

The basic point remains, nevertheless, that to halt all commercial logging will not significantly stop deforestation. As long as people continue to use wood to cook their meals and provide heat, the deforestation will continue.

The actions of the environmentalists will furthermore severely hurt the Malaysian people. Forestry is an essential industry in Malaysia, given that 74% of Malaysia's total area is covered by forests. In comparison, 28% of the U.S. is

According to the environmentalists, Malaysia should remain in the Stone Age, and its national income will be derived from Westerners coming to gawk at them.

forested, and Great Britain has forests on a mere 9.3% of its land. To ban all timber operations in Malaysia, as the environmentalists are demanding, would be devastating. In the state of Sarawak, the forestry industry accounts for half of total revenues and employs 55,000 workers, most of whom are indigenous people living close to the forests.

What alternatives do the environmentalists have to feed the Malaysian people? In their press releases, the environmentalists propose "the marketing of alternative forest products and income sources, such as medicines and alternative tourism." In other words, Malaysia should remain in the Stone Age, and its national income will be derived from Westerners coming to gawk at them.

As to the threat that logging poses to the indigenous people, one should note these facts: The Penan, as an indigenous people, are already beneficiaries of preferential government programs. They number about 10,000 out of the total Malaysian population of 17 million. About 400 of the Penan continue to remain in the jungle, leading a nomadic life as hunters and food gatherers. It has been the Malaysian government's policy to bring the Penan and other indigenous people into the mainstream of society in Malaysia. This includes attempts to provide them with schools and medical facilities, since the Penan suffer acutely from tropical diseases and a short lifespan as a result of their poor diet and primitive lifestyle. The Malaysian government recently announced that it was setting up a "biosphere reserve" in the Baram District of Sarawak for those Penan who have difficulty adjusting to modern society and wish to continue living a nomadic life in the rain forest. That concession, however, has not been enough for the environmentalists, who are demanding that just about the entirety of Malaysia be turned into a "biosphere reserve."

China's floods show human cost of lack of infrastructure, insane economics

by Michael Billington

The devastation of the floods in the People's Republic of China has resulted in sober and relatively honest appraisals by some Chinese officials as to why the nation was so drastically unprepared. Directors of the flood control programs, food storage officials, and others, have published angry interviews about the fact that even the basic maintenance of the existing infrastructure, let alone the necessary new development, has been sabotaged by the government to sustain the "coastal development strategy," which is based on providing concessions and tax breaks to export-oriented (mostly foreign) enterprises along the coast, utilizing the desperate cheap labor generated by the historic and continuing underinvestment in agriculture. A senior engineer at the Water Conservancy and Hydroelectric Power Research Academy bluntly told the official newspaper *China Daily* that the government's policy in water infrastructure has been the equivalent of a policy to produce "coffins rather than medicine."

These are the murderous policies being implemented under the name of "reform," which are portrayed to the West by both the friends and the enemies of the current regime as "progressive" and worthy of support. These economists at the World Bank, Harvard University, and elsewhere, whose policies have bankrupted the British and U.S. economies, are attempting to return China to the 19th century of colonial "concessions" as a source of cheap labor and loot. The false notion that the only alternative to the insanity of Maoist irrationalism is the equally irrational "magic of the market place," has been used to set up the 1.1 billion Chinese for a holocaust. Both Mao Zedong and the post-Mao reform leaders have sustained the nation by looting agriculture, leaving a continually decreasing level of sustenance for the 80% of the population who still live in the areas, while refusing to develop the infrastructure necessary to transform the nation, or even protect it from natural and man-made disasters.

Although the floods have been described as the worst of the century, no one pretends that the devastation could not have been prevented. Damage estimates are now over \$7.5 billion, as tens of thousands of bridges, dikes, roads, factories, and homes were washed away. The death toll is over 2,000, but the secondary deaths from diseases, including malaria, cholera, and typhoid, are mounting. The threat of famine is being denied by the government and by the authors

of the "reform" policy at the World Bank, but their denials provoke a haunting memory of previous periods when such dangers were ignored even as they came to pass.

The Three Gorges Dam

The State Council, the leading government body, under the pressure of the shocking reports from the flood sites, announced in July that the Three Gorges Dam across the Yangtze River will be constructed during the next five-year plan (1996-2000), and that preliminary work will begin immediately. Had this project been built any time over the past 70 years—it was first proposed by Dr. Sun Yat-sen as part of his International Development of China proposal in 1921—the death and destruction of the past weeks could have been avoided. Although the cost appears great to an accountant at the World Bank, it would have been made up by the prevention of the current flood losses alone, not considering the contribution of the project to the economy, and the lives of millions of Chinese.

However, the project approval does not mean it will proceed. For example, one official described two major drainage channels that were designed in 1958 for the Yangtze and Huai rivers, the two worst hit by the floods. Construction was never finished. They were reapproved in 1985 and again in 1988, with the same result. The cost of the projects would have been \$560 million. The damage they would have prevented this year is nearly \$2 billion, and would have saved many lives. *China Daily* admitted that government investment in water control infrastructure has fallen from 7% in the 1950s to 2% today.

Another admission of the accumulated sins of omission that have brought on the current crisis appeared in the daily *Ban Yue Tan* in Beijing, reporting on the status of the nation's grain storage. Much has been made of the bumper crop last season, when a record 435 million metric tons (mmt) were harvested and a significant amount placed in storage (the exact storage figures are secret, but estimates range between 75-125 mmt). However, an enormous 15% of stored grain is lost to spoilage under normal weather conditions. The article reports that a full 70% of the stored grain is kept in open air barns, and about 25 mmt is simply stored outdoors! Approximately 6 mmt were literally washed away by the floods. Some un-

confirmed reports in the mainland press estimated that as much as 60-80 mmt, half the stored grain, may have been water damaged due to poor storage facilities.

The construction of new storage facilities has not even kept up with replacement needs. Less than 2% of the grain is stored in modern steel granaries, and earthen warehouses constructed in the 18th century under the reign of Emperor Qianlong are still in use.

Looting of agriculture

The history of development in China since the victory of Mao's peasant army has been one of continuous looting of the peasantry. Following the civil war, grain production returned to normal after 12 years of constant warfare. Food consumption levels at best returned to the pre-war levels of the 1930s under Chiang Kai Shek. The emphasis was on industrialization, with Soviet support, which was paid for by extracting resources from agriculture in the form of cheap grain for the urban work force, cheap cotton for the textile industry, and taxes to support the government. Agricultural production itself remained primitive. The myth that the industrialization process in China was turning out large amounts of agricultural machinery, fertilizers, pesticides, etc., is disproved by the fact that between 1958 and 1978, only 10% of heavy industry output went into agriculture.

As physical reality periodically asserted itself, causing agricultural stagnation, Mao took the country through several rounds of bloody and psychotic episodes of forced collectivization, eliminating even the small private plots, and strictly enforcing government procurement of grain and other taxes on agriculture. During the Great Leap Forward of 1958-1960, and twice during the Great Proletarian Cultural Revolution of 1966-1976, the nation's economy and society were thrown into chaos while the peasantry were treated like slaves, with the resulting collapse of production. In the Cultural Revolution, Mao insisted that each *province* be self-sufficient in grain and other agricultural products, regardless of the vastly differentiated types of soils and climates in the different provinces. Areas suitable for grazing, for example, but without the water resources needed for cultivation, were plowed under to meet the grain quotas, leading to a drastic fall in output of virtually every crop, including grain.

The Great Leap resulted in the genocide of 64 million souls, counting increased mortality, primarily from starvation, and the nearly as great rate of reduced births, due to the collapsed state of health of the population. The deaths from the Cultural Revolution were only slightly fewer, although they resulted mostly from murder and forced suicides rather than from famine.

Nicholas Lardy of the University of Washington has demonstrated another aspect of the looting of agriculture. Between 1957 and 1978 (the beginning of the current reform period), the consumption of grain per capita fell by 3.2% in China. But *rural* consumption fell by almost 6%, while *ur-*

ban consumption rose by over 10%. Edible vegetable oil, the major source of protein, fell by 40% nationwide but only 10% in the cities. Even clothing consumption shows the same urban-rural division. Thus, by 1978, average food consumption was slightly lower than the pre-war period of the 1930s, while that of the peasantry was far lower.

Lardy also points out that while the government subsidizes the sale of grain to the urban work force as part of the wage policy, no such subsidies exist for the peasantry. Half the government's procured grain is sold back to those peasants who are involved in non-grain production, but the price is pegged to the procurement price. Similarly, most of the social benefits, like social security funds upon retirement, are not applicable to the peasantry, who must depend on children for support in their old age. But having more than one child is a crime.

Partially to enforce the "local self-sufficiency" in food, it was forbidden to use the rail system for food transport, and the roads were not adequate for significant inter-province transportation. The entire road and rail system, in fact, was based on *preventing* the movement of people or food between provinces. This policy is still used to varying degrees by the current government.

The 1980s 'reform'

Did this nightmare end with the beginning of "reform," as the free market gurus would have us believe? Production of grain did shoot up after 1979, when farmers were allowed limited control over running their own farms. The same phenomenon happened after the war in 1949 and after the Great Leap in 1961, for the same reason. But, as Lardy points out, although the government increased the agricultural budget in 1979, "the commitment of the Central Committee was abandoned within little more than one year." Advice was pouring in from the Anglo-American elite, with an eye on the cheap Chinese labor and the expanding Golden Triangle drug flow through China as a source of loot for their collapsing financial bubble, while equally anxious to prevent China from a real modernization policy of the sort Japan had undertaken. The initial leap in agricultural output was used to justify *slashing* the agriculture budget, along with the investments needed in transport, energy, water control, communications, and so forth, except where they were essential to facilitate the climate for fast buck investments in the emerging coastal free trade zones.

As a result, the rate of growth of grain output (the source of over 80% of the caloric intake in the Chinese diet), *decreased* after 1983 and became negative by 1985. Extraordinarily good weather in 1989 and 1990 brought the total production back to the 1984 peak level, but per capita production and consumption never recovered when population increases are factored in.

Since the 1988 inflationary explosion, caused by the "hot money" generated by the free trade zones, there has been a

general retrenchment of the economy, with many of the signs of the earlier Maoist reactions. Some 20% of the agricultural land is being recollectivized, reverting to government ownership, while self-sufficiency of the regions is being reemphasized, and movement of food and people is again being closely regulated. This must be seen in the light of the control over political and social freedoms since the massacre at Tiananmen Square, and a renewal of the hated Cultural Revolution-style campaigns against "bourgeois liberalism," "peaceful evolution," etc.

The World Bank solution

The World Bank released a special report on the grain situation in China in July, in which it is ecstatic about the push to remove government subsidies on grain. The Bank is demanding the complete elimination of all regulations and subsidies in the grain market. This is in keeping with their international policy against national protection of food production, aimed at placing food control in the hands of the Anglo-American food cartels.

The report states: "Since market prices for grain in China's free markets have fallen precipitously due to record production in 1989 and 1990, China should seize the moment to raise urban ration prices and reduce per capita allocations in order to reduce the subsidy burden without causing too much hardship for the urban poor."

Such concern for the poor does not extend to the situation "down the road" when the "free market" prices skyrocket due to some disaster, like a flood, intersecting the accumulated failure to develop infrastructure, as is evolving now. The report adds as a postscript that the government, within weeks of seeing the draft of the report, implemented precisely such policies.

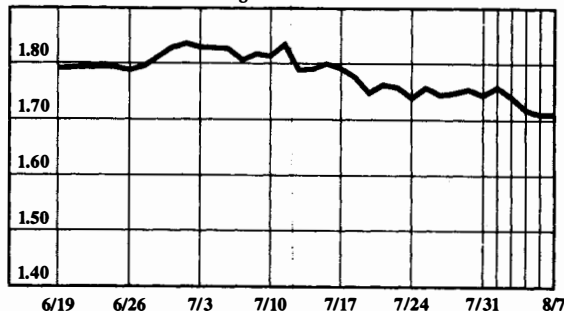
The Bank is quite aware that China is now the world's third-largest grain importer, importing primarily from the U.S. In a crisis, China will be entirely dependent on the U.S., which has demonstrated, in the cases of Iraq, the Sudan, and elsewhere, that it is more than willing to use the food weapon to impose its political will, up to and including causing the mass death of children.

Ironically, the *World Bank Economic Review* for May 1991, published just prior to the floods, points out how the free market policy decisions and China's brutal population reduction programs (both policies advocated and supported by the Bank) have combined to create a situation where "an unraveling of the established safety nets, an aging population, and the advent of high episodes of inflation" have undermined living standards for an increasing proportion of the population. Unmentioned by any of the Bank spokesmen is the vast "floating population" of 100-200 million who wander the nation in search of any means of survival, legal or otherwise. It is this army of unemployed that assures the continued low cost of labor to those investing in the free trade areas—about one-tenth of the average wage in Taiwan.

Currency Rates

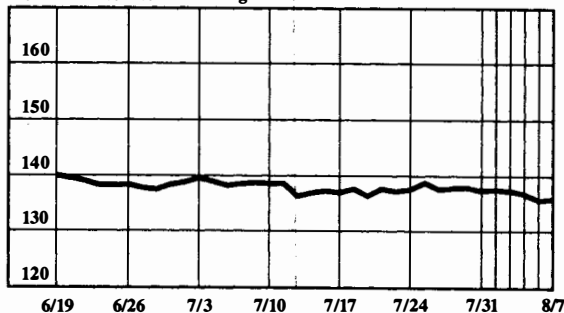
The dollar in deutschemarks

New York late afternoon fixing



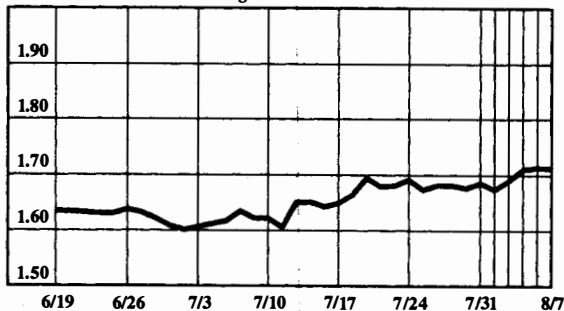
The dollar in yen

New York late afternoon fixing



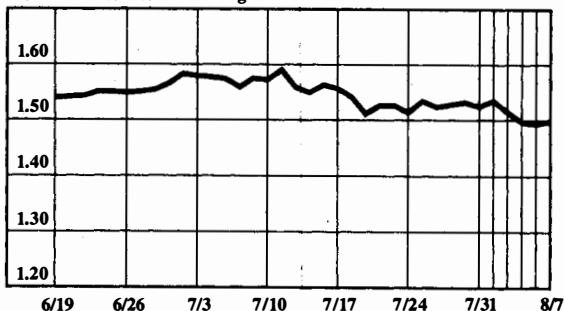
The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



African nations form economic community

by Dana S. Scanlon

African heads of state attending the 27th summit meeting of the Organization of African Unity (OAU) in Abuja, Nigeria signed a treaty at the beginning of June, creating the African Economic Community. The community, made up of the 51 nations of Africa, will be headquartered in Addis Ababa, Ethiopia. Established to promote the social, economic, and cultural development and integration of the African continent, the African Economic Community carries within it the seed of hope for hundreds of millions struggling for survival and a future.

Only an integrated, continent-wide approach to the development of energy, transportation, water, and other basic infrastructure will enable African nations to lift themselves out of deprivation and starvation. An aggressive pursuit of this kind of economic development is sure to bring African leaders into a head-on confrontation with the International Monetary Fund (IMF), which, above all, is concerned with population reduction and debt payment.

In addition to the civil war in Liberia and the dismantling of apartheid in South Africa, the issues of Africa's economic plight and its foreign debt burden were high on the agenda of the OAU summit. Africa's foreign debt is estimated at \$270 billion and nearly 50% of its exports annually go to service the debt. Debt service in 1990 alone was estimated at over \$35 billion. In some countries, such as Somalia, Mozambique, and Madagascar, the 1990 debt service obligations ran more than 100% of export earnings. The IMF runs economic and financial "readjustment" programs in many countries, leaving them even more unable to meet the needs of their people than they were before.

The colonialist legacy

The President of Nigeria, Gen. Ibrahim Babangida, has emerged as a leading figure in the continent's fight for debt relief. In addition to hosting the 27th OAU summit in the new federal capital of Abuja, he has also taken over the chairmanship of the OAU for the next year. Speaking to the assembled heads of state on June 3, he vowed to put a "complete suspension of the debt service for a very long period" on the agenda. President Babangida also stressed the "legacy of the past" in increasing Africa's difficulties in developing economically since independence.

"There was a triple tragedy of slavery, colonialism, and neocolonialism which has now spanned nearly 600 years," he pointed out. Historians estimate that more than 12 million men and women were forcibly removed from sub-Saharan Africa and forced into slavery during a 200-year period starting in the 1500s. Throughout the colonial period, local food crops and other such activities were suppressed in favor of exportable materials such as cotton.

President Babangida has launched a campaign to demand that reparations be paid to Africa for the hundreds of years of slavery and other economic subjugation brought on Africa by the imperial and colonial powers. This tactic seems designed to coalesce African leaders and public opinion around a campaign to write off Africa's debt. To much applause, he told the assembled heads of state: "The first step is for us here and now to adopt a continental position on the principle of international reparations for Africa. . . . Before we take our argument to the world stage, we need to carefully collect and record the evidence so that even the most unsympathetic judge or jury will have no choice but to rule in favor of Africa."

President Joaquim Chissano of Mozambique spoke at the conference of the urgent need for the countries of the South "to consider themselves owners of their resources," and for a common policy on such issues as foreign debt, price stability for African goods, investment for development, and food security. He warned that some 28 million Africans are in danger of dying, and that "the dangers of Africa being effectively cast out are real." African economic activity, he said, "ought to give priority to national and collective self-reliance through the full utilization of human and material resources. Africa must be a model of South-South cooperation and solidarity." He also stressed the importance of science and technology, and Africa's need to develop its own centers for research and science.

Debtors and predators

The urgency of forming an Africa-wide coalition for debt cancellation is being voiced by more and more leaders. Former Tanzanian President Julius Nyerere put it succinctly when he spoke to the press in Amsterdam in May, on the occasion of the 20th World Conference of the Society for International Development. The debtor nations, he said, must deal as a group with the "predator" nations, and must not go it alone. He cited the examples of Brazil and Mexico, which failed in past years when they attempted individually to reschedule their debts on favorable terms. "The countries of the South," said Nyerere, "have to sit down and talk to the elephants together."

With the international banking system in shambles, a united Africa would be in a position of strength to propose that economic development and the sanctity of each and every human life in sub-Saharan Africa be the priority, and not usurious debt repayment.

Twenty years of decapitalization sinks world shipping capacity

by Anthony K. Wikrent

The first of a two-part analysis of the state of the maritime trade.

Five bulk cargo vessels have sunk during the first five months of this year. In 1990, twelve ships sank, another 11 were seriously damaged, and more than 200 seamen lost their lives. This is no ordinary loss and casualty rate. These ships went down as a result of the last 20 years of decapitalization and "free trade" competition.

At the beginning of 1990, there were 22,983 merchant ships in the world, the average age being 16 years. With most merchant ships designed and built to last 20 years, almost the entirety of the world's fleet should be replaced over the next few years. But this is not happening. For most of the past two decades, shipowners (carriers) have barely been able to recover their operating costs, to say nothing about funds for new ship construction. The United States Lines went bankrupt, and saw some of its pride-of-the-line vessels sold for scrap. Only the commodity cartel companies—Cargill, Continental, and others—have successfully maintained their own shipping capacities with ease, while succeeding in imposing low freight rates on independent shippers.

It is a wonder that as many new ships have been commissioned as there are. The reason is that the largest shipbuilding countries—Japan, South Korea, and Germany—offer various types of direct and indirect subsidies that can cover up to half the cost of a new ship, and many other countries offer various kinds of alternative, non-market sources of capital for ship construction. In contrast, the United States has moved to terminate all government support for its maritime industries. The result has been, that while shipbuilding capacity in most countries is presently strained to the limit, U.S. shipbuilders have only three commercial vessels under construction, and are now facing extinction. Almost the sole customer in most U.S. shipyards for the last decade has been the U.S. Navy, now cutting its shipbuilding program by half in response to the bankruptcy of the national government.

The British grip on maritime finance

The London institutions that still dominate world shipping remain committed to the "free market" policies on which

the British Empire was built, and competitors subjugated. Noting that there are very few shipping companies in the world with a market capitalization of more than \$1 billion, Anglo-American interests are insisting that what remains of the world maritime industry be consolidated, on British terms, if it is to receive bank financing. The financiers want to be sure there are sizable assets that can be seized in the event of default.

And to make debt-for-asset grabs easier, shipowners are also being told to make their assets more liquid for short-term loans. Finally, to make sure there will be plenty of such grabs, bankers are demanding a "better return" on long-term ship financing; in effect, demanding that already-strained shipowners pay more in debt service. "Banks can't tolerate a 1% yield on the upside with all that risk on the downside," the managing director of Manufacturers Hanover Trust's global shipping group, D'Arcy H. LeClair, lectured a Shipbuilders Council of America conference on finance in April.

Dan White, a director of the British bank County National Westminster, places the cost of replacing all the tankers, bulk and combination carriers, general cargo ships, and container-ships that will be 20 years old or more by the year 2000, at \$250-350 billion. White estimates that shipping companies themselves will only be able to divert \$80 billion from cash flow; only \$15 billion will be recovered through scrapping; and banks will probably be unwilling to lend more than \$125 billion.

Shippers (those who own the cargo transported by the carriers), however, are reluctant or unwilling to provide carriers a high enough rate of return to be able to finance new ship construction, as the \$20-120 billion shortfall projected by White demonstrates. In fact, shippers are presently contesting every dollar, mark, guilder, kroner, and yen they are charged by carriers, and are militantly supporting each new proposal for "increasing competition"—the free market panacea designed to force carriers to underbid each other, but which all too often leads to bidding under costs as well.

For example, earlier this year a group of U.S. cartel-dominated agricultural commodities shippers filed a petition against the widespread use of shipping surcharges with the U.S. Federal Maritime Commission. They argued that sur-

charges make it nearly impossible to effectively plan shipping costs. However, the true cause of their dissatisfaction is revealed in shippers' arguments that surcharges are nothing but a means of unjustifiably increasing carriers' revenues, and should be used only to recoup sudden increases in cost due to temporary exigencies, such as steep rises in fuel costs, unanticipated port congestion, or war-risk insurance. According to shippers, carriers (who join together in rate conferences to establish standard rates for particular types of freight on specific trade routes) are slapping on surcharges to make up for their inability to raise rates in the supposed free market.

Symptomatic is the widespread anger amongst shippers at the TransPacific Westbound Rate Agreement (which sets rates for moving cargo from Asia to North America), which has flatly refused to accept discount deals for high-volume commitments from shippers, known as service contracts, which were authorized for U.S. trade routes by the U.S. Shipping Act of 1984. The Shipping Act of 1984 also made it possible for carriers to offer special contracts at rates lower than those agreed to by the conferences. This has driven rates down to abysmal levels on the major U.S. trade lanes.

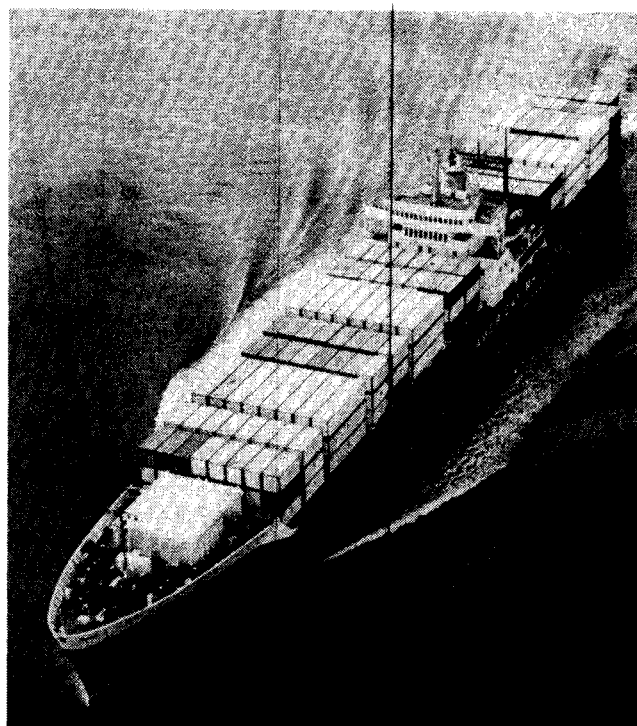
Aging vessels

There are three major types of merchant vessels: container-ships, bulk carriers, and oil tankers, and, for each category, revenues are insufficient to meet replacement costs. The data below present the age profile of the world fleet, carriers' plans for new shipbuilding, and the inadequacy of carriers' revenues to finance new ship construction. The declining and decrepit world shipping capacity is a prime example of the strategic, systemic weakness of Anglo-American "free market" economics: Contrary to the appearance of success, free market economics has been a miserable failure, able to pass itself off as successful only by ignoring *replacement costs*. With "buy cheap, sell dear" as its basis, "free market" economics has chronically failed to fund the level of capital expenditures required to maintain the physical basis of production and transportation.

The container trade

Most of the world's trade in manufactured goods is now carried in intermodal containers, allowing the transfer of the cargo from one mode of conveyance to another without having to unload the container. Specialized vessels, known as container-ships, have been developed for the marine conveyance of this cargo. Since these finished goods are usually the highest value cargoes, the shipping of containers has been amongst the most lucrative of trades. However, not all container traffic is high-value finished goods: Among the leading U.S. exports of containerized cargo is wastepaper.

The world's fleet of container-ships at the beginning of 1990 totaled 1,387 vessels of 29.7 million deadweight tons (dwt), able to carry 1,684,955 TEUs (20-foot container equivalents). Some 918 of these ships, able to carry



U.S. Department of Commerce, Maritime Administration

A container-ship, pioneered by American steamship lines, which has helped to trim the time and cost of ocean transportation. Today, even container-ships cannot survive in the "free market."

1,442,424 TEUs, or an average of 1,571 TEUs per vessel, were deployed on deep-sea trade routes, with the remaining 469 ships, carrying only 242,531 TEUs, or an average of 517 TEUs per vessel, deployed on intra-trade routes, such as the fast-growing intra-Asian routes. Another 596 container-ships, carrying 513,843 TEUs, were built before 1976. That is, 42.97% of the world's container-ships, accounting for 30.50% of world capacity, are 15 or more years old.

This is one of the better age profiles of major maritime sectors, reflecting the relatively greater attraction containerized shipping has had for investors. However, it must be recognized that the trade in high-value finished goods has been almost completely driven by the need of the U.S. to import up to one-half of its apparent "standard of living" (i.e., 30% of its automobiles, over 50% of its clothing, over 80% of its footwear, and almost all of its consumer electronics)—the direct result of the "post-industrial" and radical ecology policies which have dominated the United States and debilitated the U.S. manufacturing base.

Though the latest phase of the U.S. depression, which began in 1990, caused U.S. imports to stagnate, and in some cases decline, the Asia to North America trade route remains the largest maritime container route in the world, accounting for 24.6% of container trade in 1989. But the fastest growing area of container trade worldwide is intra-Asia. Michael Cohen, an analyst for the World Sea Trade Service of Temple Barker & Sloane, forecasts a 9.8% growth rate in intra-Asia

FIGURE 1

New containership construction is not enough to maintain the world fleet

Source: Nippon Yusen Kaisha Research Division, *World Containership Fleet and Its Operations*, 1990 Edition.

Despite a brief peaking in 1990, new construction of container capacity will not quite replace capacity lost through ships ending their useful lives.



trade this year, compared to a 4.3% growth rate in containerized shipments worldwide.

New completions drop

Following the period of 1977 to 1980, when 325 new containerships, averaging about 1,000 TEUs each, were completed, new completions fell rapidly, with about 50 new vessels a year delivered through 1986. The average number of TEUs per vessel climbed markedly, to 1,454 in 1983 and 2,054 in 1984. Deliveries then fell off, to 35 in 1987, 30 in 1988, and 38 in 1989, while average size increased to 3,019 TEUs in 1988 before falling to 2,268 TEUs in 1989 (Figure 1). The 1990 edition of Nippon Yusen Kaisha's *World's Containership Fleet and Its Operations*, from which these figures are taken, notes that 119 new containerships with capacity to carry 161,652 TEUs, are scheduled for delivery to world fleets in 1989-90, with another 86 new containerships, able to carry 170,872 TEUs, scheduled for delivery in 1991-92.

While this pace of new construction will just barely keep up with the aging of capacity, the abrupt stagnation of the North American trade routes has led maritime executives to fear an impending chronic surplus of containerships. This would create unbearable downward pressure on freight rates, leading to the ruin of many carriers, especially those that have committed themselves to new ship construction programs.

For example, the Port Import Export Reporting Service (Piers) of the *Journal of Commerce* reported in mid-July that U.S. ocean-borne imports nationwide fell 7%, while imports

on the North Atlantic trade routes fell 13%. Particularly hard hit was the Port of Boston, where total movement in and out fell 35% in April, leaving a year-to-date decline of 12%. Container volume at the Hampton Roads ports of Virginia was down 1%, while volume at the Port of Baltimore was up 13% from 1991, but still remains 20% below the level of 1989. Hampton Roads and Baltimore serve as entrepots for the Midwest, with containers moving to and from the ports by rail. As Juerg Bandle, vice president of Kuehne and Nagel, Inc., a freight forwarding firm in Jersey City, New Jersey, told the *Journal of Commerce* on May 28, "If [consumers] aren't buying, then Sears, Montgomery Ward, Reebok and the rest of them aren't going to be bringing in any cargo."

Rate increases unsustainable

As a result of the decline in cargo, carriers have been unable to sustain badly needed rate increases. In November 1990, the 13 ocean carriers in the Asia-North America East-bound Rate Agreement (Anera) proposed a general rate increase (GRI) of \$325 to the base rate of \$2,000 for moving a container of cargo. By January, the volume of traffic to the depression-wracked United States had fallen so dramatically, that Anera reduced the GRI to only \$200.

In late May, Maersk Lines unilaterally offered nearly \$400 discounts to its customers, setting off a discounting scramble to preserve market share, effectively reducing the GRI to only \$25-50 a container. Wayne Schmidt, president of Votainer Consolidation Service (U.S.A.), Inc. and a 20-year veteran of maritime shipping, told the *Journal of Com-*

merce in March, "Disaster. Underline that word five times and you've got the idea what Atlantic rates are like."

For example, the Anera rate for moving a 40-foot container of kitchenware from Asia to Los Angeles was \$2,075, but some carriers were offering to do it for only \$1,005 to \$1,155 in May. The rate for moving a 40-foot container of toys to Cincinnati was \$3,495, but six of eight Anera members were offering their services for only \$2,200.

Ship lines have attempted to force up freight rates by withholding capacity and forming agreements to share vessels while maintaining independent sales and shore handling facilities. In 1989, Anera, which controls about 90% of the import container traffic to the U.S. West Coast, agreed to reduce cargo space by 10%. By early July, some carriers began reporting an increase in eastbound traffic to the U.S., with American President Lines bringing in some 4,300 TEU ships at over 100% of capacity. However, the increase was not enough to provide a firm basis for raising rates, with Sea-Land reporting only 85% vessel utilization, and Kawasaki Kisen Kaisha ("K" Line) reporting under 70%.

Ken Johnson, director of corporate sales and marketing for Maersk Lines, told the *Journal of Commerce* in March, "If we had capacity coming out of our ears, we'd be on our own. [Vessel-sharing agreements] are a compromise, a second-best alternative." But with ocean-borne traffic in decline, carriers have little choice. An executive of Sea-Land told the International Intermodal Expo in late May that Sea-Land's vessel-sharing agreement with two other lines (P&O Containers and Nedlloyd) had slashed operational costs from 27% to 12%.

Carriers have also striven to minimize the time their ships must sit idle. U.S. railroads, for example, have enjoyed an explosion in shipments of containers over the past few years, as carriers chose to completely unload their ships at one port and distribute the containers by rail, rather than having their ships slowly work their way from one port to another. However, land and terminal costs now account for about 60% of the cost of moving cargo. The first attempt to deal with these costs was made in early June, when Sea-Land, P&O Containers, and Nedlloyd announced they were pooling their 50,000 truck chassis used to carry containers in the U.S.

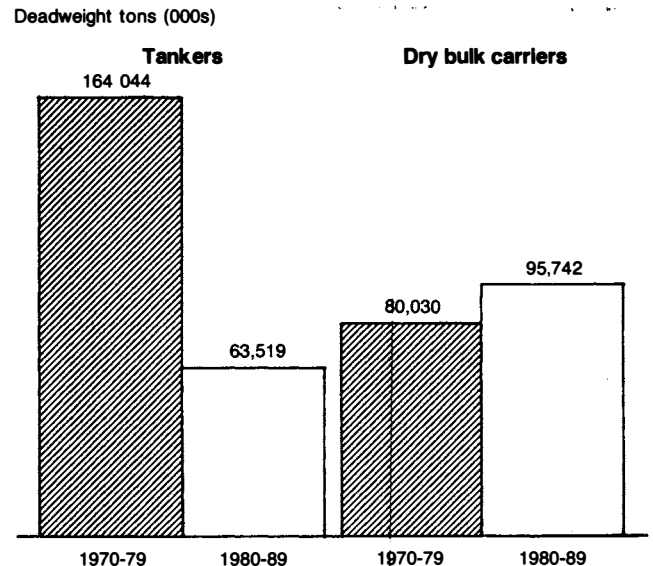
The world's second-largest container trade route is Asia to Europe, where any profit is lost by having to carry five empty containers for every full one on the return voyage. The Far Eastern Freight Conference, whose member carriers account for about half the trade, has struggled to bring rates back up to agreed levels following a full-fledged rate war last year. In April, and again in July, FEFC raised Europe-bound rates by \$200. Another "rate restoration" is scheduled to be implemented in October. Cargo volumes to Europe are up about 10% over last year, but carriers attribute the rise to demand generated by the rebuilding of East Europe.

Bulk cargo capacity not replaced

Bulk carriers transport basic commodities, such as iron

FIGURE 2

Tonnages constructed for world tanker and dry bulk carriers lag behind replacement needs



Source: Nippon Yusen Kaisha Research Division, *Review and Outlook of Shipping Market*, December 1990.

ore, scrap, coal, pulp, paper, grain, fertilizer, and chemicals. Of the 188,288 million dwt of dry bulk carrier capacity at the beginning of 1990, some 51.41% had been built before 1981. Unlike tankers, there was not a very dramatic increase in new additions in the mid-1970s. From 1990 to 1992, some 15.5 million dwt are scheduled to be completed, equivalent to 8.2% of the world's fleet of dry bulk carriers. That is not enough to replace the 17.36 million dwt that were completed before 1971 (see Figure 2).

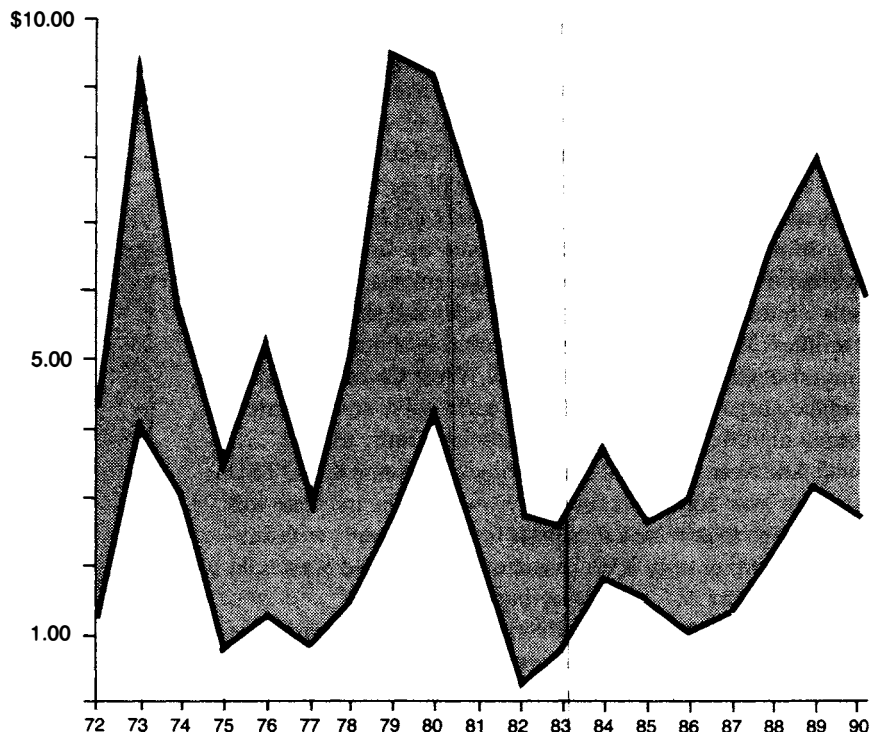
Following Paul Volcker's high interest rate shock of 1979, which depressed U.S. industrial output by 20-30%, and even more in some sectors, the cost of a year-long charter for a bulk carrier fell by over half, to only \$5,000 a day. By 1989, charter rates had struggled back up to \$13,000 a day—still well below ship replacement costs. The rapidly deteriorating economy in the U.S. caused the rate to fall back to under \$10,000 by the end of last year. However, in mid-July, sometime charter rates of \$15,500 a day were being made, but most charters were being set around the range of \$12,000 a day. Jim Cleary, vice president of Rodriguez Sons Co., told a conference in June that a new open-hatch vessel with shipboard cranes today costs over \$36 million, and would require daily revenue of \$21,000 to operate. "The lumber movement to the East Coast and Gulf will not support this type of cost," Cleary said. "The cost of innovations today cannot meet with market and competitive facts."

In the December 1990 *Review and Outlook of Shipping Market* by the Research Division of Nippon Yusen Kaisha, the largest Japanese shipping line, an analysis of time charter

FIGURE 3

Panamax vessels no longer receive the rates they did 18 years ago, on Far East-Europe trade routes

U.S. \$/deadweight ton
Yearly rate, high and low, Far East to Europe



Source: Nippon Yusen Kaisha Research Division, *Review and Outlook of Shipping Market*, December 1990.

rates for Panamax vessels clearly shows that from 1975 to 1979 and again from 1982 to 1986, shipowners were barely able to cover the direct expenses (crews' and stores expenses, insurance premiums, taxes, and other duties) of their vessels, to say nothing of operating costs (fuel, port charges, and office expenses), and capital costs (interest payments and recovery of invested capital). According to the NYK analysis, the annual average rates for the period of 1982-86, in dollars per dwt (the carrying capacity of a vessel, in tons of 2,240 pounds), were:

- approx. \$4.50: Handy size (around 25,000 dwt)
- approx. \$3.00: 40,000 dwt class
- approx. \$2.00: Panamax type (50,000-79,999 dwt)
- approx. \$1.00: Cape size (100,000-149,999 dwt)

The NYK *Review* noted that these rates "are all barely sufficient to pay the ship's direct expenses, and if these rates continue for a long time, shipowners will become unable to pay the interest and refund the principal on their debts, run into financial crisis, and go bankrupt one after another" (see **Figure 3**).

According to the NYK *Review*, "direct ship's expenses have always stayed and still stay in a narrow range around \$2." While noting that charter rates have sunk below \$2 for only brief periods, NYK's analysts explain that rates have been forced back up because, "at such low charterage, the owner can no longer afford to pay the direct ship's expenses necessary to keep the ship operable, resulting in the progressive disposal of superfluous vessels either by laying up or scrapping and, consequently, in the adjustment of active

tonnage."

Still, NYK's analysts found, "Panamax trip time charter rates were around \$2 even in time of structural recession." Carriers were able to stay in business because "the crew's expenses were suppressed by increasing the proportion of seafarers from developing countries in the crew complement, and the repair costs were also kept low by the protracted shipbuilding recession." Reviewing the trend in charter rates from summer 1990 on, the NYK analysts wrote, "it seems that the 'amber' light, if not quite the 'red' signal, has begun to go on and off."

As a result of this, ships are going down. As of May this year, five bulk carriers had sunk. Speakers at a special seminar of the International Association of Dry Cargo Owners held in early June attributed the unusually high rate of losses to corrosion; improper loading procedures which caused cargoes to shift, placing twice as much stress on a vessel's structure than it would endure in a storm at sea; and the lack of qualified crews. Maritime executives placed the blame on faulty ship design, while insurers blamed charterers for hiring the cheapest vessel available, while completely ignoring its condition and the qualifications of its crew.

A major trend is the increasing specialization of ship designs. For example, Gearbulk Holding, Ltd., a major Norwegian dry bulk carrier that was 25% bought out by Mitsui OSK Lines in May, has ordered three 41,000 dwt "Totally Enclosed Bulk Carriers," which reportedly resemble aircraft carriers. These ships are solely designed to carry forest products from Vancouver, Canada to Japan, and will make their

eastward voyages empty. These vessels are "Totally Enclosed" to prevent their cargoes from becoming wet while loading.

Oil tankers carry one-third of the total tonnage of world maritime trade. Of the 244.334 million dwt of tankers in the world's fleets as of the beginning of 1990, statistics from Lloyd's Maritime Data Network, used by Nippon Yusen Kaisha's Research Division, show that 76.74% was built before 1981. Some 131.799 million dwt, or 53.94%, were built in the years 1973 to 1977. Scheduled completions of tankers during 1990-92 will replace only 29.1 million dwt, or 11.9% of world capacity. Looked at another way, the 29.1 million dwt of new tankers scheduled to be completed by 1992 is not even enough to replace the 32.216 million dwt of tankers that were built in the years before 1972.

Cutting costs on maintenance

While the average merchant ship is constructed to provide about 20 years of service if adequately maintained, the squeeze on carriers' profits has led to severe cutbacks in proper maintenance. All the world's merchant ships are required to undergo thorough inspections every five years. (Japanese-flagged vessels are required to undergo inspections every four years. to 19) Nippon Yusen Kaisha's *Review of World Shipping* noted, "Trends which became notable since about 1988 are the increase in tankers undergoing their third regular inspections (at the age of 15) and the great differences in repair cost from vessel to vessel. . . . The wide differences in repair cost mean that they were repaired with different degrees of thoroughness when they went through their last regular inspections (in 1983 or 1984). At the time of their last regular inspections, the tanker market was at its low, plagued by a vast overtonnage. Tanker owners who could not afford to pay for thorough repairs tried to reduce the repair costs to the [lowest] possible minimum, resulting in the deterioration of the average quality of this age cohort of tankers. Even some of the tanker owners who could afford to, also cut down on their repair budgets. It was only recently that the tanker supply-demand balance improved and, at the time of the second regular inspection, these owners could not foresee their tankers going through the third check-up for life elongation, and instead expected the vessels to go to scrap yards by the time they were up for the next inspection. The maintenance standards were lowered to make the tankers only barely workable until just before the third regular inspection, which eventually turned out very expensive on that account."

And the five-year inspections become more rigorous for older ships.

At the beginning of the summer, Eric Sawyer, chairman of E. A. Gibson Shipbrokers, Ltd., estimated that a shipowner would need a 5-7 year charter, paying at least \$60,000 a day, to recover the current price of \$140 million for building a double-bottom supertanker in Japan. However, the highest

rates seen so far this year have been about \$40,000 a day. In mid-July, the *Journal of Commerce* reported that Chris Horrocks, secretary general of the International Chamber of Shipping, estimates that shipowners are earning only about half of the repayment costs of a new, double-hull super-tanker.

Tighter regulation inevitable

In the wake of the *Exxon Valdez* spill in Alaska's Prince William Sound three years ago, shipping executives discerned that new, tighter regulations were inevitable, but are warning that the specifications ought to apply only to newly built tankers. If the new specifications being discussed by the International Maritime Organization (IMO) are applied retroactively to existing tankers, many companies would be driven out of business, and wholesale scrapping of older vessels would occur. The result would be that "the American public will have to wear more clothes in winter and walk to work," one shipowner told the *Journal of Commerce* in mid-July.

Under the provisions of the U.S. Oil Pollution Act of 1990, which the IMO is considering adopting as an international standard, only older tankers built before the 1990s will be exempt from the requirement for double hulls, and even they must be replaced by 2015. Brent Dibner, of Temple, Barker and Sloane, points out that these requirements will not be a factor for "many, many years," and notes that there is a difference of opinion over the serviceability of very large crude carriers (VLCC), with one major oil company having just bought several VLCCs built in the 1970s or early 1980s. "They obviously believe that they can rehabilitate them and continue to use them," Dibner said. As Dibner pointed out, "In today's world, \$100,000 to insure a voyage is nothing compared to capital costs of \$50,000 a day" for amortizing the cost of a newly constructed VLCC.

Further clouding the picture for oil tankers is the decline in world oil consumption in 1990. According to the annual *Statistical Review of World Energy* put out by British Petroleum and released in June, world demand declined from 64.8 million barrels per day in 1989 to 64.7 million barrels in 1990.

The historical record of shipping shows that the adoption of "free market" policies leads to decline. But this lesson seems not to have sunk in. The shipboleths of the "free market" are accepted without question, and its ill effects finds many apologists, such as Dibner, who explained that consolidation of world shipping is "inevitable." According to Dibner: "What you're going to see is a trend to larger companies with older ships that can cross-subsidize new vessels. That means that they have old ships that are already paid off, that are generating revenues which are now pure profit, that can be used to build new ships. *I don't think anyone would expect new ships to pay their own way. That's not the way the free market works*" (emphasis added).

Mexicans do *not* want 'free trade'

by Peter Rush

Refuting the myth that "Mexicans want a free trade agreement with the United States," opposition candidate Jesús Tirado Valdez, running for municipal president of Cajeme, the municipality in which Ciudad Obregón is located, in the state of Sonora, has an excellent chance to win, if there isn't widespread vote fraud. Tirado has created the possibility to win against the entrenched, corrupt ruling PRI party apparatus by successfully mobilizing the "forgotten masses" of Mexico—the 70% or more of the electorate who are so disaffected with the political system that they have stopped voting at all.

Tirado is backed by a coalition of the Party of the Authentic Mexican Revolution (PARM) and the Ibero-American Solidarity Movement (MSI), both of which oppose the sell-out of Mexican sovereignty and prospects for economic growth represented by the North American Free Trade Agreement (NAFTA) being pushed by Presidents George Bush and Carlos Salinas de Gortari. Under the election slogan "Tirado is the good candidate," Tirado has gone into the slums and barrios that ring Ciudad Obregón, and has found a ready response. The PARM-MSI coalition has also fielded a number of other candidates who are running for state and federal positions, opposing the PRI's neo-liberal economic policies with a program for the industrialization and development of the nation.

On July 31, for example, Tirado held an open meeting, which in itself is significant, given that the candidates opposing him have been reluctant to hold even a single such meeting, for fear of failure. In the words of the local paper *Diario del Yaqui*, the event "had the full attendance of the citizens who poured out from the barrios where Dr. Tirado has been conducting his visits to homes and workplaces." It quoted Dr. Tirado saying, "This rally once again confirms that the overall attitude of the people is a total rejection of the official [PRI] candidates and a strong commitment to defend participation in the elections and defend the vote." He added, "I fiercely oppose the free trade treaty, which is only producing work for slaves with miserable wages of 13,000 pesos a day" (\$4.30 for 9-10 hours).

Opposition to dictatorship

The Sonora state daily *El Imparcial* also favorably reported on Tirado's campaign, detailing his attacks on how Salinas

de Gortari has further indebted Mexico and the candidate's charge that the government's embrace of the International Monetary Fund's policies has destroyed the nation's productive capabilities. The daily reported Tirado's statement that "we were told that the foreign debt would be reduced by 30%, down to \$75 or \$80 billion. The fact is that the current debt is more than \$100 billion. . . . We were told that there would be help for agriculture to produce more efficiently. . . . The fact is that the elimination of guaranteed prices for producers has accompanied the constant increase in the prices of inputs."

In the same article, PARM State Deputy Alberto Vizcarra is quoted saying that "what no one wants to say is that George Bush wants a dictatorship in Mexico to implement the genocide already imposed on Iraq and in Panama. He wants a dictatorship like that already existing in the United States, where political dissidents, such as Lyndon H. LaRouche and his collaborators, are jailed, along with black civil rights and religious leaders, who also suffer police brutality."

Other opposition candidates are also shaking up the political scene in northern Mexico. Patricio Estévez Nenner, a federal deputy from the PARM, is running for governor of Sonora, one of Mexico's richest—but still quite poor—states, bordering on Arizona and California. Estévez has defined the issues in his race against PRI favorite Manlio Fabio Beltrones, by attacking the inhuman working and living conditions of workers in the *maquiladora* factories that have proliferated along Mexico's northern border. The *maquiladoras* are plants that import parts from the United States, perform final assembly in Mexico paying very low wages, and then ship the total output back to the U.S.—benefiting Mexican workers hardly at all, and stealing jobs from American workers.

Cecilia Soto González (see interview with her below), a deputy in the Sonora state legislature who is running for federal deputy from the third congressional district, has stirred up a storm by her exposé of one particular *maquiladora*, Tetakawi, located in Empalme, Sonora. Tetakawi is an auto parts plant at which she worked, incognito, for a week, before revealing to the press the real situation in the plant. In a packed press conference on June 13, Soto González revealed that wages at the plant were about as low as any in Mexico—50¢ an hour, low even compared to other *maquiladoras*.

Surrounded by 14- and 15-year-old girls with whom she had worked in the plant, Soto revealed that as a condition of employment, she had to sign up with the "company" union, and sign an undated resignation form, such that if the plant ever wanted to get rid of her for any reason, the management could do so on the spot, without having to pay severance or any other benefits. The interview which follows is a report from Soto on what she encountered, and of the successful strike which workers at the plant held to obtain better wages and working conditions.

'The maquiladora system is suicidal'

Cecilia Soto González is a candidate from the Authentic Party of the Mexican Revolution (PARM) for federal deputy from the third congressional district. Mrs. Soto was interviewed by Hugo López Ochoa in Sonora on July 29, about her experience working "under cover" at the Tetakawi maquiladora for a week.

EIR: Tell me about the workers' fight for better wages and conditions at the Empalme *maquiladora*, for example, the fact that hundreds of workers surrounded the CTM leader's house and forced him to call a strike.

Soto: When I held my press conference after working for a week at the *maquiladora*, I reported that I hadn't seen mistreatment of the workers—at least, I didn't see people getting beaten, or anything like that. But then a tall young man who was at the press conference interrupted me and said, "I have seen that." He was Sergio Villa, the one who organized everything. He asked for a wage increase, and the company threw him out and sent him to jail. When his friends saw that he wasn't coming back, they left, one by one, and held a four-hour strike. The union had never acted. . . . The incredible thing was that they didn't even know whether what they were doing was really a strike. The work stoppage finally lasted 12 hours. The company didn't let him back into the plant, and told other workers to stay out. . . .

No one went to work, and they all went out to march—1,000 of them—to surround the house of the CTM leader, to demand that he call a strike. The labor leader, Juan Salas de la Paz, decided to do that, rather than lose his credibility. He had been the CTM leader in Empalme for three years; not only had he done nothing, but he looked the other way and allowed all sorts of irregularities. . . .

EIR: Why are they called the Tetakawi *maquiladoras*? Are there several of them?

Soto: Yes, they mainly belong to National Industries of Alabama. The other one is Wilson, a clothing *maquiladora*. Tetakawi is the Mexican firm which services the *maquiladoras*. One of them hires the workers, so the gringos won't have any labor problems. They hire for all the others. . . . It's

one company which offers one wage for all of Hermosillo's *maquiladoras*. . . .

EIR: How long did the strike last?

Soto: It lasted 10 days, but they stopped working every day for four hours. . . . Before the strike began, the company decided to increase wages "on their own initiative," so terrified were they that a precedent might be set, and not wanting to have to deal with the union. But the workers replied, "We won't accept this. . . . We want to have a union," so they went ahead, in order to get more benefits.

Incentives are so poor, that instead of improving production, they sabotage it. For example, if you have "perfect attendance," you don't arrive late, don't get sick, etc. for a month, they give you a 15,000 peso bonus for the month. The problem is that for women with children, it's hard not to miss work for a whole month. So the workers got the company to make this a weekly, rather than a monthly bonus. Moreover, the company increased the wage from 11,800 pesos daily to 18,000-19,000 pesos, although they demand more production in exchange for that.

EIR: What did you conclude from all this?

Soto: The important thing was that the union was revived. Within eight months, the workers can alter their contract when it comes up for renewal. Another important thing is that the company committed itself not to force workers to sign a resignation letter when they are hired, and they will also demand a birth certificate, so as not to hire under-aged workers. By the way, in a radio interview I did in Guaymas on this issue, I said I would send copies of the papal encyclicals *Rerum Novarum* and *Centesimus Annus* to the owner of Tetakawi, Luis Felipe Seldner Tonella, so that he can deal with his workers in a more Christian manner.

I also noticed that the president of the Hermosillo *maquiladoras*, Armando Lugo, told me in Guaymas that wages are low because there is no competition, and that there's not a wage problem, but it's just that the workers don't want to work. I said to myself, "They're dying of hunger and don't want to work? They must be Martians, so I'm going to look into this."

EIR: What else can you say about your work in the *maquiladora*?

Soto: I saw a real sense of dignity. There are many under-aged workers, working because they have to; but they don't let themselves be so worn down by accepting non-existent wage incentives. Sure, there's a certain cynicism that develops. But the point is that the *maquiladora* strategy is suicidal from the standpoint of real productivity. Where I worked, every day they hired 50 to 100 new workers; it was a revolving door. They all have job applications at three other places, to get out as soon as they can. You'll never achieve labor productivity that way.

Frankfurt emerges as German dope capital

by Volker Hassmann

A series of bloody shootouts between rival gangs in Frankfurt-on-Main have confirmed recent warnings by Chancellor Helmut Kohl against the growing power of organized crime in Germany. In the last cabinet meeting before the summer recess on July 24, Kohl reacted to a dramatic escalation of the drug problem in the country, which saw a record death toll among drug addicts in the first half of 1991. In the east German states, a full-fledged drug trade network is being established and a large amount of laundered drug money is flowing eastward in the form of regular "investments." Kohl cited a study by Interpol that counts an annual turnover of \$500 billion in the global narcotics trade.

Kohl called the drug cartels "a challenge to the state and society," and said that the dimensions of the world dope trade are such that extraordinary measures, such as a ban on money-laundering and new options for drug enforcement, had to be considered.

Kohl voiced concern about the recent, massive inflow of dope from areas east of the German-Polish border, and pointed out that synthetic drugs are produced in large quantities in Poland, natural drugs in the Soviet Union.

Gang warfare

In recent years, Frankfurt has become the nation's capital of crime. Drugs, prostitution, illegal gambling, money laundering—all are organized within a tight, mafia-style structure, headed by mobsters and real estate czars linked to international organized crime. Now, a violent gang warfare has erupted. On July 18, shots were fired from a passing car into a group of Yugoslav gamblers playing the "shell game" in front of a bar in the red light district, leaving two dead and four injured. Ten days later, there was a shoot-out between a Turkish drug dealer and Yugoslav gangsters. On July 22, a drug dealer opened fire against a police officer during a routine check; two bullets hit the head of the officer, who has been in a coma ever since.

According to the city's Attorney General, this is only the tip of the iceberg. The power struggle among the gangs is escalating, with shootings every two or three days—four in the last week of July. The Yugoslav gangs are only the foot soldiers of the Frankfurt mafia. There are seven to ten groups running the "shell game," which yields up to DM 20,000

(\$11,000) daily for one team. The police speak of about half a million deutschemarks daily in cash income invested in the drug trade. The Yugoslav gangs get a fixed salary, while the cash flow is taken by the local drug barons. Illegal gambling in Frankfurt yields an annual turnover of DM 300 million (\$1.7 million), with the gigantic profit from the heroin, cocaine, and arms trade not included.

Yugoslavs have taken over the heroin business, which they run for the city's mafia, sometimes called the "Israeli" mafia. This is run by the Beker brothers, who have run the red light district since the mid-sixties. The Bekers later moved into real estate speculation and, together with real estate czar "Joschi" Buchmann, are involved in various corrupt deals with local politicians. Buchmann, with connections to the organized crime networks of the late Meyer Lansky networks, is believed to be the "godfather" of organized crime in Frankfurt.

Liberal city fathers do nothing

The gang warfare has alarmed the public, while the liberals are playing down the problem. Social Democratic Mayor Andreas von Schoeler, a passionate advocate of the decriminalization of drugs since his days in the liberal Free Democratic Party (FDP), did not even mention organized crime in his inaugural speech in May, and denies that Frankfurt is a "crime capital." Not only has he, with the Social Democrats, prevented the closing of the red light district; he now wants to open a "tolerance zone" for prostitution in the northern part of the railroad station district. Under heavy pressure, he finally ordered a "review" of the permits of bars and brothels, and agreed to force them to close at 2 a.m. instead of 4 a.m., calling this a "decisive blow" against crime.

The liberals in the FDP on the national level have sabotaged the federal bill against organized crime so effectively, that Frankfurt police spokesmen have criticized it sharply. The chief of police regretted "unrealistic concepts" which are not sufficient "if we really are to fight organized crime." Except for the fact that organized crime is finally realized as a major challenge, there is not much to the bill. The penetration of the mafia by undercover agents is seriously hampered, as these agents are not allowed to place wiretaps on apartments (where all deals are negotiated) and have no effective protection of their identity if they are called to court as witnesses. "The drug barons can be happy," editorialized the daily *Stuttgarter Nachrichten*, warning "that within years, far more drastic measures than discussed today, will have to be taken against organized crime. But then it will be too late."

No matter what Schoeler says, Frankfurt is losing its reputation, causing alarm among industry and local politicians. An internal study by an economic newsletter has called it "the German Chicago." In the debate over the future seat of the planned European Central Bank, Frankfurt is now rated fourth, behind Luxembourg, Brussels, and London.

Germans look to Ukraine's potential

Focusing on farming, industry, and transport, Ukraine has good options, if the political problems can be resolved.

Ukrainian politicians have toured Germany often in the past months, to explore the potential for economic cooperation. Such cooperation is possible and desirable, also from the standpoint of the interest of the central Soviet administration and the Russian Federation government.

The Germans usually argue that economic assistance can be efficient only on the condition that relations between Moscow and the individual republics are clearly defined and respected by the Kremlin. Germany is not in favor of the "war of laws" that is still raging between Moscow and Ukraine.

Expectations are expressed in Germany that the new "9 plus 1" union treaty, unfavorable as it may be to the cause of full Ukrainian independence, will reintroduce some principles of stability, calculability, and confidence into Moscow-Kiev economic relations.

Ukraine is well-positioned for economic recovery because of its fertile soil and productive farming, its developed railroad and port structure, and its strong industry.

Ukrainian development will work, however, only on the premise that the neighboring republic of Russia manages to establish a high degree of independence from the Kremlin and reorganize its own economy so that it works. An economically unstable Russia alongside a flourishing Ukraine would create a dangerous imbalance.

Assuming that the new union treaty works, the following approach may be best for Ukrainian development, in

the Germans' view:

The 1991-2000 railway development plan of the Soviet Ministry of Transportation, which recommends a crash program for investments, lists the rail route Moscow-Kharkov-Rostov-Baku among those that should be given priority investments because of their importance for the transport of agricultural and industrial goods. This includes the construction of new "parallel tracks."

Kharkov, a central rail junction in Ukraine, is the biggest for commodity transport in the southern Soviet Union. It can be reached from the two Black Sea ports of southwestern Ukraine in Odessa and Chersson, and from Kiev. Kharkov is well positioned for the distribution of commodities and prefabricated products between the mining and industrial regions of Donbass and Krivoi Rog. From the latter, a Russian gauge rail route that needs no change of gauge-widths, as otherwise required at the borders to the West, leads to the heavy industrial region of eastern Slovakia (Kosice), in the neighboring Czech and Slovak Federated Republic.

The importance of improving the functioning of the Kharkov junction has repeatedly been pointed out by German experts in rail transport.

On the basis of the existing, Russian-gauge railroad system, investment in modernization projects can create an efficient rail transport grid. Ukraine is the central transit region to and from the big Black Sea ports, which are all relatively well connected to the interior of the country.

But what should be considered by

policymakers in Moscow and Kiev is building an entirely new railway grid based on the European gauge-width, parallel to the main routes that exist today. This would offer the perspective of eliminating the chronic backlog at central U.S.S.R. border transit stations to Europe like Brest-Litovsk, Przemysl, and Grodno, where trains have to be adjusted to the changing gauges.

In this context, a study recently done by the German Railway Consulting firm in Frankfurt-on-Main for the German government recommends that the Soviet state railways would gain a far higher efficiency if they introduced the concept of the "rolling highway." This is valid also for rail transport among Moscow, Kiev, Kharkov, and the Black Sea ports, under the new union treaty.

Using this method, which combines rail and road transport, an entire truck convoy or its equivalent could travel 1-3,000 kilometers in 1-3 days at the most, with virtually no use of costly gasoline.

The trucks would be landed, similar to roll-on/roll-off methods used at seaports, at well-selected railway pivots deep in the interior, from where they could travel on to their final distribution points 100-250 kilometers away. Given the huge transportation distances, often several thousand kilometers, that are typical for the Soviet Union today, the use of such "smaller" distribution diameters would represent a giant step forward in transport density.

Especially in the transport chain between the Black Sea ports, the main railroad tracks, and the industries in the interior, a "rolling highway" grid would add immensely to the productivity of the future economies of the "9 plus 1" union—the western parts of Russia and Ukraine being vital motors of rapid economic recovery.

Is Citicorp the next merger candidate?

America's largest bank is bankrupt, but is there anyone around who is big enough to buy it?

Citicorp is "technically insolvent" and "struggling to survive," House Energy and Commerce Committee chairman John Dingell (D-Mich.) stated at a hearing of his committee's Telecommunications and Finance Subcommittee on July 31.

On Aug. 2, two days after Dingell's bombshell, Standard and Poor's dropped their Citicorp rating "to negative from stable to reflect concerns about asset quality." In more ordinary times, were a senior congressman to publicly state that the largest bank in the United States was insolvent, and S&P to nod, the result would be pandemonium on the markets. Bankers and the press would accuse the congressman of everything from incompetence to beating his dog, and the FBI would investigate him and S&P.

But these are not normal times, and the lack of outcry gives credence to *EIR* reports that the Federal Reserve is running an operation for the Bank for International Settlements (BIS), to put America's biggest banks under quiet Fed receivership in an insane attempt to stop an uncontrolled crash.

The BIS says the number of banks must be reduced, and merger is one quick answer. Did the BIS and Fed make a shotgun wedding of Chemical and Manufacturers Hanover, and Sovran and NCNB? Is Citibank being softened up for a megamerger, and with whom?

Citicorp, of course, quickly denied Dingell's statement. "Congressman Dingell's statement is irresponsible and untrue," the company insisted. "We have \$18 billion of Tier I and Tier II capital. Our ratio of Tier

I and Tier II capital is 8.16%, all of which is a matter of public record."

A plethora of banking analysts chimed in to defend Citicorp's honor.

"Technically, if you marked Citicorp's balance sheet to market, someone might be able to have the opinion that they're insolvent," admitted Tucker Anthony analyst Gerard Cassidy. ("Marking to market" means counting assets at current market value, as opposed to speculative "book" value.) Cassidy added that marking to market "doesn't fall under generally accepted accounting principles," and does not take into account the future value of the banks' loans.

Federal Deposit Insurance Corp. chairman William Seidman stated, "I don't believe it is insolvent under any standard."

Standard and Poors have long worked as private raters for the BIS central banks. "The major concern centers on the domestic real estate portfolio," S&P said. "This portfolio has experienced a slowdown in addition to loans on non-performing status. However, given the deteriorating conditions in real estate markets, particularly in California where Citicorp has significant exposure, there is a potential for non-performers to reach substantially higher levels, which could prompt a rating downgrade. . . . Reserves appear low for the current level of problem assets."

Citicorp is also in trouble with its New York real estate. "New York City, like other areas, has plunged into one of the worst real estate slumps in history," the *Wall Street Journal* admitted. "Rents on many New York

properties are being renegotiated severely downward" as vacancy rates climb "ominously" in "the depressed New York market."

With the nation in a deepening depression and the real estate bubble having popped, things will only get worse. The banks and thrifts have hundreds of billions of dollars in overvalued real estate and real estate loans on their books, and the Resolution Trust Corp. has another \$150 billion or more of assets to unload. Under these conditions, Citicorp and the other big U.S. banks are bankrupt several times over.

Citicorp's problems are not limited to real estate, either. London banking sources told *EIR* that Citicorp now also faces a major threat from the crisis of the U.S. insurance sector in the wake of the collapse of Mutual Benefit Life Insurance of New Jersey in July.

Citicorp is the largest U.S. bank dealing in what are known as "asset-backed" securities. In this particular financial innovation, the bank takes a pile of its real estate loans or credit card loans and "bundles" them into a new bond which it sells to a pension fund or other large investor. It guarantees the revenue of the mortgage or credit cards contained therein by an added "enhancement," in the form of an insurance policy insuring against default on the underlying mortgage.

Mutual Benefit and other companies downgraded by Moody's have made a huge business in such "credit enhancement" underwriting. As this now is called into doubt, it will hit Citicorp and stymie their major technique for meeting the 1992 Basel BIS's bank capital adequacy standards.

A German source told *EIR*, "All indications I have are that the U.S. authorities are in a state of near panic, that the entire system is on the verge of being illiquid."

NAFTA opponents persecuted

A new prosecutorial machine will be turned against critics of the Bush-Salinas free trade pact.

Attorney General Ignacio Morales Lechuga and Finance Secretary Pedro Aspe Armella announced in mid-July the creation of a new Special Prosecutor's Office for Tax Crimes. "Every businessman who dares to open his mouth against NAFTA is going to be hit by the Treasury," a Mexican businessman told *EIR*, in reference to the North American Free Trade Agreement that is currently under negotiation among Mexico, the United States, and Canada.

"The new prosecutor's office is an import of tax laws from the United States," said another businessman. "Everyone is going to be suspected of being like Al Capone, until we prove otherwise."

The special prosecutor's office, together with a new U.S.-Mexico environmental border plan and NAFTA's "rules of origin," all form part of a formidable political and administrative persecution apparatus, to be deployed by the Salinas and Bush governments against opponents to NAFTA within the Mexican business sector.

In announcing the new prosecutor's office, Attorney General Morales Lechuga denied that the new agency meant that the federal government had begun "a policy of fiscal terrorism." Rather, according to Pedro Aspe, the office "will establish a mechanism to provide for greater flexibility of action against tax fraud, through both increased and improved intelligence."

However, it was Roberto Hoyo, the special prosecutor designated to the new post, who made clear the real

intention of his office, when he declared that "there will be no pardon for evaders," and that "the punitive structures, like the administrative," will be increasingly severe.

Thus, the first action of the special prosecutor's office was to train its personnel ("tax police") in "techniques used by swindlers," "company accounting measures," "detection of false documents," and other means used "to elude or simulate compliance with the law."

Not accidentally, the new tax police will go into operation just as the formal trilateral trade negotiations among Mexico, the U.S., and Canada get under way. The Salinas government is clearly determined to silence opposition to NAFTA among industrialists and farmers, by using the threat of fiscal scrutiny which might not merely send them into bankruptcy, but now to jail as well.

On Aug. 1, representatives of Mexico's Urban Development and Ecology Department and the U.S. Environmental Protection Agency signed a cross-border environmental plan designed, among other things, to oversee border movements of "dangerous waste products," to control chemical emergencies, and to police the contaminating practices of companies on both sides of the border.

In announcing the new plan, Mexican Secretary Patricio Chirinos declared that "highly contaminating industries have been found" in the so-called *maquiladora* belt. Since this is hardly news to anyone who cares to enter the *maquiladora* zone, it should prove very interesting to note just

which companies have *suddenly* been found guilty of contaminating.

Mitsuhara Nakata, representative of the Japanese assembly plants along the northern border of Mexico, recently noted that "there is some uncertainty within the *maquiladora* industry," and expressed his concern that "my nation's capital not be affected by the signing of the treaty."

Regarding NAFTA's "rules of origin," the United States' position is that "no fourth nation shall benefit from the trilateral agreement." The president of Germany's Mercedes-Benz company, Andreas Sperl, has already warned Mexico that trade war has de facto been declared, and stated that "the ambitious investment programs [we] have for Mexico could be revised if the trilateral agreement establishes very strict rules of origin—that is, if Mexico remains interesting for European and Japanese investors once the treaty is signed." The \$2 billion Mercedes investment package was one of the few shining achievements of President Salinas's early July trip to Europe!

With Mexico's new fiscal and ecological policies and trade rules, the Mexican and U.S. governments have created an administrative structure through which all "undesirables" may be expelled from their "free trade" plans. The Japanese and Europeans fit the category of "undesirables" because they are very competitive. They might be dealt with through accusations of being "highly contaminating." Mexican businessmen, on the other hand, are considered "undesirables" because they are *not* competitive.

By sweeping the Mexican economy free of such "undesirables," the free trade fanatics on both sides of the border hope to clear the way for converting the entire nation into a slave-labor camp, *maquiladora*-style.

Business Briefs

Economic Theory

Journal attacks World Bank privatization

The *Far East Economic Review*, in an editorial by Anthony Rowley, has attacked the World Bank's new privatization drive.

Making an ironic attack on the Bank's claims to divine rights, Rowley says that we now have a "market friendly" orthodoxy issuing *ex cathedra* from the World Bank. Such beliefs are sweeping Eastern Europe and the Third World. . . . Its liturgy is not inspiring. The real key to development, according to the latest revealed wisdom in that bible of development, the World Bank's *World Development Report*, is the 'interaction between government and markets.' "

Referencing the role of former British Prime Minister Margaret Thatcher and "her ideological soulmate, Ronald Reagan," in the creation of this dogma, he points out that "the market doctrine's narrow approach to human development has failed to roll back poverty. . . . There is no mention of the moral, ethical or even cultural values which Christian, Muslim, and other religious leaders would like to see inform the development debate. It is presumptuous of the World Bank to talk of a new 'consensus,' " except among themselves.

Aerospace

Japanese consortium to produce commercial planes

The Japanese Ministry of International Trade and Industry (MITI) is funding a feasibility study by Japanese aircraft manufacturers expected to lead by the year 2000 to the production of a 75-100 passenger airplane called the YS-X. It will be a competitor to the Airbus consortium, and the major U.S. plane manufacturer, Boeing.

According to *Aviation Week*, MITI has funded at least 60% of a two-year, \$2.2 million feasibility survey. The remaining money came from a non-profit coalition of aircraft and component manufacturers, including Mitsubishi

Heavy Industries, Kawasaki Heavy Industries, and Fuji Heavy Industries. The government is also funding half the cost of the second phase of the YS-X program. When the design is fixed, one of the companies will be chosen to produce the plane.

Aviation Week commented: "In addition to lowering risk, the coalition approach eliminates duplicate research, engineering, and other costs. . . . Small manufacturers benefit as they are less likely to be squeezed out by the giant conglomerates." The Japanese have stated that the most promising market for the YS-X is North America.

Soviet Union

Fuel and energy crisis added to food crisis

"Fuel and Energy Crisis Imminent in the Country," was the headline of an article in the July 18 *Sovetskaya Rossiya* which catalogued current energy problems in the Soviet Union. The article singled out for criticism the desire of each republic to manage its own energy grid. "The economic base sectors providing people with heat, light, automobile fuel, and raw materials for the chemical and many other sectors of industry, have ended up either completely or partially rudderless." An entity called the Siberian Oil and Gas Complex, which had provided reserve fuel output for the country, can no longer do so.

The article warns: "Mankind has not yet learnt how to do without fuel and electric power," and criticizes local governing bodies which have killed off power plant projects over the past decade throughout the country. "The negative attitude of the so-called 'public at large' toward electric power engineering . . . has led to a halt in planning and construction at 64 power stations with a total capacity of about 160 million kilowatts," giving the U.S.S.R. a reserve power capacity of only 4-5%.

"Let's hope that what shook the U.S. back in 1965 does not happen here during the coming winter," *Sovetskaya Rossiya* warns. It concludes with an argument for centralized management of the electrical power grid, even though it contradicts the principle of "free enterprise."

Free Market

IMF, Sachs wiping out Czechoslovak industry

The International Monetary Fund and Finance Minister Vaclav Klaus's monetarist policies, modeled on the advice of Harvard Prof. Jeffrey Sachs, are collapsing the industry of Czechoslovakia. According to statistics released in July by the government in Prague, the main effect of the free market mania is to wipe out industry.

In the first six months of 1991, industrial production went down 17% and consumer prices went up 50%. Unemployment went up 5%, but in Slovakia it rose two times faster than in the Czech region.

The government is trying to postpone the social explosion which is expected to come in the second half of the year when Klaus's monetarist policy will simply stop wage payments in most of the large state companies. Data given out by the Foreign Trade Ministry forecast a 35% increase in exports to the industrialized nations, but the ministry admits that it does not know if this increase is due to the devaluation of the currency or a drop in prices.

Development

'Greenhouse' politics called 'immoral'

Sir William Mitchell, a leading scientist at Wadham College in Oxford, England, attacked the idea of "sustainable development" as ensuring poverty in the Third World, and attacked "greenhouse effect" politics as immoral, in an article in the latest issue of *Physics World*, the July 31 London *Daily Telegraph* reported.

Mitchell argued that "sustainable development" is "morally unacceptable" because world energy demand will have to roughly double if the world's 5 billion people are to be brought out of poverty. Sustainable development, he charged, "simply means the *status quo* of half the world's population living in

poverty." The only morally acceptable basis for action, is to bring the 2.5 billion up to the standard of living of the developed world. Even with efficiency measures, this would increase the gases that cause the greenhouse effect. "We shall therefore, in my view, have to learn to live with it."

Mitchell argued that priorities for world development should be devoted to adapting to a warmer climate rather than preventing it. "This means developing new agricultures, using unused land, and even encouraging means of population migration," he said.

The professor dismissed computer models of future climate behavior as a guide to policy because "scientific knowledge is currently inadequate." What is essential is long-term climate research. Increased understanding will only come from laboratory studies, satellite monitoring, and improvement of computer models, he said.

AIDS

Africa facing zero population growth

Industry and actuarial experts are increasingly alarmed by the prospect that AIDS will reduce many African nations to a rate of zero population growth, with devastating effects on industry.

South Africa's population growth will have ceased by the turn of the century, predicts Theo Hartwig, Chief Actuary of the Old Mutual Insurance Group and one of South Africa's leading statisticians. Hartwig has concluded that by 1995, about 10% of the working population will be infected with the AIDS virus, 30,000 will be ill, and 25,000 will die that year. By 1998, there will be 40% infected, 175,000 will be ill, and 130,000 will die.

AIDS is a threat to the mining industry in terms of output, profits, and labor, Johann Liebenberg, a senior general manager of the South African Chamber of Mines, said in an interview with *South Magazine*. He noted that pre-employment testing for the HIV virus has meant that most Malawians are already turned away. "Our experience with Malawians has

been pretty tough; there are only some 36 Malawians currently working in our mining industry," he said.

Ellis Smith, the chairman of the Federation of Master Printers in Zimbabwe, told its annual meeting recently, that more apprentices must be recruited to replace those who are dying from AIDS. "At present, AIDS-infected people represent 4% of the population. This percentage is going to increase to perhaps 25% or even 30% by the year 2000," Smith said. He noted that the failure to train more people would lead to a rapid escalation of wages for a shrinking pool of skilled workers. The number of AIDS cases in Zimbabwe has risen from 119 in 1987 to almost 6,000 at the end of 1990.

In Uganda, where 1.3 million of the total population of around 17 million are now HIV-positive and the number of AIDS cases is doubling every six months, households are increasingly short of farm labor and have to take children out of school or abandon more labor-intensive crops, *South Magazine* reported.

Infrastructure

Minister urges Berlin to Moscow high-speed railroad

There should be a high-speed rail connection from Berlin to Warsaw and Moscow, recommended Wilhelm Knittel, the assistant transportation minister of Germany, at an east-west transport panel in Sofia, Bulgaria on July 31.

Knittel said that the route already projected from Hanover to Berlin, on which construction work would begin this autumn, should be extended to the capitals of Poland and the Soviet Union to link them up with the West European high-speed railroad grid.

Knittel also emphasized the importance of continent-wide waterway transport, which is expected to increase significantly after the opening of the Rhine-Main-Danube Canal in late 1992. The canal will create a continuous waterway for container freight and other cargo over the distance of 3,500 kilometers between the North Sea and the Black Sea.

Briefly

● A MINING pact on gold was signed between the Soviet Union and South Africa on July 16 in Johannesburg. The two nations produce almost half the world's gold. Radio Moscow quoted Naas Steenkamp, president of the Chamber of Mines in South Africa, saying that the agreement could lead to exchange of technology, equipment, and mining methods.

● AN ASSOCIATION for economic cooperation in northeast Asia has been founded in Beijing between China, Japan, North Korea, South Korea, the U.S.S.R., and Mongolia. While not a trade pact, the association will "promote economic cooperation" in the region.

● PAKISTAN and Sudan held meetings to consolidate economic and technology ties July 20-21, according to Islamabad Radio. Working groups were set up for trade, industrial cooperation, and agriculture.

● MCDONNELL Douglas, the U.S.'s number one defense contractor, asked the Pentagon last January to advance it \$1 billion against its defense contracts to try to stem cash flow problems, *Aviation Week* reported July 29. In a letter to the Defense Department, the firm stated that market conditions had made "borrowing from traditional sources very difficult."

● THE MOON-MARS mission should involve both a manned program and developing the automation and robotic technology to complement human exploration, the Office of Technology Assessment recommended in a study, "Exploring the Moon and Mars," released Aug. 1.

● THE CARRIZO Plaines solar power plant in California is shutting down because it cannot compete with other forms of energy. Atlantic Richfield Co. originally built the plant in the early 1980s based on the estimate that it would be economical when oil went to \$60 per barrel.

Beyond Marx and Smith: the 'Productive Triangle'

by Gabriele Liebig

At an EIR seminar in Copenhagen, on June 13, Gabriele Liebig, editor-in-chief of the German weekly Neue Solidarität, discussed Lyndon LaRouche's concept of the Productive Triangle of European development, showing how the moves taken so far in this direction by European governments are totally inadequate. Since her talk, this has become increasingly clear in the case of Yugoslavia, where the crisis has reached the threshold of all-out war, due to the lack of a program to solve the economic problems of the region. We publish Mrs. Liebig's presentation here, including some of the graphics she used. For more details on the Berlin conference which she mentions, see EIR, April 19, 1991, and our new Special Report, "Can Europe Stop the World Depression?"

In March of this year, more than 100 economists, government officials, parliamentarians, and business people from East and West Germany, Hungary, Czechoslovakia, Poland, the Baltic states of Lithuania and Latvia, Russia, Armenia, Bulgaria, Croatia, as well as Denmark, Sweden, France, Italy, and the United States gathered in Berlin for a conference on Lyndon LaRouche's proposal for a Paris-Vienna-Berlin "Productive Triangle" of European development.

They passed a resolution which called on all European governments to make the Triangle program the center of their policy and to state their intent to build an all-European modern infrastructure system reaching from the Atlantic into the Soviet Union, and centering around a 12,000 km, high-speed railway system integrating the most modern magnetic levitation (maglev) technology with the more standard ICE or TGV trains. The "Berlin Declaration" also called for a new

generation of safe nuclear power plants, massively upgraded R&D and education efforts, and a new, unconventional method of financing those infrastructural projects by state-generated, non-inflationary credits that are granted exclusively for productive investments.

The successful implementation of the "Productive Triangle" approach is called in the Berlin Declaration "the only way to rebuild the economies in eastern Europe and at the same time to pave the way in the Soviet Union for a peaceful transition from totalitarianism to a free society, without triggering civil war." Such "an economic miracle in Europe," the declaration finally states, "is the only lever to pull the world economy out of the depression and to finally realize the development of all peoples, which has been overdue for decades."

In the meantime, several such conferences have taken place in the East—in Gdansk, Budapest, Bratislava, and Prague, and in many cities in east Germany. The Productive Triangle has received press coverage in places as far away as in Brazil and Peru. A German-language book on it is now in its second edition.

There is just one problem: It has not been implemented yet.

Peace through development

The Productive Triangle is more than a list of projects. It is the answer to the three pressing problems the world is facing today:

1) Rebuilding the economies of eastern Europe, which are devastated by several decades of communist command economy.

2) Getting the West out of its economic crisis, which has reached depression proportions in the English-speaking world, while Germany and Japan seem to be exceptions—until now.

3) Reversing the collapse in most of the developing sector, instead of pursuing the presently prevailing course of militarization of the North-South conflict.

Such a policy of “peace through development” is not just a pious slogan coming from Pope Paul VI and John Paul II—most notably in their encyclicals *Populorum Progressio* and *Centesimus Annus*.

It is rather a very practical and very wise policy, and among its protagonists was Gen. Charles de Gaulle. General de Gaulle never gave up hope and efforts to see all Europe one day reunited, and he almost never spoke about the perspective of a united Europe without adding, that the mission of that Europe “from the Atlantic to the Urals” would be to aid the development of the Third World.

In his New Year’s speech on Dec. 31, 1963, de Gaulle said: “Without falling for illusions, but also without losing hope that finally the freedom and dignity of man will prevail everywhere, we have to be prepared for the day when maybe in Warsaw, in Prague, in Pankow [East Germany], in Budapest, in Bucharest, in Sofia, in Belgrade, in Tirana, in Moscow the totalitarian regime, which still today can keep down captive nations by force, slowly undergoes a development, which would be compatible with our own process of change. Then perspectives would open themselves to Europe, adequate to her means and capabilities.”

The cooperation among Western European nations “will not miss its effect on the peoples beyond the Iron Curtain,” de Gaulle said in June 1962. “These peoples deeply wish to one day find the means to live with us. . . . This great Europe from the Atlantic to the Urals, this Europe will then, with the help of the New World, which is her daughter, be able to solve the misery of 2 billion people in the developing countries.”

A closer look at each of these three herculean tasks proves that there is no alternative to the implementation of the Productive Triangle, except disaster.

Eastern Europe

The failure of Marx and the communist system in eastern Europe is self-evident. The eastern European economies, in fact, were much more run down than was apparent from the official communist statistics. They simply lied about production volumes and a lot of other things, in order to look better to the West as well as to their masters in Moscow. Also, one has to take into account, that apart from big money theft, the communists planted numerous economic time-bombs that exploded after their demise.

The collapse of trade among the countries of the East bloc’s former Council for Mutual Economic Assistance (CMEA) is a case in point. It should and could have foreseen

more clearly by the West, but it is also true that Moscow was gloating about the consequences of switching suddenly to world market prices in the trade among the former CMEA countries. The Soviets hope that Poland, Hungary, and Czechoslovakia will crawl back on their knees to them, begging them to buy goods from them in return for oil. In this sense, economic chaos in eastern Europe is in Moscow’s interest.

It is, of course, not in the interest of the West.

Therefore, the strange recipes which the International Monetary Fund (IMF) or Harvard’s Prof. Jeffrey Sachs are imposing upon Poland through Finance Minister Leszek Balcerowicz and on the Czech and Slovak Federated Republic (C.S.F.R.) through Finance Minister Vaclav Klaus, don’t make sense.

In Poland, the results of one year of “shock therapy” are known: Inflation is still at an annual rate of 250%, there were 960,000 unemployed by early 1991, and in the course of the year this number will grow likely to 2 million. Since the end of 1989, real incomes fell 31%, and the average monthly income is about \$60. Industrial production has declined by 27% during the same interval.

What is the advice of Mr. Sachs? It is congruent with the conditionalities of the IMF. The main elements of the shock program implemented by Polish Finance Minister Balcerowicz are a 60% devaluation of the zloty vis-à-vis the dollar, a removal of price controls combined with a wage freeze, abolishing protective tariffs (i.e., liberalization of trade), and the illusion that “privatization” is magically able to solve all problems. The most important rule of Jeffrey Sachs is to outlaw any “government intervention,” like infrastructure projects.

The same sad story repeats itself in Czechoslovakia under the rule of neo-liberal Finance Minister Vaclav Klaus. He devalued the crown four times. The rate is now 28 crowns to the dollar. What does that mean? A nurse earns 2,000 crowns per month, or \$71! An average worker gets 2,400 crowns, or \$85 per month. The prices have been deregulated and went up dramatically, but any foreigner with dollars or deutsche-marks can buy up Czechoslovakian goods, factories, land, and labor power for next to nothing. At the same time, the C.S.F.R. cannot afford to buy anything (in particular the much-needed high technology) from the West. This system de facto transforms the country into a Third World, colonial entity, with the difference that Africa or Ibero-America are used as sources for the extraction of raw materials, while the main raw material in the C.S.F.R. is relatively skilled, but cheap, labor.

The process of privatization in Czechoslovakia is problematic, because no normal Czech or Slovak citizen has the funds to buy a former state company. Who has money? Only the communist party or foreigners. On top of that, a highly restrictive credit policy doesn’t allow the formation of a national *Mittelstand*, a layer of private entrepreneurs with medi-

um-sized productive firms.

Also under Vaclav Klaus, government-sponsored infrastructure projects are outlawed. No exaggeration! Infrastructure projects are not *neglected*, as one would tend to think, but *rejected outright*.

At the end of March, Klaus made a speech to the Institute of Economic Affairs in London, in which he listed as his enemies "all those who organize elaborate government programs, build infrastructure and dominating industries, determine winners and losers, ask for massive Western financial aid, help endangered companies." Klaus says he wants a "pure market economy."

It is not only *EIR* that has discovered that the Sachs-IMF approach is a disastrous failure. So did the Geneva-based U.N. Economic Council, whose former director Melvin Fagen said that the shock therapy was a mistake. Also Prof. Kasimir Laski of the Vienna Institute for International Economic Research called it an utter failure.

But most important is the recent criticism of Balcerowicz in Warsaw itself: President Lech Walesa's chief of staff and close ally Jaroslaw Kaczynski, who is the leader of the Center Alliance, said in a party press conference in mid-June that economic czar Balcerowicz should give up the post of deputy prime minister to Housing Minister Adam Glapinski. "The economic situation is bad, the economy is withering, and a personnel change should take place," he said. Then Glapinski took the podium and explained that the present economic program must be drastically changed, because it is stifling demand and killing Polish industry. Also tight monetary policy and wage controls must be loosened to stimulate demand, and import tariffs should be raised to protect industry from Western competition.

Without the "Productive Triangle," the fate of eastern Europe is grim, and the chances to positively influence the transformation of the Soviet Union are zero. In the context of the Group of Seven meeting in London in July, there are American attempts to force the Soviet Union to accept the dictate of the IMF, the "Polish model" for the Soviet Union. Moscow rejects that. They may like the model for Poland, but not for themselves, because they know too well, that this would give the final blow to the rundown Soviet Economy. *EIR* has first-hand reports that Moscow smells in this IMF tactic an evil Western attempt to weaken the Soviet Union economically still further. He who proposes such tactics, plays a dangerous game.

This doesn't mean that there shouldn't be conditions tied to financial aid to the Soviet Union. There should be political conditions—e.g., in regard to Baltic independence and in regard to more autonomy for the individual Soviet republics in terms of foreign trade deals, etc.—but the conditions have to lead to improvements in the economy, not to its total destruction. Wise Europeans should support those in the republics, as well as in Moscow, who tend to think in terms of the "Productive Triangle."

East Germany

As I come from Germany, you certainly want to hear about the transition process in the five new federal states. In many ways, the crisis in East Germany was quicker and more painful than in the other eastern European countries. The collapse of CMEA trade has hit hard, the big state bureaucracy is being dissolved, and 2,000 of 8,000 state companies have now been privatized by the Treuhand agency and cannot keep all their employees. The result is that of 10 million people in the labor force, 2 million are presently unemployed, and 1.7 million are on short work. In many areas unemployment is above 50%. But since last summer, there were also 400,000 new jobs created, and 200,000 business entities were opened, even though a lot of them are video stores or sausage vendors, and most of them close down again after a short while.

The situation is not easy, but there is a very big difference compared to Poland, the C.S.F.R., or Hungary:

1) Germany is one country, and DM 140 billion [about \$78 billion] in government money is flowing into the rebuilding effort. Last year, on top of that, DM 20 billion was invested privately in east Germany. This is a big difference in social terms: DM 70 billion of the DM 140 billion is spent for unemployment benefits and other social costs, DM 20 billion goes to the east German municipalities, and DM 30 billion is spent for productive investments.

2) Unlike in Poland and the C.S.F.R., infrastructure projects are not outlawed in Germany. They may come along too slowly and be too limited, but there is German Transportation Minister Günther Krause's DM 56 billion traffic program for 17 rail, highway, and waterway projects. Most important are the new high-speed east-west connections Berlin-Cologne, Hamburg-Berlin, Nuremberg-Erfurt-Halle-Leipzig-Berlin, Berlin-Dresden, and Leipzig-Göttingen to the Ruhr region. The major handicap in Krause's program, however, is that it doesn't include yet any Maglev-Transrapid connection.

Among the large industrialists, there is a broad consensus that modernization of infrastructure is the key to economic development in East Germany. Klaus Murmann, the president of the German Employers' Association (BDA), foresees more than DM 100 billion in investments into telecommunications and railway projects in the former German Democratic Republic during the '90s, and DM 50-60 billion in energy projects. The idea is to develop east Germany as a new nodal point in East-West and North-South economic relations. It is forecast that the present downturn will end next year, and make room for economic growth.

3) From government people as well as businessmen in Germany we have heard occasionally formulations like: "The pure doctrine of market economy sometimes doesn't work. And if we see that it doesn't work, we must learn from experience." This may be a pragmatic approach, but learning from experience is better than not learning at all.

'Pure' Adam Smith

It may be worthwhile, however, to take a more principled glance at this "pure doctrine" which the unfortunate world has inherited from Adam Smith. According to Smith, it is a crime and a frivolous presumption for the state or anyone to intervene in the "invisible laws" of the market:

"The government has no such duty as to direct companies or private people into undertakings most adequate to the common good. If the government would attempt to assume such a duty, this would lead to innumerable illusions . . . because no human knowledge or wisdom could suffice the fulfillment of this duty. . . . A statesman, who would attempt to direct private people in how to use their capital, would not only take on a very unnecessary task, but would assume an authority which is not in the reach of neither a single person nor a council or senate. This would be equally dangerous as if a single person would arrogantly presume such an authority."*

Here you have it: The direction of private funds into undertakings for the common good constitutes a violation of the sacred law of the market. That is where Vaclav Klaus and Jeffrey Sachs draw their wisdom from!

The strange theory of the "invisible hand" of the market comes from the equally strange and immoral philosophy, that "the administration of the great system of the universe . . . the care of the universal happiness of all rational and sensible beings, is the business of God and not of man. To man is allotted a much humbler department . . . the care of his own happiness. . . . Nature has directed us . . . by original and immediate instincts: hunger, thirst, the passion which unites the two sexes, the love of pleasure and the dread of pain." Follow your hedonistic impulses, and all is well, is the rather absurd meaning of that passage. Follow the principle "Buy cheap, sell dear," and the invisible hand of the market will direct everything in an optimal way.

The notion of global free trade rests on the same principle, "Buy cheap, sell dear." In *Wealth of Nations*, Smith says, if a nation produces cotton, for example, because of climatic and other natural reasons, it should simply continue to do so, export it, and buy from the other nations what they can produce best, like textile products from England. But what about building up a national industry of one's own, including textile manufactures? Smith objects: This would be uneconomical, because to produce at home will cost, at the beginning, more than to import already-manufactured goods. This was the system the British Empire wanted to perpetuate vis-à-vis their colonies, including America, until American Independence. And this is how the IMF is arguing today vis-à-vis the raw-materials-producing Third World countries.

(In this respect, it is very important that Mr. Glapinski mentioned the need for protective tariffs for Polish industry. And also another protective measure is absolutely necessary

*Retranslated from German.

in East Germany and eastern Europe: Once the infrastructure projects get under way, there must be a quota of at least 50% for orders to be given to eastern European construction or industrial companies.)

Another characteristic feature of Adam Smith's doctrine is his neglect of technological innovation as a factor of producing wealth. Even though Papin had already invented a steam engine 100 years before *Wealth of Nations* appeared, and Leibniz had already discussed the revolutionizing consequences of the steam engine for manufacturing, Adam Smith doesn't even hint at it. He rather warns of the high cost of improved machines, which devours a growing part of the overall profit. Instead of spending the money for machines, one could as well employ more workers and buy more raw materials in order to increase production and profit, he argues.

This highly relevant aspect should not be overlooked, when it comes to the deficiencies of "pure free market economy." It is not enough to add the adjective "social" to "free market economy," to make it work: The principle of technological progress, including education and R&D, must not be compromised. If the Germans had really understood that, they would not make the mistake of giving more emphasis to the conventional ICE train than to the much more advanced maglev technology. The Transrapid [maglev] would finally mean a jump ahead, but not even ahead of Japan, which has her own maglev train already and now plans a new maglev track from Tokyo to Osaka.

Depression in America

As Lord Roll of Warburg Bank admits quite openly in his book *History of Economic Thought*, "Smith's purpose was propagandistic." The *Wealth of Nations* was written against the cameralist school of economics (Leibniz, Colbert) in continental Europe. Smith worked as financial and economic adviser to British Prime Minister Townshend, whose Revenue Act was the reason for the famous Boston Tea Party in 1767. Unfortunately the British themselves, and later the Americans, believed in Smith's propaganda. And because they still do, the English-speaking world is nowadays in much worse shape than Germany or Japan.

The United States is a sad example. Taking to heart Smith's advice to import goods cheaply rather than produce them, the U.S. neglected its own productive apparatus for too long. The productive portion of GNP shrank from more than 50% in 1947 to almost 30% in 1987.

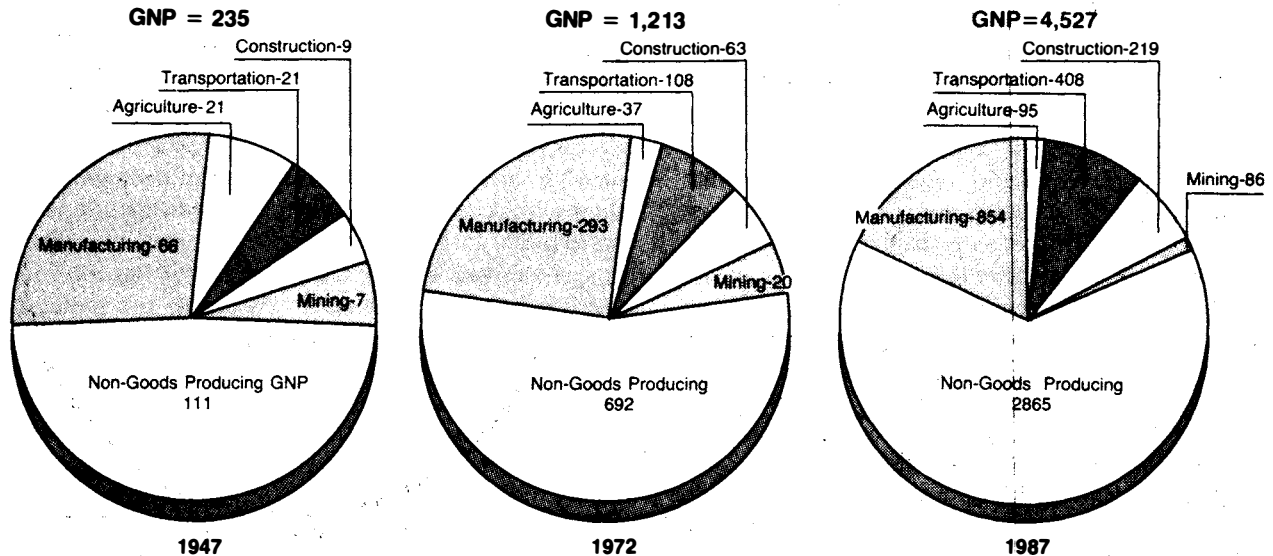
The other path of destruction was to seek financial profit through raising the interest rates. Since the 1940s, the American prime lending rate grew from 1.6% to 11.8% in 1989.

During the last 20 years the speculative financial bubble grew enormously. The biggest part is the growing debt (Figures 1 and 2). The biggest cost factor in America as part of GNP is interest and finance charges. While machine-tool production, steel, and the *EIR* industrial index have plum-

FIGURE 1

**The deindustrialization of America:
growth of non-goods production as proportion of GNP**

(billions of dollars)



The shift toward a post-industrial society can be demonstrated by examining several parameters of the economy. The government measures the share of Gross National Product originating in different sectors and industries of the U.S. economy. Goods production fell as a percentage of GNP from 53% in 1947, to 37% in 1987, the last year for which figures are available.

meted, the debt has grown steeply.

When I presented these facts several days ago to a group of young liberals in Germany, they said incredulously: Why should the U.S. do that, they are shooting themselves in the foot? Yes, indeed. They have shot themselves in the foot.

The miserable shape of the U.S. economy is a great danger for Europe and the world as a whole, because the Bush administration is trying to compensate for the economic decline with military power, which the United States still has. That is the background to the "new world order," which supposedly emerged from the battlefield in the Gulf war.

New York City, the site of the big ticker tape parade, is broken down. Bridgeport, Connecticut, is the first city which has officially filed for bankruptcy since the Great Depression.

Washington needs \$400 billion to finance the federal budget deficit until Sept. 30. Where will the money come from? Japan doesn't want to buy more U.S. government paper, and Europe can't, given the tasks facing it in the east. This is the most relevant agenda point in the Group of Seven economic summit in London. Bush will threaten with GATT, with trade war measures. Did you know that the CIA since 1990 has a Fifth Directorate, exclusively dedicated to trade war issues with the "friends and allies who are now our rivals," as CIA director William Webster said?

New world order and North-South conflict

The economic rivalry among the U.S. and its friends and

allies in Europe and Asia is one feature of the new world order. The other one is the replacement of the East-West conflict with the North-South conflict. In other words: The economic war among the industrial powers over capital, markets, and raw materials is fought on the back of the developing sector.

According to the free trade doctrine, the developing sector is supposed to remain a supplier of raw materials to the industrial countries. A U.S. National Security Council memorandum of 1974 even uses the raw materials argument to motivate drastic population control measures in a list of 13 developing countries, which Washington wants to convince "how much more efficient expenditures for population control might be than raising production through direct investments in additional irrigation and power projects and factories." [For more on this memorandum, see *EIR*, May 3, 1991—ed.]

This policy was accompanied since the 1970s by a big campaign on the issue of "overpopulation." It claimed that the misery in the world didn't come from underdevelopment, but from "too many people."

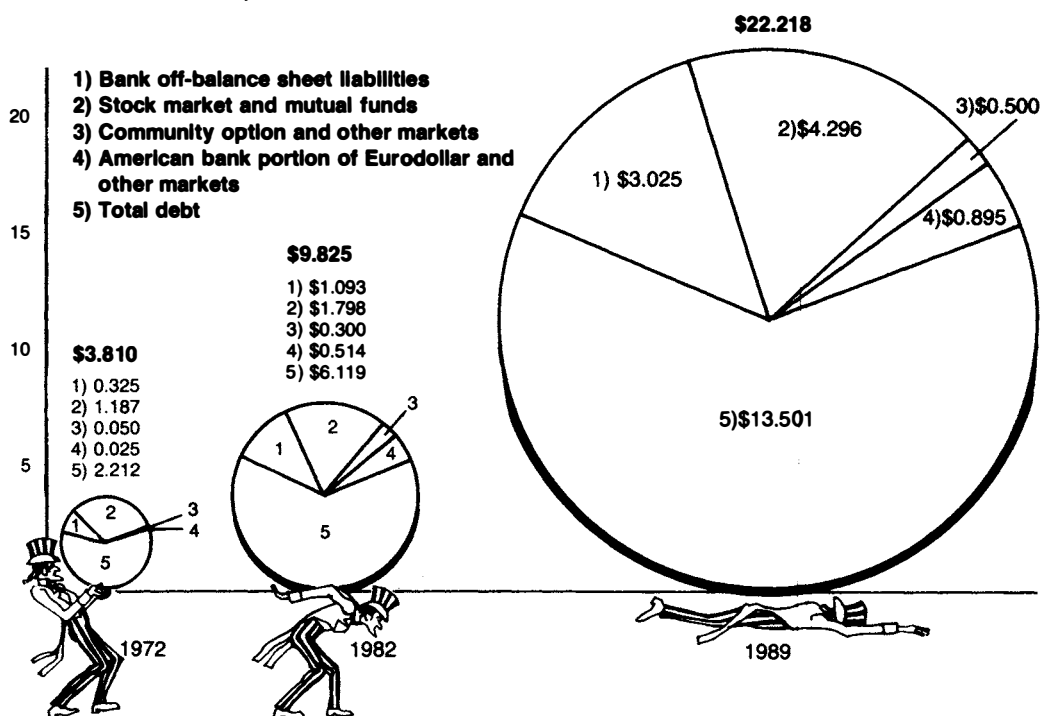
But the real reason for the collapse in the less developed countries is shown by the fact that since 1983, more money has flowed out of the developing nations to OECD countries than in. Losses through collapsed raw material prices and growing debt service added up in 1987 to an annual net outflow of \$30 billion.

FIGURE 2
Debt & Speculative Investments Bubble, 1972-1989

(trillions of dollars)

In 1972, the total of all debt and speculative investments stood at \$3.810 trillion; by 1982, this was inflated to \$9.825 trillion, and then to \$22.218 trillion by the third quarter of 1989. This growth of the bubble by \$12.393 trillion in the last seven years has been misnamed the Reagan-Bush "recovery."

Source: Federal Reserve Board Flow of Funds Account; New York Stock Exchange Fact Books; Chicago Board of Trade published reports; Salomon Brothers, *The Status of Global Risk-Based Bank Capital Adequacy*, June 1988 report and updated reports; Morgan Guaranty Trust, *World Financial Markets* newsletter.



The high interest rate policy, started by the Federal Reserve and then spread throughout the financial markets, made the debts of the developing nations unpayable. The interest added to the legitimate debt a widening portion of illegitimate debt.

The war of the Anglo-American-led alliance against Iraq marks the beginning of the militarization of the North-South conflict. A member of the U.S. War College identified Iraq in an *EIR* interview, because of its policy of universal education and modern infrastructure, as "the only viable state in the Middle East." That was before the war, of course. Iraq's modern infrastructure no longer exists today.

According to the book *The End of the Past*, by the renowned French geopolitician F.O. Miksche, the North-South conflict will inevitably lead to "intercontinental race wars," because the overpopulation in the South is finally bringing about Oswald Spengler's "demise of the West." "We whites," Miksche writes, are facing the "greatest showdown in our existence" and should get prepared for war against four-fifths of the world's population.

Miksche invokes the "right of the stronger, whom the weaker has to follow. *Oderint, dum metuant*—Let them hate us, as long as they fear us—the old Romans used to say." (Ferdinand Otto Miksche, *Das Ende der Gegenwart*, Herbig Verlag, 1990)

Do we want that? This is sheer insanity. Such a policy would bring about a nightmare of gigantic proportions, be-

cause no matter what the details of political and military actions would be, the essence of all of them would be the reduction of the population in the Southern Hemisphere by every means available. In other words: genocide.

The militarization of the North-South conflict must not be the policy of Europe; Europe must say no to this malthusian strategy which is quickly gaining support within NATO and other supranational institutions. There is an alternative: We Europeans have to rediscover the policy envisaged by General de Gaulle, who said in 1960 that Europe should be a model for the "path of cooperation, instead of giving in to the temptation of war," and called for cooperation between East and West in the effort to help the developing sector. In 1960 de Gaulle said, at the National Press Club in Washington: "In our time, there cannot be peace without development. In the developing countries live 2 billion people. I believe, the great task of the world, beyond all theories, doctrines, and regimes, is to help those 2 billion poor people to overcome their misery."

LaRouche's "Productive Triangle" is a concretization of that policy of de Gaulle's, and it is the only alternative to the nightmare outlined above.

Once the "Productive Triangle" works in Europe, it will become a model generally. This cannot but bring about a healthy shift in American policy. But we have to hurry: The Americans will elect a new administration by the end of 1992.

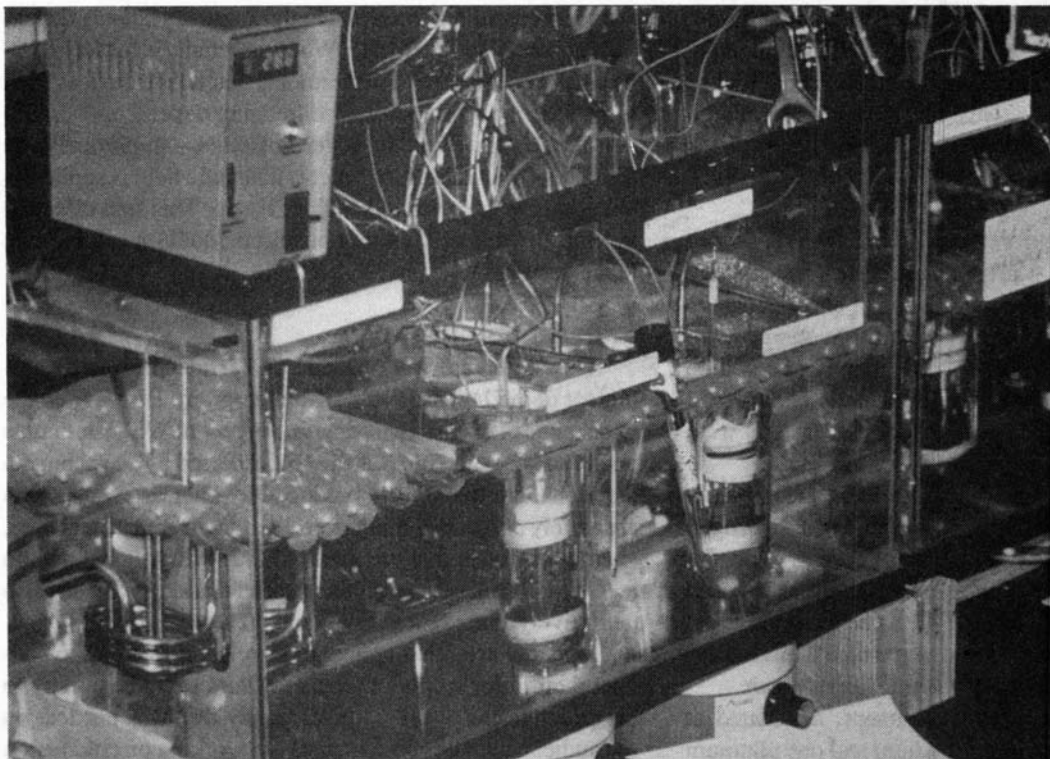
Cold fusion is a revolution in science

by Carol White

This author attended the Second Annual Cold Fusion Conference held in the beautiful alpine setting of Como, Italy from June 20 through July 4, on behalf of *21st Century Science and Technology* magazine. Contrary to the deliberate disinformation campaign—led by the *New York Times*, *Nature* magazine, and the European Center for Nuclear Research (CERN)—which seeks to describe cold fusion as a dead issue, the conference established stunning confirmation that cold fusion is indeed a nuclear phenomenon. My collaborators on coverage of the conference were Jonathan Tennenbaum, director of the Fusion Energy Forum in Germany, and Evanthia Frangou and Giuseppe Filippini of the independent Italian-language science journal *Ventunesimo Secolo*. It was the consensus of this team that the discovery of cold fusion is the most important scientific event of the latter half of this century. It is a unique experiment which calls into question all of existing quantum theory.

For five days, 200 scientists met to consider a wide range of results confirming the reality of that process known as cold fusion. Cold fusion pioneers Martin Fleischmann and Stanley Pons were there to report on their newest, highly successful experiments. For the first time, using a palladium-silver alloy, they were able to guarantee the repeatability of their experiment. (See also, *EIR's* interview with Dr. Fleischmann, April 19, p. 22.)

Fusion scientists from major laboratories in Japan, Los Alamos in the United States, and Frascati in Italy reported on neutron findings. The presence of helium-4 was reported on by a team from the Naval Weapons Center in China Lake, California, and incontrovertible evidence of the production of tritium was reported by the director of the National Cold Fusion Institute in Utah, which is now, unfortunately, closed down for lack of funds—the result of a lying press campaign against the center. Unfortunately, Dr. M. Srinivasan of India was unable to attend to report on the extensive experimental program in his country. Present were working scientists from Japan, China, Italy, Russia, Romania, Hungary, Sweden,



Ramamu Mahtia

A bank of cold fusion cells at Texas A&M. Initially, the electrochemistry group looked for neutrons and found nothing. When they sent samples of the electrolyte for a routine test with a liquid scintillation counter, to their amazement, two cells were producing as much as 1.6×10^6 counts per minute of tritium, which is about 10^{10} atoms of tritium produced per second. To check this anomalous result, the cells were sent to four other labs, including Los Alamos National Laboratory, and all confirmed the presence of tritium. Nevertheless, the science mafia accused Texas A&M of "spiking" the cells.

Australia, Spain, and Germany, as well as a good delegation from the United States.

The atmosphere in Como was jubilant, although there were many disputes—especially in the area of theory. This was a group of men and women who had been tested, not only by the demands of science, but by the necessity of standing up to the abuse of the leading controllers of science in the United States and Great Britain—of whom John Maddox, the editor of *Nature*, acted as the leader of the pack. Maddox's camp follower Douglas Morrison, of the European high-energy physics laboratory CERN, attended the conference as a representative of the opposition, but his abrasive presence was easily overlooked in the environment, which was happily preoccupied with advancing the frontier of scientific knowledge.

The first cold fusion conference took place in Salt Lake City, Utah, on March 28-31, 1990, about a year after the original Fleischmann-Pons announcement. The results reported were extremely encouraging. At this second conference, the evidence confirmed that cold fusion is here to stay, real and important from any scientific point of view, and most probably of great technological value for the future. A third conference is planned to be held in early autumn of next year in Japan. Financial sponsorship for the Italy conference came from the Electric Power and Research Institute of the United States (which is also financing research in the U.S.), from the Japanese Technova, Inc., from a number of scientific research institutes in Italy, and from the commercial

corporation Ansaldo Componenti S.p.A.

Dr. Robert Bush, a professor of physics at California State Polytechnic University in Pomona, compared the conference favorably to the one held a year before. In a recent interview, he said:

"The conference was a signal success, and certainly a feather in the cap of the Italian organizers [Bressani, Preparata, et al.] and the rest of the international advisory committee. The general message conveyed by the conference was that, far from fading away, cold fusion research appears here to stay and is getting stronger. Thus in contrast to the situation at the First Annual Conference, where there were many reported failures to see the excess heat effect, essentially the vast majority of groups reporting are now able to achieve the Pons-Fleischmann effect of excess heat.

"In addition, the reproducibility is much greater than before. To be sure, many of the groups who previously were unable to achieve the excess heat effect have now discontinued their efforts.

"Any list of highlights of the meeting for me, would have to include the following: 'Boil-off results' achieved by Pons and Fleischmann, in which tremendously large amounts of heat were generated in a few hours time in a palladium cathode to boil off the electrolyte in the calorimeter. There were 11 successive events achieved of this type, so that reproducibility is essentially 100%. Moreover, this effect, which necessitates excess heat production on the megajoule levels, leaves no room for doubters."

Bush also puts Soviet results and the finding of helium-4 high on his list of successes over the year. He is also justly enthusiastic about his own experiment, in which he achieved high excess heat and a high percentage of excess power with cathodes consisting of thin films of palladium electroplated onto silver.

Cold fusion's first two years

On March 23, 1989, Martin Fleischmann and Stanley Pons announced to the world that they were able to achieve the fusion of deuterium molecules at room temperature through a process of electrolysis. Their research had come out of a decades-long study of the anomalous behavior of hydrogen diffusion in palladium—which, in fact, is used industrially for purifying hydrogen.

Indeed, before World War II, scientists had already speculated that the ability of palladium to concentrate hydrogen might allow cold fusion to take place. Palladium will concentrate the volume of gaseous hydrogen to a density 800 times greater than it is in the atmosphere. This phenomenon is yet to be understood, but it was a natural step which Fleischmann and Pons took to substitute heavy water for light water.

In their table-top laboratory experiment, conducted at room temperature, they use one palladium and one platinum electrode. The plasma that is formed as a result of this approaches the density of the plasma found in the core of stars, where fusion reactions occur continuously.

One hypothesis that has been generated by another team independently working on cold fusion effects, led by Steven Jones from Brigham Young University, is that cold fusion also occurs at the center of the Earth, where temperatures approach those at the photosphere of the Sun. Jones uses electrodes and electrolytes that were designed to replicate geological conditions rather than to generate heat (which he does not report), so that his cold fusion experiments are essentially different in character from those of Fleischmann and Pons, although important in their own right.

Thermonuclear fusion, which takes place when a hydrogen bomb is detonated, occurs at temperatures of hundreds of millions of degrees. Controlled thermonuclear fusion in the laboratory—as with the tokamak at Princeton University or the Joint European Torus—also occurs at these high temperatures, which are needed to compensate for the fact that the plasma fuel, deuterium and tritium, has an extremely low density, as compared to the compression within stars or in the palladium cathode. In both room-temperature and high-temperature fusion, the nucleus of a new element is created by the fusing of two existing nuclei: For example, with the fusion of two deuterium nuclei (isotopes of hydrogen), a helium nucleus is formed. At the same time, energized particles and large amounts of heat are released.

Understanding how this cold fusion process occurs, may also give us a window on biological processes, where chemical reactions occur at room temperatures and heat flow is

carefully controlled through a body chemistry heavily dependent upon catalytic effects. (Water, after all, is the key component in body tissue. Furthermore, diagnostic devices such as nuclear magnetic resonance imaging depend upon variation in the “structure” of water in tissues—in particular on the time of spin relaxation when a magnetic field is applied—to determine the relative health of tissue. This spin effect is, in turn, dependent upon the potassium-sodium salt balance in the tissue.)

Experiments in Japan

The conference was opened by Dr. Hideo Ikegami, coordinator of the Japanese cold fusion program. He reported the wide range of experiments ongoing in Japan. While he doubts that excess heat results, of the sort reported by Fleischmann and Pons, are themselves produced by nuclear events, he is absolutely convinced that the array of nuclear products (i.e., charged particles that are emitted), such as protons, tritium and neutron emissions, at their expected energy, all establish definitively, the existence of “cold” fusion.

Japanese scientists appear to have great freedom to conduct their experiments, a state of affairs sadly beginning to disappear in the West—a discrepancy that was not lost on the audience. Over 100 scientists are working on cold fusion experiments in Japan, although some of these are doing so on their own time. They are organized into 20 groups, which span 40 universities and institutes. One decided advantage they have is that free materials are supplied to them by Tanaka Precious Metals Co., according to their individual specifications.

Ikegami represents the standpoint of many physicists internationally, who tend to evaluate cold fusion results in terms of the parameters of thermonuclear fusion. Unlike the vast majority of physicists in the West—particularly those in the field of fusion—he is so persuaded that cold fusion truly exists, that he describes Fleischmann's idea of using the palladium lattice to concentrate deuterium to densities at which fusion becomes a possibility at room temperatures, as one idea in a million.

Ikegami's point of view is completely at odds with the vast majority of experimenters in the field who are primarily electrochemists. They are convinced that there is no way that the excess heat—particularly in the amounts achieved by Fleischmann and Pons—could have been produced chemically. Therefore they contend that this is a crucial experiment, which will lead to new theoretical breakthroughs in order to explain all of the anomalies which have surfaced, especially the excess heat.

Several experiments which Ikegami reported upon were extremely exciting. At NTT Basic Research Laboratories in Tokyo, neutron bursts of 1 million neutrons have been observed, in gas phase experiments which are 100% reproducible.

In order to simulate the potential structure in the electro-

lyte, a surface barrier is created in the palladium. Magnesium-oxide is used to coat one side of a palladium plate that is loaded with deuterium. The other face of the palladium plate is coated with a thin film of gold in order to prevent the deuterium from escaping. After the palladium is loaded with deuterium, a vacuum is suddenly created in the chamber, causing high neutron bursts and an explosive release of the gas. The temperature at the plate rises to as high as 800°C, and the palladium plate is deformed. This experiment has also been performed with hydrogen gas, at which time the heat release also occurs. However, there are no neutron bursts nor charged particles.

Clearly, a change of state is occurring with the sharp pressure change. Similar experiments have been conducted by Franco Scaramuzzi of Frascati Laboratory in Italy, and by the Menlove team at Los Alamos National Laboratory in New Mexico, working with Steven Jones. These involved loading deuterium gas into titanium chips, where the loading was followed by raising the temperature by 600°C, from 200° to 800°C. In these experiments, liquid nitrogen was used to subject the titanium deuteride chips to repeated cooling and warming cycles. It is in the warmup phase that the neutron emissions occur. Neutron bursts here, however, were much lower than those detected at NTT (from 30 to 300 neutrons). A similar technique was developed by the Soviet, Zelensky group in Kharkov, as early as April 1989; however, they used an ion-implantation technique rather than gas diffusion.

Participants also heard extended presentations from Menlove and from the scientists at Gran Sasso and Frascati laboratories in Italy. In all of these instances, the main emphasis was upon proving that the neutrons that were detected were products of the experiment, rather than being picked up from background sources. These experiments give incontrovertible evidence that cold fusion does exist. Later on in the conference, Franco Scaramuzzi from Frascati emphasized that as much attention to detail was necessary in treating the materials in gas-loading as in electrolysis experiments. He gave a detailed description of the preparation of the titanium-deuterium gas system.

Whereas, in some instances, the Japanese are using the most sophisticated neutron detection equipment available, even with a relatively simple detection system, they have achieved impressive results. Ikegami described his own research at the National Institute for Fusion Science at Nagoya, where he used such a simple design. His intention was to dispel any doubt that neutron bursts were genuine fusion events, and not from cosmic radiation or artifacts of the experimental design. His experiment consists of palladium rods and a gas-loading design. He found significant neutron emissions in bursts of 30-60 neutrons per 100 seconds. These occurred four times during five-day periods, in several of the experiments.

He uses three electrically independent detection systems. One is placed at a distance from the cold fusion source in

order to determine if there is background radiation or unexpected spurious radiation. The other two detectors are also electrically independent. The neutron bursts were time-correlated, and could not—according to Ikegami—have originated from spurious sources. The detectors are adjusted in such a way as to pick up neutron bursts, which are rare events, and will only show up as 10% above background if they are averaged over a long period of time. The effectiveness of the detection system depends upon having the dwell time (the collection time period) correctly set, and geometric factors. There was a clear time coincidence between what was observed on each of the two detectors—confirming that the detection was not an artifact of the detector.

The most recent news reported from Japan, on June 19, was that neutrons were detected in the underground Kamiokande research neutrino-detection facility, verifying neutron emissions previously reported by Steven Jones. Jones's results were deprecated by the "experts" from *Nature*, who claimed that the neutrons could have come from cosmic radiation. Kamiokande's results were the second independent confirmation—the first having come from Los Alamos.

The Kamiokande facility is a kilometer below ground, in the Kamioka mine. The influence of cosmic rays is, accordingly, very low. At Kamiokande, the cosmic neutron level (the so-called background level) is 1 neutron per 18,000 seconds, which means that there is less than 1 chance in 100 million that researchers will see just one neutron in a period of 128 microseconds; yet, six times they detected more than two neutrons within that time period (128 microseconds was the duration of the collection, or dwell-time, of the experiment.) Not only did they absolutely confirm Jones's assertion that he had produced neutrons, but Ikegami believes that there must also have been single neutron events, which would substantiate the neutron emission rates which he found in his own experiments.

Important results from the past year were also reported by A. Takahashi, from Osaka University. These were electrolysis experiments, and he used pulsed power in order to trigger excess neutron emissions. His team also reported finding tritium and helium, in increasing amounts as the duration of the experiment increased, so that they were getting 1.5 times more helium by the third month than at the beginning. They also got anomalous heat burst. They detected both helium-3 and helium-4, with a greater ratio of the former to the latter. This, again, is the kind of result which is more in line with traditional thermonuclear fusion than some of the other results, which will be reported on below.

Fleischmann and Pons press on

A dramatic high point of the conference was the talk by Stanley Pons. Despite the fact that Fleischmann and Pons are trying to patent their process and therefore have kept many details under wraps, on this occasion they revealed some things about their experimental techniques that were not gen-

erally known before. More to the point, the very fact that they were pressing on with their work despite a witchhunt against them, conducted with equal vigor by the U.S. press and such groups as the American Physical Society, was a unifying factor, in a body of researchers who by-and-large had sharp disagreements with each other.

Cold fusion is a new science, and there are many sharp disputes raging among scientists and theorists about what is happening, why it is happening, and how to explain it on the most fundamental level. There is also a definite competitive spirit, as different groups vie to establish their own patents and glean a share of what limited funding is still available. Nonetheless, there is a common purpose among them—to pursue the truth at whatever cost—a commitment not usually so profoundly in evidence at scientific gatherings.

For myself, the meticulous detail necessary to achieve positive results in this intricate experiment was also extremely impressive. This came out not only in the presentation by Pons, but was a theme repeated time and again by the speakers—particularly the electrochemists. These experiments are not simple, even though they actually can be done on top of a table. It is not surprising that they still cannot be repeated at will, and only 20-40% of most cold fusion experiments to date have proven successful.

The basic experiment is highly nonlinear, so that even small changes in the initial conditions—changes of which the experimenter may be unaware—will make the difference between its success and failure. Furthermore, the preparation of the palladium used in the cathode, the regulation of the current, the necessity of achieving a high concentration of hydrogen in the palladium cathode, the composition of the electrolyte, the time for various phases of the experiment, and calorimetry measurements, all require upon meticulous care and sophisticated skills. Clearly, many of the physicists who plunged in to replicate the experiment in the heady first days after the March 23, 1989 announcement, were way over their heads in the world of electrochemistry.

Many scientists became discouraged with cold fusion, after only weeks of trying to replicate the work of Fleischmann and Pons. However, on average, they themselves take three months to complete just one experiment—which also explains why the number of experiments they report is relatively low.

Pons discussed how he and Fleischmann analyzed their data in order to counter charges that they were overestimating the heat gain (enthalpy). They estimate that they can have at most a 2.72% calibration error. They also reviewed details of the design of the calorimetry which they employed. Even relatively obvious things, like the difference between the temperature of the heat bath and room temperature, have apparently been overlooked by experimenters who failed to achieve results. Similar problems arise in the choice of calorimeter (a heat-measuring device), since the size of the palladium electrode is only one cubic centimeter.

Then there is the geometry of the cell. They choose cells with small diameters relative to the length of the cell, and they consider this to be key to success in obtaining excess heat (although experimenters in Japan have found that the reverse is true with regard to neutron generation). Most recently, Fleischmann and Pons have used a palladium-silver alloy in order to increase the stability of the electrode, and they report virtually total repeatability: positive results in 10 out of 11 tests, with one ambiguous result. Rumors circulating at the conference that the “ambiguity” occurred because the experiment actually blew up, appeared to be corroborated by Fleischmann’s comment about the difficulty in developing calorimeters capable of withstanding higher heats, with the design constraints of his experiment. He pointed out that there was no question that they got excess heat and a boil-off, but that they could not estimate how long the experiment could have continued had the electrolyte not boiled off.

A crucial point that Pons raised was that the heat transfer in the experiment is highly nonlinear: It does not occur in a quasi-steady state in the cell, and it is also extremely responsive to pulsing of the power, or even simple upshifts and downshifts of current. A crucial point here was his statement that were the reaction steady-state, this would imply “that there are no reactions, and that there is no change in the mass of the cell occurring—and we are just totally convinced that it’s just not true.” In this regard, he pointed out the fallacy of the usual practice of linearizing differential equations by making such assumptions. He concluded by reviewing a few heat bursts which showed an extraordinary heat gain. Interestingly, the pair have used two platinum electrodes to establish a control, in place of one platinum and one palladium electrode.

He described the situation this way: “The important point here is that you are putting in [on average in terms of energy], including the boiling region, somewhere on the order of 16 volts and 0.8 amps, so that amounts over this 20-minute period here, where you observe the liquid totally boil out . . . something around 15,000 or 16,000 joules in total input. And totally neglecting heat transfer by any other mechanism—conductive or radiation, just neglecting that—you have a power output during this period of time, between the time it reaches the boiling point and boils out, that must have consumed on the order of 140,000 joules. . . . [But there must have been] at least another 90,000 joules of just radiation or conduction out of the cell, but not even considering . . . [that] you are still only putting in 15-16,000 joules, and you are getting out approximately 10 times that much energy in this time.

“We have reported on, and have seen this effect on several other occasions, but this one is the shortest time [two hours] in which the cell contents has boiled out. The others, in the worst case, generated approximately 50% excess energy during this electrolysis period, during the boil-out period. This, of course, does not occur with platinum electrodes.

You can certainly take platinum electrodes, crank up the current, and just put in as much power as you need to boil out all of the D_2O —or H_2O as well—and, to within a few percent, you get pretty much a clean heat balance, as you would expect just from joule heating and radiation from the circuit,” had only an electrochemical reaction taken place.

Independent corroboration

At this point Pons turned the microphone over to Dr. Wilford Hansen, a physicist from Utah State University, who had been commissioned by the Fusion Energy Council of the State of Utah to conduct an independent study of unreleased data of Pons and Fleischmann. Reflecting on the witchhunt against cold fusion, which is continuing in the United States, he began with the comment: “Last January I was asked to do an independent study, an analysis, of some unreleased data of Pons and Fleischmann. My colleagues warned me not to do this—it was a no-win situation. Whatever that might be, I now have a report, and I have brought copies of that for Pons and Fleischmann to read. It is also being reviewed by some other people. I would like to tell you about it before the world grabs it and burns it, and me with it. But soon it will be out.”

He then proceeded to verify the statistical methods used by the team to determine the production of “excess” heat—as much as 100 times more than any which could be attributed to a known chemical reaction. He chose eight cells; two were controls, which used hydrogen and showed no excess heat. The rest were intended to be heat cells and used deuterium as an electrolyte. Of these, five of the six, in his words, “showed definite excess heat.” He determined that the whole set of experiments was impressive: In one cell, 6,000 electron volts of power were generated per palladium atom—1,000 times beyond any effect known to chemistry. As a point of comparison, with only five electron volts, a palladium electrode will be heated to its boiling point and vaporize.

Fleischmann added to Pons’s report by revealing that the team is now using a palladium-silver alloy for a cathode, and that this is giving them a repeatable experiment. What is key here seems to be the stabilization of the palladium, which is otherwise quite brittle. Robert T. Bush and R.D. Eagleton also reported success by plating a thin film of palladium onto silver cathodes.

Much of Pons’s talk was devoted to showing how—from the accurate measurements over several-day periods—they were entitled to extrapolate the profile of the heat balance for the total experiment. In the future, several scientists plan to measure net energy gain over the entire experiment. While Pons did not report that they measured the total inflow and outflow of energy of the four, five, or even up to eight weeks during which electrolysis takes place, nonetheless they can show such extremely high energy gains during days in which energy bursts occur, that it is virtually impossible to explain this, unless a nuclear process is assumed to be occurring.

(Considering the experience and reputation of both scientists, the supposition that they are making some gross blunder of the kind involved with misreading their instruments is not really tenable. In any event, although such accusations have been bandied about, no one has come up with a plausible hypothesis of what sort of error this might be.)

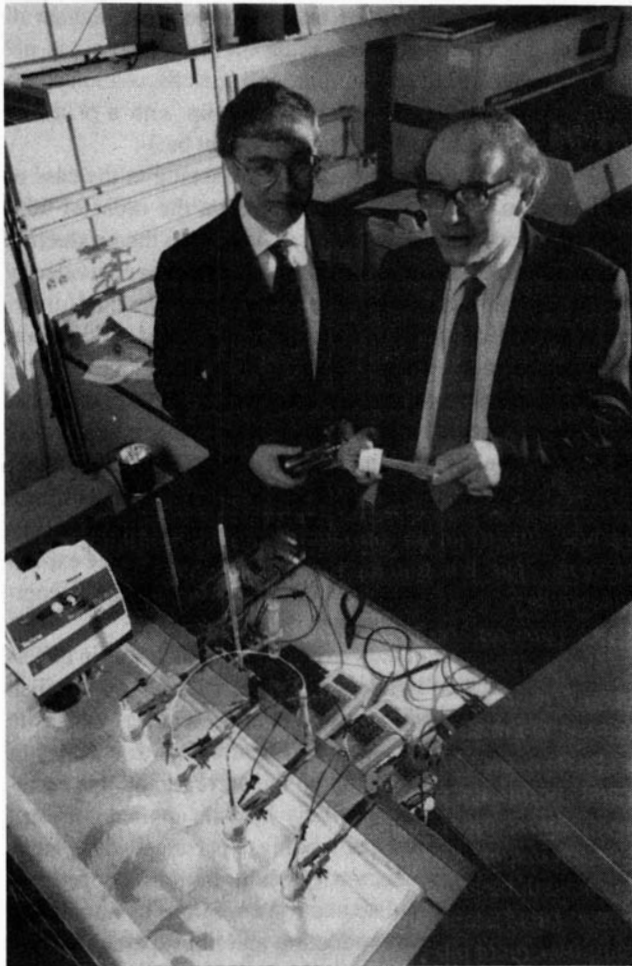
The kind of energies which we are seeing in the case of the Fleischmann-Pons experiments is on the order of 600-1,500% excess power, which translates into the production of excess energy on the level of 20 megajoules or equivalently 6 kilowatt-hours of energy. Bor Yann Liaw from the University of Hawaii, John Bockris from Texas A&M, and Robert Bush have also shown energy gains of this magnitude.

The generation of excess heat which Fleischmann and Pons report appears to scale approximately quadratically with the current density, leading them to prefer thin, 1 millimeter diameter cathodes. When the diameter is increased to 8 mm, no excess power is generated. Furthermore, the current must exceed 100 milliamperes per square centimeter if the experiment is to succeed. An increase in average excess heat generated correlated to an increase in the current.

This key feature in their experiment, which was in different ways replicated by Bockris at Texas A&M, the Italian experimenter F. Celani and a team at Frascati, as well as in Japan, was the responsiveness of heat bursts to changes of state. Thus, they would ramp up the current, and this correlated with the heat gain; similarly Bockris applied pulses of power; and Celani—in a gas-loading experiment with a high-temperature superconductor (yttrium barium copper oxide)—was able to stimulate neutron emissions by alternating the gas through a superconducting and nonsuperconducting phase. Similar techniques in other gas-loading experiments using titanium targets involved rapid temperature changes or the creation of sudden vacuums. For example, the NTT group in Japan achieved large neutron bursts when they lowered gas pressure in the vicinity of the palladium.

There is an interesting difference between experiments using electrolysis and those in which the deuterium is introduced into a tube directly. In the case of electrolysis, there are more problems concerning the purity of the material, but, on the other hand, the ability to control the voltage at the electrodes allows the palladium lattice to be loaded in approximately an atomic ratio of one-to-one with the deuterium. This loading ratio—or at least the achievement of a loading ratio above 7.5—appears to be crucial in guaranteeing success in the experiment.

The application of 120 millivolts of electrical power to a palladium electrode through electrolysis is equivalent to raising the partial pressure (in gas dynamic terms) to 100,000 atmospheres. With a gas-loading experiment, the highest loading ratio (between deuterium and palladium) that is achieved is in the range of 0.6 or 0.7, while with electrolysis it is possible to load the palladium electrode with an equal number of deuterium atoms. On the other hand, the electroly-



University of Utah

Stanley Pons, left, and Martin Fleischmann, with their initial cold fusion experiment.

sis experiments have an upper limit to the temperature which they can achieve, which is determined by the boiling point of the water. This lowers the Carnot efficiency of the process from the point of view of possible technical applications. (The Carnot efficiency refers to the fact that heat “flows” from high to low temperature, so that the ability to use the heat to accomplish work is a function of the temperature difference. The obvious model for this is the steam engine.) Experimenters at the University of Hawaii overcame this temperature limitation by conducting electrolysis with molten salts, but this is a highly corrosive process that presents its own problems: While they reached an impressive temperature of over 300°C, they were only able to repeat their experiment successfully on two occasions.

The question of the tritium

Dr. Fritz Will, former director of the National Cold Fusion Institute (NCFI) in Utah, reported on his and his collabo-

ration K. Cedzynska’s experimental findings of tritium in cells that replicated significant aspects of the Fleischmann-Pons experiment. Will is also formerly the president of the prestigious Electrochemical Society, and, like many of those present, a highly respected electrochemist. (See also *EIR*’s interview with Dr. Will, April 19, p. 24.)

Tritium is found on Earth only in trace amounts, and therefore these experimental results are important confirmation that fusion—or at the least, nuclear reactions—are taking place in these cells at the palladium cathode. Tritium is the heaviest isotope of hydrogen, with a nucleus which contains one proton and two neutrons; compare this with deuterium, which has one proton and one neutron, and hydrogen with just one proton. In typical thermonuclear fusion between deuterium molecules, either tritium or the next highest element in the table of elements, helium-3, which has a nucleus containing two protons and one neutron, are formed. However, a nuclear reaction producing the amount of tritium found—according to existing theory—can account for only one-millionth of the heat actually generated experimentally. Clearly, then, some other process must be occurring, in order to account for the excess heat.

For this reason, Dr. Will was particularly happy with the finding by the Naval Weapons Center of helium-4, even though these are yet to be confirmed. He believes that these will break the stalemate in which it was otherwise impossible to refute critics who maintain that there may be a mechanism of mechanical or chemical energy storage at work that is consistently being overlooked by experimenters, particularly those who report energy excess in the amount of 10-20%. These critics speculate that a small error, for example a 10% error in the calculation of the power might be accumulated over a period of a million seconds to create the appearance of a small but significant energy excess. So far only Fleischmann and Pons, the team at the University of Hawaii—in two experiments which they have been unable to repeat—and Robert Bush have reported a sufficiently high heat excess to obviate such an error factor.

Many cold fusion researchers had predicted that this might be the explanation for the otherwise anomalous results. The amount of helium-4 produced is much more consistent with the excess heat. In fact, in Dr. Will’s opinion, the discovery of helium-4, as reported by the NRL team (and by the Spring 1991 issue of *21st Century Science & Technology*), is the single most important development reported at the conference.

There is, of course, also the possibility that some kind of nuclear reaction other than fusion is taking place. This is considered by Frederick J. Mayer and Peter Hagelstein, who each have different theories on the subject. Their contention is that neutrons can be transferred from the deuterium directly into other elements such as the palladium, lithium, or even contaminants. If true, this would open the door to a new

mode of transmutating the elements.

Lastly, there is a possibility, which Dr. Will rejects out of hand, that there is some unknown chemistry involved.

Dr. Will describes himself as a conservative scientist, who is satisfied that there is good experimental data. However, he is maintaining an open mind on the origin of the excess heat, since no evidence has yet to be presented by anyone, with the exception of the experiments at the Naval Weapons Center, that would account for the low level of nuclear products.

Many different people, from various points of view, expressed frustration at the Como conference, about the failure of any demonstrated theory to explain the anomalous results. Notwithstanding, it was difficult not to agree with Martin Fleischmann and John Bockris, when they asserted that heat is, after all, the most important aspect of cold fusion. As Fleischmann said, we cannot uninvent an explanation or a new science. Ironically, in the same way that some of the physicists were uncomfortable with such bold assertions, the electrochemists failed to appreciate the beauty of nuclear findings, particularly the most recent showings in Japan and at Los Alamos.

Dr. Will's own work in establishing the presence of tritium in closed cells, modeled upon the general outlines of the Fleischmann-Pons deuterium-palladium electrolysis experiment, is unique: It totally accounts for the tritium found in the cell, before and after the experiment in each of the three possible phases—metallic, liquid, and gaseous—in which it occurs.

The finding of tritium by Dr. Will is no isolated occurrence: Tritium findings have been reported by the Bhabha Atomic Research Center (BARC) in Bombay, and by Storms and Talcott at Los Alamos, and particularly by Bockris at Texas A&M. However, in no case has the experiment been so precisely controlled as to put an end to the doubt that the tritium was somehow present at the inception or introduced extraneously while the experiment was in progress. Clearly then, a nuclear event is occurring in these cells. Dr. Will's work should have put to rest some of the skepticism about the reality of cold fusion which has been generated in honest members of the scientific community.

Although he was able to work only with four tritium cells, he found complete repeatability. A crucial element, according to him, was the loading ratio of hydrogen or deuterium to palladium atoms, which was one-to-one. No tritium was found in any of the light-water, control cells. Here, again, is a strong confirmation that there was nuclear action occurring in his experiment—as opposed to a merely chemical reaction—since only by a transformation of the nucleus of deuterium could the tritium have been formed. By using a closed-cell system, the environment in which the experiment took place was controlled.

The tone of the institute's summary report submitted by

Dr. Will is modest, emphasizing what work is yet to be done. At Como, he emphasized that it is now necessary to develop techniques of on-line measurement of the production of tritium, as it occurs, which he was not able to do. Nonetheless, his work was not only an outstanding research success, but it underscores the loss to science of the forced closing of the NCFI. The institute's inability to get continued funding must be attributed to the deliberate, vicious slander campaign which has been waged against cold fusion researchers, begun little more than a month after March 23, 1989, when Fleischmann and Pons announced their astonishing results.

Breakthroughs at Stanford Research

There has been a rumor that there will be a dramatic report coming from the cold fusion scientists at Stanford Research Institute by the end of the year to the effect that they are able to turn their experiments on and off at will by controlling electrochemical conditions. Hence, the report from SRI's Michael McKubre was listened to with great interest. His work is being sponsored by the Electric Power Research Institute (EPRI), and for this reason, much of the work of his group is proprietary. Nonetheless, his talk was of great interest, because it is a well-known secret that his experiments have been extremely successful and, therefore, participants were trying to glean everything they could about what he was really doing.

McKubre primarily devoted his discussion to answering critics who asserted that in all probability the excess heat was not nuclear in origin—a contention which he, as well as Fritz Will, flatly rejects. Another question which came up was whether electrodes should be coated with palladium dust to "blacken" them, or whether they operate best in a clean environment.

McKubre began by emphasizing, as had many before him, that the loading ratio, which is the number of deuterium to palladium atoms in the palladium lattice, must be close to one. In fact, during the discussion period, he admitted that SRI researchers only get positive results when the loading ratio is above 0.9. To understand how to achieve a high loading ratio, however, it is first necessary to determine what occurs at the interface between the palladium and the electrolyte medium. He was not apologetic about the fact that, despite making nuclear measurements, at SRI they do not find significant amounts of tritium or other nuclear products. For him too, heat is key. He devoted the beginning of his presentation to a detailed explanation of how calorimetry works and why he is sure that the excess heat he measures is not an artifact of the measuring apparatus. His groups measure the entire energy of the system. They are concerned with the flow rate (dm/dt , which is the change in mass over change in time). They attempt to maintain a constant current by adjusting the voltage to compensate for changes in the electrolyte as the experiment proceeds, and so on.

Thence, the question arises about potential sources of systematic error which might occur because of the nature of the calorimeter. He analyzed why such errors could account for an error on average of 10%, and of 25% maximally, in any particular reading. These figures, however, are significantly below the percent of excess heat generated by his experiments. One method they use to check for error is to interchange resistors, which are used to measure heater and electrochemical power; thus, if the electrochemical reading is too high because of a mechanical error, switching the resistors should show a discrepancy between the reading of excess energy that is generated by electrochemical input power and the heater power, before and after the change.

They are also careful not to underestimate the amount of mass change over time, since this would result in an apparent excess amount of heat generation. Another key feature of their design is that where they ran control cells (which was not in every experiment), they multiplexed them to a single multimeter: In other words, the two cells were placed in series in the same calorimeter. McKubre made the strong assertion in this regard: "When we are running light experiments, experiments in series produce excess heat in one and not in the other. It is very hard to attribute that to an error in the multimeter. An error in the multimeter should show up in all the cells that we are running."

McKubre also emphasized that they needed to run a typical cell around 2,000 hours in order to have a successful experiment. On average, his team's experiments are getting something like 250% excess energy, in terms of the electrical input, which is somewhat more than 45 megajoules per mole. Furthermore, they have never seen an energy deficit during an experiment. He raised the question: If the excess heat is the result of a mechanical malfunction of the heat calibration, why would there not be an equal number of deficits as energy excesses? His team has never observed excess energy in light-water experiments, although it is his estimation that they have yet to do a sufficient number of these to establish the point definitively.

His conclusion: "We are unable to account for the excess temperature by any artifact that we have considered, and we are unable to account for it by any chemical or mechanical processes that we are aware of." In the discussion period, he also emphasized that he had achieved high repeatability. He asserted that this depended upon accurate control of the initial conditions—state of the electrodes, loading ratio, and control of the current.

Breaking the stalemate

Melvin Miles commanded attention when he described the details of the experiment which he and G.C. Ostrom from the Naval Weapons Center ran in collaboration with Ben Bush (no relation to Robert Bush) and J.J. Lagowski of the Department of Chemistry at the University of Texas in Austin. Using an apparatus very similar to the initial Fleisch-

mann-Pons electrolytic cell, this group succeeded in detecting helium gas, using a mass spectrometer.

Miles's group had expected to find helium-3; instead, they were surprised to find helium-4. The finding, however, was in accord with several theories: It is otherwise difficult to account for both the small amounts of neutrons and tritium compared to heat generated in cold fusion experiments, and also for the fact that there is as much as a discrepancy of 10 million between the amount of tritium discovered, and to the amount of neutrons. This runs counter to the branching ratio observed in thermonuclear fusion, where it is equally probable for either helium-3 or tritium to be produced.

They are convinced that what they are observing is a surface reaction, because, among other things, the helium is detected in the gas above the electrolyte rather than mixed in with it. Unlike Fleischmann and Pons, they are successfully using a massive palladium electrode, which they struggled to keep uniform. They feel this allowed them to get results more quickly than Fleischmann and Pons—although it should be noted that they do not see comparable excess heat. Miles et al. believe that the nuclear reaction which is occurring is a surface effect, because the helium is found outside the electrode. Excess heat generated was only about four times what might have been expected from the amount of helium that was generated. This is an outstanding result.

The experiment was carefully controlled. While the experiment was done at Naval Weapons Center in China Lake, California, measurements were made at the University of Texas: Lagowski, in Austin, never knew in advance what cells he was being sent, and his group was even deliberately given cells filled with nitrogen, to test their apparatus and make sure that they would report a null result. In any cell with excess heat at or above 0.14 watts, helium was detected; in any cell with less than that amount, it was not detected. Seven out of ten cells they worked on gave excess heat to a maximum of about 30%.

Miles announced during his presentation that he had just received a facsimile transmission from his collaborator Ben Bush; Bush reported that when he performed the experiment with a palladium cathode that had been blackened with palladium black, he achieved excess heat within about two hours. This would be seen as confirmation that cold fusion is a surface effect by Robert Bush, John Bockris, and Miles—although they were already convinced that this would be the case. Robert Bush reported that he platinizes his electrodes. Others at the conference, such as Will and McKubre disagreed, and they contended that the best results come from a palladium rod which is shiny rather than coated.

Robert Bush agreed with Ben Bush that the addition of palladium chloride to blacken the surface should cut down loading times and work more efficiently than smooth, shiny palladium, once an optimal loading ratio has been reached. He believes he also has confirmation of predictions (according to his theoretical model) of the discovery by Franco

Scaramuzzi of a neutron emission line at a temperature of about 120°C. Robert Bush had predicted that such a line would show up at 126°C. He had not been aware of Scaramuzzi's results before coming to the conference.

Slander campaign

John Bockris, of Texas A&M, has taught many of those now most eminent in the field of electrochemistry, not the least of them Martin Fleischmann. He has a worldwide reputation, yet he has not remained untouched by the vicious climate against cold fusion being created in the United States. Journalist Gary Taubes has spread the slanderous story, in a forthcoming book debunking cold fusion to be published by Random House, that Bockris allowed one of his students to manually place tritium into a sample in order to pretend that cold fusion occurred. While Taubes has, of course, no credibility among anyone who is familiar with Bockris or his work, nonetheless, he is using the financial clout of a large publishing house to try to force Bockris into a no-win situation, where he, an individual with relatively small resources, will be pitted in court against Random House.

Nonetheless, Bockris is a fearless individual. He and Martin Fleischmann, in my view, are outstanding in their unwillingness to compromise on the question of cold fusion. Yes, the results were anomalous compared to thermonuclear fusion, which they see as a challenge to theorists, rather than requiring them to defend the validity of the Fleischmann-Pons experiment.

As opposed to the physics community, Bockris points to the discrepancy between tritium and neutron detection as *proof* that the result—cold fusion—cannot be evaluated in terms of *thermonuclear* fusion, and that it therefore represents a new type of nuclear reaction. He also points out that cold fusion has an advantage over thermonuclear fusion: It does not produce the same amount of charged particles, which would make containment of the radiation necessary. Since it is established that the excess heat is produced in these experiments, far in excess of any known chemical reaction, then this must be a nuclear event, whatever the problems with detecting tritium or neutrons.

Even though Fleischmann believes that excess heat is the key parameter for asserting that cold fusion takes place, nonetheless he did point to the need for more general access to tools, such as mass spectrometers, so that helium-4 could be detected more generally.

In his presentation, Bockris presented evidence showing a correlation between electrical pulsing and heat generation, and he also showed pictures of the evolution of the palladium electrode during electrolysis as part of a detailed study of the fugacity of deuterium as it penetrates the palladium electrode. "Fugacity" is a term used by chemists to describe internal pressure. A major problem for experimenters, is embrittlement at the palladium electrode, since cracking can stop the reaction; however, he considers the possibility that

there can also be locally high current densities, at voids on points where cracking occurs, where fusion may take place. These spread as the reaction time advances. This means that there are probable locally high current densities.

Bockris also hypothesizes that the dendritic and cauliflower-like formations which grow on the surface of the electrode may also be the locus of cold fusion reactions. Dendrites were found to be about 2 microns high. In order to keep the reaction going after these formations emerge, it is necessary to step up the current. He believes that the palladium is thickly encrusted with impurity metals, particularly platinum (which has migrated from the anode), which penetrate the palladium within a few weeks.

He described several experiments with heat bursts. Electric pulses of 5 seconds duration would trigger heat bursts, apparently correlated with electrode charging. Some bursts were also triggered when electrolysis was stopped, as the liquid of the electrolyte was used up. Pulsing correlated to heat burst in five experiments. The two highest actually terminated the burst before the electric pulse was stopped. These occurred between 110 and 350 hours of electrolysis, and excess heat varied from around 8-23%.

Bockris's own cold fusion experiments have focused upon the palladium-deuterium relationship; nonetheless, he pointed to the need to look at a number of transition metals, because, even though they do not concentrate deuterium or hydrogen to the same degree as palladium, nonetheless cold fusion occurs within them at a lower rate. He is also extremely interested in a Japanese patent taken out last year, which specifies a number of alloys of the superconducting genre, as possible mediums for cold fusion.

Soviet and other national programs

V.A. Tsarev from the Soviet Union reported that the witchhunt against cold fusion by *Nature* magazine put a "freeze" on what had looked like a promising cold fusion program, which originally had 45 institutes engaged in the work. *Nature* notwithstanding, Soviet researchers have apparently also developed another means of provoking the emission of neutrons, by what they call "nuclear mechano-fusion." One such device involved the fracturing of ice made from deuterium oxide. Similar experiments were done with lithium oxide. There is presently some effort to bridge the two devices with a fracture model, in order to explain at least some of the nuclear reactions which occur during cold fusion. The Soviets are also pursuing the geophysical and astronomical implications of cold fusion reactions, even were these to occur only on the low levels reported by Steven Jones. According to this view, the primordial Earth would have been composed of about 60% hydrogen, and hydrogen would have comprised 4.5% of the total mass of the planet. Other elements would exist as hydrides, and therefore the number of cold fusion events would be high.

Both the Republic of China on Taiwan and the People's

Srinivasan: 'A new door has opened'

It was a sad loss to the conference that Dr. M. Srinivasan could not attend. In the April 25 issue of the Indian journal *Current Science*, he published an open letter in which he reviewed the prospects of cold fusion. No doubt his remarks at the conference in Como would have been along the same lines. Dr. Srinivasan, the head of the Neutron Physics Division at the Bhabha Atomic Research Center (BARC) in Bombay, unlike many physicists, fully endorses the conclusions of Martin Fleischmann and others: that excess heat, as well as the presence of neutrons, tritium, and helium, is of nuclear origin (see *EIR*, April 19, page 25). His summary conclusions state the case:

"While physicists find it easy to accept that D-D reactions at the 'Jones level' (10^{-20} to 10^{-23} /s/d-pair/d-pair) can possibly occur in deuterated solids, there seems to be still considerable reluctance on their part to accept the idea that the 'excess heat' generation in electrolytic cells could

indeed be of nuclear origin. So far the main justification for the nuclear origin of 'excess heat' had been the argument that the magnitudes of both excess power (W/cm^3) and (MJ/mole) involved are such that it is orders of magnitude more than what can be explained on the basis of known chemical phenomena (reaction enthalpies, phase change effects, stored energy release, etc). However the recent observation of significant quantities of He-4 in the off gas stream of electrolytic cells generating excess power, besides a marginal excess of He-4 in one electrolyzed Pd button should perhaps begin to convince the scientific community that proof of excess heat being of nuclear origin is now on hand. However this information is not yet widely known.

"In the judgment of this reviewer the infant field of 'cold fusion' is rapidly acquiring the status of a respectable new branch of science, and the mysteries behind what this author and a growing number of 'converts' firmly believe is one of the most fascinating scientific breakthroughs of our times is slowly being unraveled. Indeed the humble 'battery and bottle' experiment may well have unexpectedly opened the door to uncharted new realms of physics and nuclear technology."

Republic on the mainland have ambitious cold fusion programs. They have favored gas-loading experiments, and interestingly, observe a bluish glow at the tip of the palladium cathode, which may be a signal for helium. This occurred at the Southwestern Institute of Nuclear Physics and Chemistry in China. According to Zing Zhong Li, who is from Tsinghua University in Beijing, they are seeing particles with energies greater than 5 MeV and, in some cases, charge numbers greater than 2. If it is borne out that there are emissions of particles with charges greater than 2, this would weigh the balance heavily in favor of those theorists like Mayer and Hagelstein, and Professor Yang of Hunan Normal University, who believe that what is occurring is a neutron transfer, not the fusion of two nuclei.

A laboratory in Romania had also achieved positive results in cold fusion experiments.

What the future may hold

It is certainly premature to speculate about technological applications of cold fusion at this time. In general, the heat which is generated in the experiments has still to go much above the boiling point of water, but neither the potentialities nor the scientific implications of this discovery have yet unfolded.

While the electrolysis experiments are of great scientific interest, it may well be that the most successful applications

will be based upon gas-loading devices; we may well find, as is emerging in high-temperature superconductors, that ceramic alloys will replace palladium or titanium. If it is true that the deuterium in the palladium lattice is in a coherent state, as many theorists now suggest, then perhaps someday a cold fusion cell will produce lased light instead of heat. Another possibility is the undetected existence of slow neutrons, which could be used immediately to breed nuclear fuels.

There is, however, one exceptional experiment, which would show immediate applicability were it repeatable. At the University of Hawaii, Bor Yann Liaw and a team of experimenters generated heats at 350-400°C, using a molten salt electrolytic cell.

Replacing heavy water, they used lithium chloride and potassium chloride salts in which a small amount of lithium deuteride was dissolved, to act as the main current carrier. The deuterium in this case was dissociated at the anode (the positive electrode), to become a negative ion. In this way, a reducing environment was created, in which the surface oxides on the palladium were removed. This had the advantage of facilitating the deuterium reaction. Liaw notes—as had Bockris—that many transition elements and their alloys can also absorb substantial amounts of deuterium, but are prevented from doing so in water solutions, because they have an oxide surface layer.

They achieved excess power levels as high as 25 watts

for an input power of 1.68 watts—a power gain of 1,500%. Unfortunately, it has only succeeded on two occasions. However, positively, a control experiment based on lithium-hydride did not produce excess heat.

Excess power increased with current density, and one heat burst lasted for four days, generating 5 megajoules of energy. The experiment only stopped because the lithium-deuteride was exhausted.

In this case, the positive electrode (the anode) was made from palladium, and it was found after the experiment to contain 4×10^{10} of helium-4. This impressive amount is far more than that present in a control sample of palladium; however, it is seven orders of magnitude less than the amount which would be expected on account of the heat generation. The amount of excess heat which was generated, calculated in watts per gram of fuel, compares favorably with light-water reactors. Similarly, when this is calculated in terms of watts per cm^3 of fuel—600 watts per cm^3 of fuel—the comparison is still in favor of the molten-salt cell, that is, four to one. In a review paper, BARC's M. Srinivasan compares the potential of the molten-salt cell to the Canadian-designed Candu heavy-water nuclear power plant.

Legitimate questions exist

The cold fusion debate is complicated by the fact that not all of the criticisms are coming from its enemies: There are legitimate disagreements among scientists about what the process is, how it happens, how to optimize it, and so on.

In an interdisciplinary gathering like this was, one problem is that the electrochemists and the physicists do not always understand each other's working assumptions. Thus, the physicists look for charged particles; look askance at heat results and the chemists' assertion that excess heat generated during experiments leaves no possibility of a merely chemical reaction; and they are less impressed by neutron detection. When it comes to theory there are practically as many theories as experimenters.

No one still has any clear idea about about just what is happening in the experiment, even with regard to such apparently simple questions as whether the action is occurring on the surface of the deuterium lattice, or just below the surface, or is an effect involving the whole volume. Not only does this lacuna affect experimental techniques, but it also raises the question of how measurements are best evaluated, as energy per cm^2 , or energy per cm^3 .

Of course, to some degree and in some manner, the reaction involves the total volume and near surface, as well as the surface itself. The deuterium first concentrates on the surface of the palladium, but then diffuses through the volume. It also concentrates irregularly within the lattice, causing cracking which can impede the reaction, but perhaps creating points of concentration which allow cold fusion to take place. Researchers have intense disagreements about the role of impurities in the experiment: Some theorists like

Mayer believe these impurities to play a crucial role, because they act as neutron donors or acceptors; others believe that the impurities enlarge the surface of the palladium electrode, and thereby foster cold fusion, which they believe to be entirely a surface effect. For those who believe it is a volume, or only a near-surface effect, such plating of the surface prevents the circulation of the deuterium and would impede the reaction.

Once a crucial experiment, such as the Fleischmann-Pons discovery, has challenged the basic assumptions held by scientists, it is to be expected that there will be a period of great turmoil, from which existing theories will be transformed to accord with the new understanding. This, of course, is how science progresses, by means of the succession of hypotheses, each of which expresses more profoundly man's understanding of the universe. In the course of such a shakeup, whole series of experiments are designed to test and refine competing hypotheses.

In the arena of fundamental theory, scientists also have profound differences, many of which have already been reported on in *EIR*, and will continue to be in the future. For the moment, the spotlight is rightly placed on the wealth of experimental data which is being assembled. In any event, on the most fundamental level, no theory can succeed without first facing the vicious assumption inherited from Isaac Newton, and incorporated into quantum theory: that the universe functions on the basis of disorder, chance, and therefore irrationality, which is most clearly expressed in the so-called Second Law of Thermodynamics.

Dr. Heinz Gerischer of the Max Planck Institute, who recently retired as director of the Fritz Haber Institute, is perhaps the most eminent electrochemist living today. He was invited to speak as an unprejudiced observer. In fact, as he admitted in his address, he was invited as someone who had accepted the mainstream line that cold fusion was a dead letter. However, after reviewing the available material before the conference and then attending the sessions at Como, he changed his view. He would repeatedly resort to the image of confirmed religious "believers" to describe some of the conference participants; yet, turning his irony on himself, when it came to cold fusion, he described himself, humorously, as an agnostic. However, he echoed the "believers." when he expressed the conviction that the anomalies in the ratio of charged particles to the production of excess heat, is in fact, evidence of the occurrence of a new nuclear process. Echoing the thoughts of many at the conference, he said: "If these quantities are correct, if a revolution in the nuclear theory has to combine solid state theory with nuclear force, we have a fantastic, new discovery."

Author's Note: The Fall 1991 issue of 21st Century Science & Technology will have a report on the Como conference which includes pedagogical graphic material, of help to the general reader in understanding more about the issues involved in cold fusion.

Soviets threaten Europe with war over Yugoslavia

by Nora Hamerman

The Soviet government on Aug. 7 issued its most sharply worded statement to date on the civil war in Yugoslavia, warning that "there is a very thin line between good offices and interference in internal affairs," and that any such interference would be "inadmissible." The statement labeled the introduction of outside armed forces into Yugoslavia as "unacceptable. . . . Those who are suggesting the dispatch of international armed forces to Yugoslavia seem to be mistaken about possible consequences."

The Soviet government hinted that it would absolutely oppose any moves toward recognition of Slovenia or Croatia, the two republics (of the six in the crumbling Yugoslav Federated Socialist Republic) which have declared their independence. "To enter—whether unwillingly or because of egoistic temptations—on one side of the conflict would mean to come into conflict automatically with others inside and outside Yugoslavia, and the conflict would grow into an all-European one."

According to reports in the European press, the Soviets are giving military aid to the troublemakers in Yugoslavia, the Serbians. Serbia, which is still ruled by a communist dictator (Slobodan Milosevic), and which dominates the federal Yugoslav Army, has been on a rampage to militarily crush the Croats and Slovenians in a widening civil war, out of which they aim to create a Greater Serbian empire.

The Kremlin's *démarche* came only a few days after the summit meeting of George Bush with Mikhail Gorbachov in Moscow, and a visit by Yugoslav Prime Minister Ante Markovic to Moscow.

Is backing the Greater Serbians in Belgrade part of the "new peaceful world order" pledged by Bush and Gorbachov? No doubt voicing the suspicions of many, on Aug. 4, Slovenian Premier Lojze Peterle was quoted in the Vienna paper *Die Presse* about Slovenian and Croatian efforts to win

diplomatic recognition: "In Brussels, they tell us they want to wait for the decision of the U.S.A. The United States, again, takes the Soviet view into account. And Moscow is paying attention to the position of Belgrade, unfortunately."

Indeed, if Moscow allowed Croatia and Slovenia to win independence, it would set a precedent for the breakaway of many a restive republic within the U.S.S.R. "captive house of nations," something Gorbachov won't tolerate. Whereas, for the Anglo-American bankers and their tame governments, the problem is: If Yugoslavia doesn't exist, how can they collect the huge Yugoslav debt?

German initiatives

Moscow's tough words target the Federal Republic of Germany, the nation which is in the unique position to form ties to the fledging independent republics and create a counterpole in central Europe to Anglo-American policy. But Germany has precious little maneuvering room. It was German Foreign Minister Hans Dietrich Genscher, who said on Aug. 5 that the European Community must consider diplomatic recognition of Croatia and Slovenia, as well as the creation of a joint Western European Union/CSCE force for intervening in Yugoslavia. Genscher spoke after an EC diplomatic mission led by Dutch Foreign Minister Hans van den Broek was torpedoed by Serbian President Milosevic.

In an interview with German radio, Foreign Minister Genscher stated that any attempt to change borders by force in Yugoslavia, in order to create a Greater Serbia, is "totally unacceptable." He sharply criticized Serbia's political leadership and said that economic sanctions are in order. He insisted that Serbia has to know that its behavior is "rejected by the international community."

Genscher also stressed the urgent need to expand the European Community to include Austria and Sweden, and

to allow for early association with the EC for Poland, the C.S.F.R., and Hungary—a proposal explicitly contrary to the views stated by French President François Mitterrand during a recent trip to Prague. France has lined up with Britain against Germany on a whole range of crucial strategic issues, including opposing an eventual “blue helmet” peacekeeping mission to Yugoslavia, which Germany would like to avoid, but has not ruled out.

Serbia’s drive to the sea

The Serbians can flout all the conventional European mechanisms of collective security, political solutions, and diplomacy. Serbia thinks it has a strategic combination of possibilities, which gives it the unique chance to realize its thirst for establishing a Greater Serbian empire. On Aug. 4, Milosevic boycotted the latest round of EC meetings with Yugoslav leaders, and said that the Serbs would never accept European intervention into Yugoslavia. Hours after the EC effort began, a downcast Dutch Foreign Minister Van den Broek admitted, “Our mission in Yugoslavia has failed. At the moment, there is nothing more we can do here.” He added that “the world has a right to know” that it was the Serbian side that had been responsible for the talks’ collapse. Yugoslavia now faces “tragedy and catastrophe.”

Meanwhile, the political elites in Croatia and Slovenia, aspiring to their freedom and sovereignty, are just as committed to their independence fight as their counterparts in the Baltic republics. “Their idea is that it is a unique chance given to them by history, like the unique chance that was seized by the people of East Germany, and that they will not stop, they will not compromise, and they will either win everything, or lose everything and go under,” a European expert told *EIR*. But Croatia and Slovenia have borne the brunt of the fighting, which has occurred on their territory, and with their much greater trade ties to the west, they have also suffered gravely from the economic disruption of the war. They are in a poor position economically to withstand the Serbian “tank communists” for long.

Serbia is escalating politically and militarily. On Aug. 1, Budimir Kosutic was named Serbia’s new deputy prime minister. A Milosevic crony, he has a well-earned reputation as a fanatical Serbian chauvinist-expansionist and is the first Serb from Croatia to be named a high-ranking official of the Serbian government. Kosutic is behind the Serbian media barrage slandering Germany and Austria as the plotters of a neo-Nazi “Fourth Reich,” because of their sympathy for the independence of Croatia and Slovenia.

In the leading daily of Frankfurt, Germany, on Aug. 2, correspondent Viktor Meier detailed the Greater Serbian war-plan. “The preliminary goal of the Serbian offensive is to establish a new border (with what’s left of Croatia in the Slavonia region) along the line Zupanja on the Sava-Vinkovci-Osijek-Beli-Monastir. Clearly the Serbians want to attack the important rail junction of Vinkovci in the next days, although in this town

live 71,000 Croats and only 13,000 Serbs. Osijek, which is inhabited by 91,000 Croats and 29,000 Serbs, has become a frontline city.” Serbian conquest of these areas could turn more than 160,000 Croats into refugees.

The occupation of the Croatian region Krajina, and its capital Knin, has cut the main rail line between the Croatian capital, Zagreb, and the central and southern portions of Croatia’s Dalmatian Coast. Meier warned that Serbia is planning “to extend the Serbian area all the way down to the sea.”

The Serbian military offensive aims at conquering a territorial corridor across Bosnia-Herzegovina, to unite the two Serb communities in southern and northeastern Croatia. This was confirmed in remarks Aug. 2 by Lazar Macura, “information minister” of the self-proclaimed autonomous Serbian region of Krajina. He also confirmed secret talks between the Serbs and a current of Bosnian Muslims opposed to the present Muslim President of Bosnia, with the aim of splitting Bosnia and creating a section that would join Serbia as a special Muslim satellite. *EIR* learned that Macura went to London to conduct a media blitz to push his Krajina/Greater Serbia cause, and while he was there, met Aug. 7 with Serbo-Yugoslav Crown Prince Alexander, the would-be monarch of Greater Serbia.

‘Very precarious’

In a briefing on Aug. 7 to *EIR*’s editors, a leading European political analyst said the strategic situation is “as precarious” as this review had warned it would become if Lyndon LaRouche’s “Productive Triangle” failed to be implemented in central Europe, and “probably even more so.”

“In the only part of the world where approximately 300,000 American troops with nuclear warheads still face directly some 250,000 Russian troops in east Germany, and approximately 30-50,000 troops in Poland, the distance between the part of Europe where NATO and affiliated troops are stationed, and the heartland of the Soviet Union has shrunk, by the distance between the river Elbe and the river Oder,” he pointed out. “In this very part of the world, we have a dynamic which is not only the potential for war, but is an outright war.”

He observed that “Yugoslavia is only about four hours’ car drive from Munich, and about an hour and a half from Vienna.” What was not supposed to ever happen again—war in Europe, 46 years after the end of World War II—is happening.

NATO members Greece and Turkey are already in danger of being drawn in. On Aug. 6, a London paper reported that Turkey had notified the State Department of its concern about the Yugoslav crisis, particularly in Bosnia, which has a Turkish minority. Macedonia, the easternmost republic, set a referendum on independence from Serbia for Sept. 8. Were Belgrade to counter with a regional extension of military and irregular operations, this would create another crisis area, at the border with Greece.

Landsbergis rips both superpowers over new massacre in Lithuania

by Hartmut Cramer

In the early morning hours of July 31, another horrific massacre was carried out in Lithuania, the worst since the "Bloody Sunday" of last January, when 14 people were killed and more than 400 wounded in an assault by Soviet military forces on the television transmission tower in Vilnius. The Moscow regime at that time had cynically exploited the Gulf situation, knowing full well that U.S. President Bush would not lift a finger to stop a massacre of the Lithuanian people at the same time he was giving the final orders for the "surgical" air bombardment of Iraq, with the ultimate goal—as has since been proven—of destroying Iraq's infrastructure and heavily targeting the Iraqi civilian population.

The joint game of the two superpowers in relation to the Baltic states has been functioning ever since. The more likely a new summit meeting between Bush and Gorbachov became, the more frequently there were "border incidents": Disguised members of the feared OMON black beret units, which answer directly to Soviet Internal Affairs Minister Boris Pugo, would assault a Lithuanian border post, systematically burn down the building, and manhandle and abduct the customs officers who were on guard there.

Executions at Medininkai

On July 31, hence at the very moment when George Bush and Mikhail Gorbachov were proclaiming in Moscow their "new, peaceful world order," a brutal attack occurred on the Medininkai border post, in which six Lithuanian customs officers were killed and two more were critically wounded.

Moscow will have overwhelming difficulties in presenting this massacre, as they have in the past, as a "measured response" to a Lithuanian "provocation," because the Lithuanian functionaries were first forced to lie on the floor of the customs office, before they were executed with a series of shots to the head.

Lithuanian President Vytautas Landsbergis informed the public on the afternoon of July 31 about the massacre. The Parliament held a special session on Aug. 1, and a national day of mourning was set for Aug. 3, the day the victims were buried.

If there were, after Jan. 13, any illusions remaining in Lithuania about the coordination of the two superpowers, they are now shattered. Gorbachov's announcement, crafted

to calm down the world media at the summit press conference in Moscow, that his KGB chief Gen. Vladimir Kryuchkov had offered Lithuania's President his cooperation in getting to the bottom of the latest "incident," was promptly denied in Vilnius. "It's a lie," stated Rita Dapkus, the spokesperson of the Lithuanian Parliament, in a statement released on July 31. "Kryuchkov never made any such offer, and he also did not speak on the telephone with President Landsbergis."

Bush drops the mask

George Bush finally let his mask drop in Moscow. Instead of sharply protesting the massacre, he closely matched his formulation to that of Gorbachov; he even had the gall to urge "both sides" to exercise moderation, which is worse than a slap in the face to the sorely tried Lithuanians: It is the official admission of the fact that there is no place for the sovereign Baltic republics in Bush's new world order.

Lithuania's President Landsbergis clearly recognized this and drew the obvious consequences. At his July 31 press conference, he not only mentioned the "highest levels of the Soviet leadership" as responsible for the latest massacre, but he also pointedly criticized the United States: "Every time the U.S.A. improves relations with Moscow, the Soviets hit the Baltic states with armed force; especially Lithuania. In fact, the United States of America is making concessions to Moscow, because it is not vigorously demanding from the Soviet Union that the guilty parties for the murders of January 1991 in Lithuania and Latvia be punished, that the buildings occupied by Soviet units be given back, and the OMON terrorists be withdrawn from the Baltic states. We cannot allow ourselves to forget this connection or overlook it."

It would be refreshing to hear such clear and courageous words from the German government. The closest approximation so far has come from Dr. Wolfgang von Stetten, a politician from the ruling Christian Democratic Union party. He is chairman of the German-Baltic Friendship Circle which was recently founded in Bonn, and which has over 100 members of the federal German parliament as members. He demanded in a first communiqué to Gorbachov "that the OMON special forces be withdrawn immediately from Lithuania, and serious negotiations be undertaken to nullify the Soviet occupation of 1940."

'We need direct economic ties to the European Community'

Lithuanian Deputy Foreign Minister Valdemaras Katkus and Prof. Juozas Tumelis, the president of Sajudis, the independence movement of Lithuania, were interviewed by Hartmut Cramer in the town of Hüttenfeld, Germany on Aug. 2, while attending a seminar for exiled Lithuanians. Their visit was part of a tour of Germany in late July and early August. The Lithuanian Information Bureau is located in Hüttenfeld.

EIR: In recent weeks Lithuania has experienced, first, a great success in foreign policy, and then, a catastrophe. The murders at the Lithuanian-Belorussian border station of Medininkai were, in fact, judging by the reports of the few surviving witnesses, executions. What does this mean? How do you judge the situation in your country?

Katkus: The events of this week reflect Lithuania's actual situation. On the one hand, a treaty was signed on July 29 between Russia and Lithuania which is, in our judgment, a genuine treaty on Yeltsin's part with Lithuania. On the other hand, on July 31, the murders in Medininkai were carried out. These two events mark the two poles between which Lithuania is moving. On the one hand, we cooperate with those who want this cooperation; on the other, there are those who want to destroy Lithuania.

The treaty with Russia is significant; it is very important for Russia and naturally also for Lithuania. In fact, on July 29, three documents were signed: The first is the treaty of state relations between Lithuania and Russia, which was signed by both Presidents, Boris Yeltsin and Vytautas Landsbergis. The second concerns the cultural and economic development of the Kaliningrad region. At the signing of this agreement by the prime ministers of both states, also present was the president of the Kaliningrad region, who had taken part in the preparations for this treaty. The third agreement concerns the opening of consulates in Russia and Lithuania; that is, a representative of Lithuania in Moscow, and a Russian representative in Vilnius. This document was signed by the two foreign ministers.

Further, it was decided to open a Lithuanian office in Kaliningrad that would deal primarily with solving economic problems and, beyond that, help to implement the agreements that were made.

EIR: Can you briefly identify the most important points of this treaty with Russia?

Katkus: There are two. First, Russia has recognized our independence, and also the documents of March 11 [Lithuania's declaration of independence of March 11, 1990]. And second, the agreement states that the annexation [of Lithuania by the Soviet Union] of 1940 was contrary to international law, and hence should be abrogated; and such an act naturally serves to improve the relations between the Lithuanian and Russian people. I should like to emphasize that this is, on Yeltsin's part, a genuine treaty. Yeltsin does not run away from problems, but rather is disposed to solve them jointly.

In this connection I should like to point to two other things: We began treaty negotiations with Russia at the end of July of last year. During this year we have had many discussions and have always found compromises, since we were striving for good relations. We began consultations with the leadership of the Kremlin in August of last year, yet until now there has been no progress with regard to negotiations. There are no negotiations. Instead, we are subjected to constant pressure, which has now turned into aggression. For that matter, we have felt these pressures since March 11, 1990, above all after the blockade was declared against us. Later, during the bloody events of Jan. 13, 1991, they went so far as to occupy more than 10 buildings, among them the television tower; and now we have lived through the events of July 31, which were also bloody.

EIR: How do you judge the reaction of the West to these massacres?

Katkus: The reaction of the West to Jan. 13 was quite strong; still, it did not provide a consistent policy vis-à-vis

the Baltic states. Gorbachov, on the other hand, has followed a consistent policy toward our countries, with the primary goal of using violence to oppress us. To the world, however, he declared that he is in genuine consultations or negotiations with us. After Jan. 13, the occupied buildings were not returned to us, and Western Europe did not take the Jan. 13 events as an occasion for helping us get back those buildings. And we think that precisely this position of Western Europe has fostered the most recent incident. Gorbachov and his people have come to the conclusion that should they in the future comport themselves as they did on Jan. 13, nobody in the West would do a thing.

After Jan. 13, the representatives of various parliaments of Europe came to us in Vilnius, and also six members of the European Parliament; that had a great political significance and gave Lithuania a certain international protection. But these initiatives took place a relatively long time ago; after that there arose an atmosphere in which the rulers of the Soviet Union could feel secure in taking further steps against us. The aim of the Jan. 13 events, and also those of July 31, was to balkanize the Baltic problem. In other words, the Soviet communists wish to provoke military resistance on our part. And they wish to terrorize us, to break the dignity of our people, to stop our economic reforms, as well as demoralize our border police and officials.

EIR: What do you expect from the West, especially from Western Europe and Germany?

Katkus: From Western Europe and the Federal Republic of Germany we expect a consistent policy. One can cite many examples to show that the methods of the communist government of the Soviet Union have not changed. In 1939-40, the Estonian ports were blockaded by the Soviet communists; they simply checked all the ships which traveled to and from Estonia. In 1940, a passenger flight from Tallinn to Helsinki was shot down; all the passengers lost their lives. In Latvia in May-June 1940, Latvian border police were killed, and the witnesses to these murders were dragged away to the Soviet Union. The only thing left to find were the empty cartridges of the Soviet machine guns.

In those years, Moscow accused the government of Lithuania of persecuting the communists, kidnaping Soviet soldiers, and doing everything to get the Soviet Union involved in a war, even though Lithuania at the time had no borders with the Soviet Union. I recount this as proof, that the methods of the communists of Soviet Russia vis-à-vis the Baltic states are the same, no matter who is in power, Stalin or Gorbachov: economic blockades, murder of border officials, and provocations; for example, by blowing up bombs which were laid by the Soviet forces themselves; these methods have not changed.

Everything at that time occurred in the shadow of the coming war; today, however, we have peace in Europe, and we still believe in the collective security of Estonia, Latvia,

and Lithuania. Western Europe must understand that the Baltics, as a part of Europe, can only be freed by the Europeans.

Tumelis: I should like to go over again the barbaric action of July 31. Especially astonishing in that regard are, for me, the following elements, above all in comparison to the events of Jan. 13. First, the complete anonymity. Whereas at that time we knew exactly who had done it, today we know neither who did it nor who was behind it. Secondly, the unusual cruelty of the action, which leads us to conclude that it was carefully planned. There is a surprising coincidence in the timing: the parliament in Lithuania on vacation, the signing of the treaty with Russia, and the visit of George Bush to Moscow.

This time the occupying forces went further than in January. It would be terrifying if they were to go on this way. Yet they can do so.

Who gave the command, and who carried it out concretely? It is very difficult to answer this question today. But everyone who knows the Soviet system, knows that such actions could not be carried out without the approval of the top echelons of power.

EIR: What conclusion does the Lithuanian government draw from this barbaric action?

Tumelis: We are forced to reaffirm our decisions. We shall become more united. The biggest problem we have now is with the activities of the communists loyal to Moscow in Lithuania. It is no secret that they want to overthrow our government, which they also sought to do around the events of Jan. 13. They are carrying out active propaganda against our government, and are seeking to shake the faith of the Lithuanian people in the parliament and the government.

Our future will also depend upon the reaction in the West. If the West is going to react to the events in Lithuania, in the same way that today people react to the Trojan War, or the Thirty Years' War, then naturally our prospects are much worse.

The war against Lithuania has been going on for 52 years already. Will it go on as long again? To this question, we do not have an answer today.

EIR: Earlier you mentioned the coincidence between the frightful massacre in Medininkai and the visit to Moscow of George Bush. The U.S. President has not protested against the massacre; instead, he went so far as to make Gorbachov's formulation his own, that "both sides" should avoid provocations. Does the Lithuanian government fear an agreement between the superpowers in relation to the Baltics, that is, the abandonment of the Baltic states?

Katkus: Our people, the citizens of Lithuania, have such fears. And they have historic grounds for this. After the Second World War the Americans assured support to our partisan troops which were actively fighting against Soviet

occupation, and announced that they were coming. The armed resistance of Lithuania lasted some 14 years. After that, people said, "America has betrayed us."

What happened on July 31 reminds people in our country of this post war period. And the concern that has arisen from that, has naturally also been noticed by the government of Lithuania. The question is the same: Is there some kind of superpower agreement?

Tumelis: It seems to me that various agreements have already been made, probably already in 1989 in Malta. Many of the Malta accords astonish me, especially when I compare them with subsequent events in central Europe. Very likely, Bush and Gorbachov at the time discussed a new division of spheres of influence. Gorbachov could no longer hold central Europe as he had formerly, and neither could he keep it as a *cordon sanitaire*. He gave up this region to the sphere of influence of Western Europe, and for that he probably obtained some promises; for example, that the borders of the Soviet Union would not be changed, i.e., that the Baltics would remain part of the Soviet Union.

EIR: What *concrete* help do you expect from the West, particularly Western Europe?

Katkus: Above all making clear a position that the creeping aggression must cease, that we must have returned to us all the occupied buildings, and that the aggressive troops of the Soviet Union must be pulled out of Lithuania. We demand the inauguration of an international commission to investigate the bloody events. Our problems should be discussed within the framework of the Helsinki process. In this regard, I am thinking about a special conference which would set itself the goal of solving the Baltic problem. That would also contribute to stabilizing the situation of this entire region.

Naturally we need good cooperation in the areas of the economy and trade, not *by way of* the Soviet Union, but rather in a *direct* manner. Otherwise, the Soviet Union should continue to possess the corollary means for keeping us in subjection. We are ready to undertake and implement concrete economic projects in cooperation with the European states, with the European Community, or on a bilateral basis. For it is through concrete economic cooperation that many of our problems might be solved.

Shaul Eisenberg at U.S.-Soviet summit

Senior Israeli businessman and intelligence operative Shaul Eisenberg was present in Moscow at the Bush-Gorbachov summit as a "surprise" participant, and played a special role in striking a Soviet-Israel-U.S. deal at the summit, *EIR* has learned.

What the Soviets indicated, in Eisenberg's presence, was that they were in desperate need of financial resources, and that "Jewish financial interests" could provide help in this direction, whereas the Palestine Liberation Organization, which is seen increasingly as a "nuisance" by the Soviets in any case, could not.

Soviet concessions

Eisenberg reportedly agreed to expedite significant funds for conversion of Soviet industries and for other projects, in exchange for two conditions on the Soviet side. One was continued Soviet Jewish emigration to Israel, and the other was that the Soviets would drop the PLO. Past days' Soviet statements attacking the PLO have codified the latter part of the deal. Further arrangements will be made during Soviet Foreign Minister Aleksandr

Bessmertnykh's upcoming trip to Israel.

Eisenberg's presence at, and participation in, the summit, has been totally blacked out of the international media.

Sources in Germany familiar with the goings-on at the summit and with the details of the Middle East negotiations, say that "big surprises should not be excluded" in the Middle East over the coming one to two months, which may involve Israeli Prime Minister Yitzhak Shamir "popping up" in Damascus, or perhaps Syrian President Hafez al-Assad popping up in Israel.

One Israeli source told *EIR* that Eisenberg "is doing an enormous amount these days both in the Soviet Union and China, he's built up a very big thing. His direct contacts are enormous in both countries. In the Soviet Union, he can speak, when he wants to, to both Gorbachov and Yeltsin. In China, he's the first they call in, when special problems arise, whether it be agriculture, or other areas. He has a very fine sense of power. He's become very important for the Soviet Union. He's part of a whole galaxy of Israelis with special know-how, who are restoring vast tracks of agricultural land and are involved in other business, particularly in the Soviet Far East. As Israel aided Africa in the 1960s, so it is now doing in the Soviet Union. And Eisenberg's strength, is that he keeps politics out of it all, it's pure economics, except of course, there are political or diplomatic spin-offs, as we see in the Middle East right now."—*Mark Burdman*

Foreign powers behind Gandhi assassination?

by Ramtanu Maitra

Indian Home Minister S.B. Chavan's July 26 statement that the one-man commission of inquiry on the assassination of Rajiv Gandhi would be expanded, indicates that the two-month-old effort to find out who killed the former prime minister has hit a brick wall. The government's attempt to blame the militant Tamil Tigers from Sri Lanka has failed, and Chavan's hint that foreign powers may have been involved in the assassination, given Gandhi's prominence as a Third World leader, opens a broader investigation.

Following the May 21 assassination of the Congress (I) president in the middle of India's 10th general election campaign, the media and Indian intelligence spokesmen pointed the finger at the Tamil Tigers. The motive, it was asserted, despite contrary indications, was a vendetta against the alleged brutalities committed by the Indian Peacekeeping Forces (IPKF) against the Tamils while stationed in Sri Lanka for two years in an attempt to bring peace between the warring Tamil secessionists and the Sri Lankan government forces. The Indian presence had been agreed upon in July 1987 by Gandhi and then-President Junius Jayewardene. The IPKF failed in its mission and came to be identified with the Sri Lankan government.

Despite clear evidence that the Tigers were aware that Rajiv Gandhi was likely to emerge the victor in national elections, and were opening a communication channel with him, the Tamil guerrillas were blamed. But after arresting some 2,000 Sri Lankan Tamils, including a number of "prime suspects," Indian authorities have not been able to clinch their case. The alleged mastermind of the killing, Sivarasan, has eluded the security net for more than two months, and a recent report indicates he was seen in Sikkim, a state in the Himalayas about 7,000 miles from the scene of the crime.

Meanwhile, a number of incidents in India have surprised authorities. The latest was the escape and death of V. Shanmugam, another "prime suspect," on July 20. Shanmugam, who had been arrested two days earlier, was found hanging from a tree near the bungalow in which he was imprisoned. In the words of a statement by the ruling Congress (I) members of parliament, the death of Shanmugam "has amply proved that the special investigative team (DIT) is neither capable, nor willing to conduct a sincere and proper investigation." Two days later, Defense Minister Sharad Pawar told newsmen in Pune that India will not tolerate attempts from outside to destabilize the country.

Pawar's statement came almost a month after a bizarre

incident in the Kashmir Valley where 40 Israelis, ostensibly tourists with arms training, were involved in a shootout with militant Kashmiris seeking separation from India. Since India and Israel have little in the way of diplomatic relations, the presence of the Israelis in the troubled Muslim majority state of Kashmir adjacent to Pakistan has raised the specter of yet another India-Pakistan war. The question is, who were these Israelis, why were they allowed into Kashmir, and what inroads has Israel made into the Indian political arena?

Israeli interest in the subcontinent

The incident in Kashmir confirms Israel's continuing interest in the region. It is widely known that the Mossad was involved in providing counterinsurgency training to the Sri Lankan Army in the 1980s. Later, Mossad agent Ostrovsky's exposé of Mossad activities indicated that the Israelis had trained both the Sri Lankan Army and the Tamil Tigers in the use of explosives. It is also a matter of speculation what the Anti-Defamation League (ADL), the Zionist lobby in the United States, was up to when it took a high-level delegation to India in the mid-1980s.

Particularly since the Gulf war, the pro-Israel lobby in India has become extremely active. A number of former Army generals who joined the Hindu chauvinist Bharatiya Janata Party (BJP) during the recent election campaign, have come out promising closer Indian-Israeli relations. Leading Indian strategic analysts, such as K. Subahmanyam, also suggest that to improve New Delhi-Washington relations, India must cozy up to Israel. The emergence of Rep. Steven Solarz (D-N. Y.) as the pro-India lobby in Washington is an indication that policymakers are proceeding along these lines.

India's sidling up to Israel, albeit covertly, makes Pakistan suspicious of India's intentions. The incident in the Kashmir Valley has evoked angry statements from top Pakistani officials, and it has worsened India-Pakistan relations at a time when the new prime ministers in India and Pakistan might otherwise have begun a dialogue to resolve bilateral matters peacefully. With the end of the Cold War, which kept India-Pakistan relations strained for decades, there is a real basis for progress.

Moreover, it is evident from Iranian Foreign Minister Akbar Velayati's remarks recently in Pakistan that the Islamic countries will not give up their support for the Kashmiri militants (see *International Intelligence*). The presence of Israeli "tourists" in Kashmir will predictably harden their stance.

Rajiv Gandhi was crucial to the stability of the subcontinent. He was emerging as a leading Third World political figure, and his murder has provided foreign powers the flexibility to operate on the subcontinent. The Israelis may well be involved in seducing the Indians to believe that they can solve the Kashmir problem and remove the nuclear threat from Pakistan, but they are most likely operating on orders from elsewhere.

ANC reaps benefits of funding scandals

by Linda de Hoyos

As South African President Frederik de Klerk was nearing completion of negotiations with the African National Congress and other parties for the dismantling of apartheid, revelations suddenly burst in the South African press July 20 that the De Klerk government had been funneling money into the Zulu-dominated Inkatha movement of Zulu Chief Mangosuthu Buthelezi. By July 21, the charges had been confirmed by then-Law and Order Minister Adriaan Vlok, who said that the government had secretly provided funds for the labor union associated with Buthelezi and upwards of \$500,000 for two Inkatha rallies.

The revelations have rocked the precarious balance upon which De Klerk has attempted to negotiate a multi-party alliance in South Africa leading toward the dismantling of apartheid, a revised Constitution, and national elections.

The immediate gainer from the political explosion is the African National Congress (ANC) of Nelson Mandela, which has been engaged in a fratricidal war with the Inkatha for the last two years.

But behind the ANC stands a scenario pushed by the British-linked financial nexus of Harry Oppenheimer (Anglo-American Corp.) and "Tiny" Rowland (Lonrho), to derail De Klerk's efforts for multi-racial and multi-party unity in South Africa. Oppenheimer's Anglo-American Corp., according to South African sources, owns or controls 50% of all the companies listed on the Johannesburg stock exchange, and also controls most of the nation's newspapers. The aim of Oppenheimer and Co. is to impose the "Rhodesian model" on South Africa, whereby the country is handed over to black majority rule. The reasoning is simple: A government that excludes whites is a far less powerful entity and far less able to resist the escalated looting of South Africa by the Lonrho-Oppenheimer-DeBeers complex. Lonrho, for example, is now extremely prominent in Zimbabwe since the 1976 repudiation of coalition rule, with a total of 25,000 employees in that country alone.

ANC revived

In 1985, according to South African sources, the ANC was languishing in a moribund state with headquarters in Lusaka, Zambia, when ANC leaders there were visited by Anglo-American Corp. chief executive Gavin Relly. Ac-

ording to intelligence sources, Tiny Rowland then provided the ANC with \$20 million to move its headquarters to Johannesburg. In addition, as President De Klerk pointed out in his press conferences answering the charges of government funding of Inkatha, the ANC has received \$94 million since the mid-1960s from one country alone, namely Sweden. And Australian Foreign Minister Gareth Evans promised the ANC \$1.4 million directly from Canberra's treasury when he was in South Africa in June. In short, the ANC is not without resources itself.

It is believed, according to the London *Financial Times*, that half of the "national working committee" of the ANC, which was elected in mid-July, is composed of members of the South African Communist Party. However, U.S. intelligence sources have reported to *EIR* that a deal has been struck between the Soviet Union and the Oppenheimer group that the Soviets will cease to use the ANC as an asset in return for South African cooperation on setting up a gold cartel. South Africa and the Soviet Union combined supply half the world's gold supply.

The ANC is now poised to maximize the political benefit of the revelations, which conveniently give the ANC a boost after Winnie Mandela's conviction on kidnaping charges. Nelson Mandela proclaimed that the "current exposures demonstrate quite clearly that De Klerk and his ministers cannot be trusted to supervise the transition to a democratic South Africa. If the political field is to be truly leveled, a multi-party interim government of national unity should be set up to oversee the transition."

The ANC's backers in London go even further. Writing in the *Financial Times*, Patti Waldmeir floats a scenario under which the ANC would be immediately brought into the government, supposedly to keep the De Klerk government "honest." Waldmeir claimed in an article July 29 that "the government believes confidence in the security forces can only be restored once joint control and supervision of the police and military has been assured. This could include appointing members of the ANC and other opposition parties to key positions in the public service, including the security forces.

"The government in Pretoria has been willing to compromise on the interim government issue but the measures being considered go well beyond earlier proposals. They would involve joint control of the executive branch of government, rather than merely appointments of ANC and any other opposition group leaders to an expanded cabinet."

In part, the scenario is to hand over coalition power to the ANC even before it demonstrates its strength at the polls. That strength may very well be questionable. The Inkatha Freedom Party has a membership of 2 million, while the ANC has only 300,000 members. Although Buthelezi's party is not believed to be strong in the cities, the Zulu chief has made assiduous and reportedly successful efforts to gain votes among the country's white population.

'New order' to leave Argentina defenseless

by Cynthia R. Rush

As *EIR* goes to press, the three-month trial of 15 Argentine Army officers is coming to a close in Buenos Aires. On trial in federal court for their participation in the Dec. 3, 1990 uprising against the Army high command, the nationalist officers are charged with "mutiny and rebellion with shedding of blood." Their attempt to remove the Army high command and change government military policy, was falsely portrayed in the Argentine and international press as an attempted coup against President Carlos Menem. Press accounts played off the liberal media's years-long characterization of Argentina's Armed Forces as coup-mongers and fascists.

The nationalist officers are known by the term *carapintadas* (painted faces), a reference to the camouflage paint they use in combat. Although they were sentenced to harsh jail terms by the military court which tried them immediately following the December events, federal prosecutor Luis Moreno Ocampo is seeking even tougher sentences now. He has singled out for attack Col. Mohamed Alí Seineldín, the hero of the 1982 Malvinas War whose commitment to the defense of national sovereignty and the institution of the Armed Forces has made him a major obstacle to the Anglo-American establishment's objectives. Jailed at the time in southern Argentina, Seineldín took full responsibility for Dec. 3, and early this year, a military court sentenced him to a minimum jail term of 20 years.

On Aug. 8, Colonel Seineldín and several of his co-defendants gave dramatic testimony to demonstrate that rather than a coup attempt, the events of Dec. 3 were the lawful outcome of the provocative policy toward the Armed Forces implemented by Carlos Menem and his predecessor, Raúl Alfonsín. *EIR* correspondents on the scene reported that the officers' emotionally powerful statements emphasized that their actions were a response to Anglo-American attempts to dismantle the nation's institutions, including the Armed Forces. As a result of this policy, Seineldín warned, "We're entering [Bush's] new world order defenseless, with our hands behind our necks, crawling on our knees, poor and destroyed."

A deliberate policy

Since taking office in July 1989, Menem had repeatedly promised to address nationalist grievances and try to resolve the Army's internal problems. Seineldín documented that

he personally had met with Menem and with several of his emissaries, to seek solutions to the military crisis. Instead, together with the Army's high command, Menem not only ignored those grievances; he took steps which threatened the institution as a whole.

The high command persecuted nationalists who demanded that the dignity of the military institution be respected. But as Army engineer Maj. Rubén Fernández documented in his testimony, that's not all they did. The generals, he charged, were "accomplices" in permitting the looting and theft of military companies such as Fabricaciones Militares, and the handing over of natural resources to foreign, particularly British, interests. The loss of the Air Force's Condor II missile, and the bankruptcy of the giant steel complex Somisa, are the result of their corruption, Fernández said.

Major Fernández was eloquent in discussing the nationalist military tendency of promoting infrastructural and technological development. Referencing Col. Romero Mondani, a nationalist officer who died during the uprising, he asked, "What choice did he have? He was a scientist and an engineer. He was watching 50 years of work going down the drain."

Especially in Argentina, where a strong nationalist tradition has existed historically, the Anglo-Americans fear that Seineldín will be the rallying point for a morally inspired political resistance to their policies. Thus, in his final summation, prosecutor Moreno Ocampo attempted to ridicule the profoundly Catholic principles which guide the *carapintada* movement, comparing it, and Seineldín in particular, to Adolf Hitler and the Nazis.

In one and a half hours of forceful testimony, the colonel ripped the prosecutor's arguments to shreds. Particularly since 1976, he said, Argentina has been under assault by "international financial centers" whose leaders were determined to "integrate the Republic of Argentina into the new international order . . . definitively replacing the traditional Argentine state." To achieve that aim, he explained, these financiers had to dismember the Armed Forces and define its mission as "regional and international" rather than as defender "of the nation's highest interests." The current government has agreed to inserting Argentina into this "New Order," the colonel continued. That, he added, is the only way to understand Menem's demand on Dec. 3, that Seineldín and other officers be summarily executed, and the lying propaganda about the *carapintadas* plans. No resistance to these Anglo-American plans can be tolerated.

Nonetheless, he stated, the act of taking full responsibility for the events of Dec. 3, 1990 is a "sacred privilege." His subordinates, he said, "put to one side their personal interests and acted to "rescue their institutions. . . . Had I not taken that responsibility . . . I would have been considered a traitor to the Fatherland and undoubtedly, upon my death, condemned before God's Tribunal, the only court which, aside from feeling respect, I fear."

Documentation

Seineldín's testimony: the mission of the Army

The following are excerpts from testimony given in Buenos Aires federal court by Col. Mohamed Ali Seineldín on Aug. 8.

Military laws and regulations clearly establish that the Army is the military arm of the Fatherland and one of the nation's fundamental institutions. Its mission is to safeguard the Fatherland's highest interests. It must therefore always be prepared to defend its honor, the integrity of its territory, and the nation's Constitution and its laws. . . .

From the numerous documents and testimony presented at this trial, we can show that, today, the Armed Forces are *not* the military arm of the Fatherland; are *not* one of the nation's fundamental institutions; and are in no condition to safeguard the Fatherland's highest interests. . . .

Beginning in 1976, there was a substantial change in the traditional political schema, according to the future division of the world, later called the "New Yalta." The economic system of development and production was to be replaced with a financial system of speculation, which would accentuate dependency. Political decisions would be subordinate to economic ones. To achieve this, it was necessary to weaken the five natural pillars of the Argentine state: the Church (as a spiritual force); political leadership; . . . the Armed Forces (as a force for defense and development); small- and medium-sized industry (as an economic force); the trade unions (as a social force). . . .

The plan to weaken the national defense forces is as follows:

Regarding the national strategic and military level . . . all areas will be privatized and, undoubtedly, some will be bought up by potential enemies. . . .

Regarding operational strategy, priority will be given to the Argentine Navy over the other two branches. . . . The Army and the Air Force will be reduced to a tactical level . . . using them in the war against drug trafficking and terrorism, in coordination with foreign forces, to be deployed to Argentine territory. . . .

The constitutional mission will be replaced by a "regional and international" one, which has nothing to do with the Argentine Nation. . . .

Today we are in a state of grave defenselessness, which prevents fulfillment of the national defense mission . . . [which is] protection of cultural and spiritual values, protection of national territory, protection of energy and food reserves and areas of geopolitical interest, protection of our

inhabitants. . . .

[Our enemies use] this well-known state of weakness and defenselessness, to change our religious and cultural values; fragment and cut off part of our national territory; . . . expropriate our energy and food wealth, and areas of geopolitical interest; make Argentine citizens feel defenseless, thus imposing first psychological and then physical domination. . . . Finally, [they seek] to integrate the Republic of Argentina into the new world order to be established in the 21st century, definitively replacing the traditional Argentine state. We will be poor and dependent. . . .

To achieve their objectives, methods of modern war—psycho-political war—will be applied, which will invade all areas of the national state, with far more lethal weapons than those in the military arsenals: drugs, as an important chemical weapon; sterilization, abortion, malnourishment, hunger, unemployment, and prostitution, as powerful biological weapons to destroy life; . . . anti-drug "agreements" and privatization for ecological aims, which will facilitate the installation of foreign forces, peacefully invading our Nation. . . .

Knowing the problems and feelings of the Army, I can guarantee that, if the real causes [of this crisis] are not resolved, the effects will increase in seriousness. . . .

'A sacred privilege'

The dismembering and weakening of the Armed Forces, and the security, police, and corrections forces, will continue, as this is part of an international plan agreed on by the current government and for the purpose of inserting Argentina into the [state] of dependency known as the "New Order." One could never understand otherwise [President Carlos Menem's] order [that nationalists be] summarily executed without a fair trial for the events of Dec. 3, or the huge lie that we were going to assassinate Dr. Menem, and a whole series of actions taken to prove to public opinion that we were irrational rebels. . . .

I am the only one responsible for Dec. 3, 1990, and I share that sacred privilege with no subordinate. . . .

The national Constitution states in its preamble, "to provide for the common defense," an ideal which always motivated my actions. . . . In response to two years of effort . . . to resolve the [military] problem, I received indifference, arbitrariness, ridicule, and imprisonment. Under these circumstances, I had no other option but that adopted on Dec. 3, 1990, because its causes were legitimate and synthesize the feeling of the nationalist defense forces. . . .

Backed by our just banners, established in the national Constitution and in military rules and laws, and remembering my dead, maimed, wounded, and exiled comrades, I express my will, aided by that well-known saying of [the Liberator] General San Martín, "When the Fatherland is in danger, all is allowed, except letting it perish." This is our commitment. God and Fatherland, or Death.

Hollinger takeover bid in Melbourne

The corporation whose purchase of the 'Jerusalem Post' ushered in the Sharon war cabinet is now staking out turf in Australia.

The Hollinger Corporation of Conrad Black, owner of the London *Daily Telegraph* and the *Jerusalem Post*, is now engaged in a takeover bid for *The Age* newspaper in Melbourne, Australia, and the entire Fairfax Group of newspapers. On July 28, Black met with Prime Minister Bob Hawke and other senior cabinet ministers to make the case for the purchase of the Fairfax group, and Black said after the meeting he was sure Hawke would not apply anything other than "reasonable criteria" to the decision. Black has dismissed critics of the proposed deal as "paranoids."

The takeover bid has sparked a controversy in Australia for two reasons. One is Hollinger itself. The megacorporation is one of the chief operational agencies for the Anglo-American establishment, as its board of directors would indicate: former U.S. Secretary of State Henry Kissinger, former British Foreign Minister and NATO Secretary General Lord Peter Carrington; and Peter Bronfman, cousin of Seagrams-DuPont magnate Edgar Bronfman, president of the World Jewish Congress.

Black himself is reportedly a second-generation British Intelligence financial warfare specialist who was sponsored by one of Her Majesty's leading wartime spymasters, Edward Plunket Taylor.

The second problem is that Hollinger's partner in the deal is Australian multimillionaire Kerry Packer. Australian critics of the buy-up point to Packer's potentially huge grip on an increasingly concentrated media

industry in Australia. With the exception of the Fairfax Group, Australia's media is already controlled either by Rupert Murdoch or by Packer.

Packer is suspected among many Australian intelligence circles of involvement in the dope trade centered in the Far East. In the early 1980s, the parliamentary Costigan commission conducted an extensive investigation into Australian illegal-drug trafficking. The commission's vow was to "go after the bosses."

In informed circles the "bosses" were known to have meant Kerry Packer and his friend Sir Peter Abeles, a multimillionaire who heads the giant transport company, TNT. The commission, however, was shut down prior to their official identification.

Despite the protests of the Hollinger-Packer takeover of the Fairfax group, the Melbourne *Age* is apparently priming itself for the change in management. When Hollinger took over the *Jerusalem Post* in the spring of 1990, the paper abruptly shifted its editorial line, solidly backing the coming to power of the war cabinet of Prime Minister Yitzhak Shamir and Housing Minister Ariel Sharon. The Hollinger-backed change in government in Israel set off the chain of events that led to the war against Iraq, which the *Post* strongly backed. The *Post* editorial shift also caused the wholesale walkout of the *Post*'s previous reporters and editors.

At *The Age*, however, one reporter at least definitely plans to stay at her post under Hollinger management: Sheena MacLean, so-called ru-

ral editor. An Aug. 7 article by MacLean in *The Age* attempts to tie the Citizen's Electoral Councils in Australia to "right-wing white supremacy" groups "distributing racial and anti-Jewish propaganda."

MacLean reports that the CEC "is closely linked to the Lyndon LaRouche political organization in the United States." The CEC has emerged as a major headache for the Hawke government, because of the grassroots resistance it has mustered to the government's dismantling of the farm sector.

The article reports that police are "investigating" various Australian groups for anti-Jewish activity, citing in particular the White Aryan Resistance (WAR) and the Christian Identity Ministeries. She then makes the "connecto" that an advertisement was purchased by the Christian Identity Ministeries in the *New Citizen*, newspaper of the Citizens Electoral Council. *The Age*'s smear was followed by a rural radio broadcast in Victoria claiming, falsely, that the WAR had direct links to the CEC.

Last March, a full-page slander article on the CEC and LaRouche was published, also penned by MacLean, which relied highly on an interview with Mira Lansky Boland of the Anti-Defamation League's Washington D.C. office. (Prior to being given the ADL post, Boland worked for the Central Intelligence Agency.)

Timed to coincide with the MacLean piece, Mark Liebler went on the radio and television airwaves calling for strong laws to halt "incitement to racial hatred." Liebler is the brother of Isi Liebler, vice president of the World Jewish Congress under Hollinger's Bronfman. In short, the indications are that the dirty tactics of the ADL are being escalated in Australia, a campaign Hollinger can be relied upon to boost.

New outbreak of judicial terrorism

Endara and his masters come down hard on critics. Are these guys thin-skinned or do they have something to hide?

On July 22, the U.S.-installed government of President Guillermo Endara issued a warrant for the arrest of Prof. Cecilio Simón, for an alleged political killing that occurred 14 years ago! The arrest was ordered "on instructions from the U.S. military Southern Command," said a source in Panama's legislature. Two people now claim they saw Simón, in the dark, during a wild melee between Panama's Communist Party and the Trotskyite FER-29 in 1978 at the National University, which resulted in the death of one member of each group.

No warrants have been issued for members of either group. Simón, who belonged to neither, was fingered by a member of Panama's Communist Party. Moscow recently recognized the Endara government, the first time the two countries have ever exchanged diplomats, and Panama's Communists have endorsed Bush's Enterprise for the Americas.

The arrest order against Simón, who was the dean of the School of Public Administration at the National University until his removal by occupation authorities last year, caused former U.S. Attorney General Ramsey Clark to write a letter to Endara on July 27, urging him to "make sure there are no abuses of prosecutorial power." The warrant against Simón, "for an offense allegedly committed many years ago, would clearly be intended to destroy freedom of speech, association, and political activity."

Clark reminded Endara that Simón's removal as dean "was universally seen as an attack on both aca-

demic freedom and academic excellence. Mr. Simón is a solid citizen of Panama," wrote Clark. "Cecilio Simón is no criminal."

Endara, in his July 29 reply, said: "I don't know—nor have I heard of—Prof. Cecilio Eduardo Simón. By what is contained in your letter, I don't believe I would be interested in knowing him either." He added sarcastically, "Simón . . . is not above the law, even if he has Ramsey Clark as his godfather. No one is persecuted in Panama for their beliefs or opinions." Because Panama has separation of powers, "a system of government you are familiar with, the Executive branch cannot get involved in the affairs of the Judicial branch," wrote Endara.

The response caused gales of laughter among Panamanians who recall that just weeks ago, Endara went on television to call for the firing and jailing of a judge who ordered the release on bail of Col. Marco Justines, the former chief of staff of the Panamanian Defense Forces, who has been held for 18 months without a trial.

The arrest order against Simón was part of renewed repression since the early-July return of José Blandón—he had been under the "protective custody" of U.S. Marshals at military bases. Panama's former Consul General in New York, on whom the CIA has a thick file documenting his dealings with Cuba, betrayed Gen. Manuel Noriega, and was listed as the U.S. star witness against him last year. Blandón's many contradictory statements have since discredited him.

His return now is most curious, as the U.S. Justice Department was supposed to bring charges against him for selling the "Noriega tapes" (which Blandón got from Justice) to CNN. Since his return, he has been meeting with Attorney General Rogelio Cruz, a partner of the Cali Cartel, and others, to find new ways to incriminate Panamanian nationalists.

Panama's National Committee on Human Rights leader, Olga Mejía, charged on July 24 that there is no "judicial independence in Panama" and accused the occupation government of fabricating cases, of presenting false witnesses, and of condemning innocent people without any evidence of guilt. She took to task Amnesty International, the U.N., the OAS, and others, because "they lack energy" in dealing with human rights complaints against the current regime. "They are not acting with the same energy as they did with the former government," she said.

She raised the case of Isabel Corro, whose arrest was ordered in July on charges of being the "intellectual author" of "painting slogans" in Panama City against the U.S. occupation. Corro is leading the fight to account for those killed during the 1989 U.S. invasion, and she was featured last September on CBS "60 Minutes" saying that at least 4,000 Panamanians were killed.

Corro's arrest was ordered as the administration rushed to keep the cover-up in place. U.S. Assistant Secretary of State for Inter-American Affairs Bernard Aronson told a congressional committee on July 30 that "there is no basis whatsoever to the reports that thousands of civilians died," and anyone saying otherwise is "demagogic." The Pentagon's Gen. James Harding singled out Mrs. Corro by name and insisted that there were only 272 confirmed dead.

International Intelligence

KGB charges Pakistan with 'destabilization'

Anatoli Belousov, head of the Soviet KGB in the Central Asian Republic of Tadjikistan, made a most unusual attack on the Pakistani special services, according to Radio Moscow of Aug. 2. He charged them with spreading Islamic fundamentalism throughout Central Asia, "destabilizing the public and political situation in the Central Asian republics, and creating the conditions for their secession" from the U.S.S.R.

Belousov claimed to have "irrefutable proof" that Pakistan used Afghan mujaheddin forces in such efforts. He said his warning is not directed against Islam, but is intended to "protect the constitutional system from subversive activity."

Curiously, the theme of Pakistan's alleged destabilization of Soviet Central Asia has been raised in the context of the U.S. investigations into the Bank of Credit and Commerce International (BCCI). Jack Blum, the chief investigator for Sen. John Kerry (D-Mass.) on the case, told reporter Larry Collins, as reported in the *International Herald Tribune*, that the real story of BCCI, is that it was a Pakistan-based operation of the late CIA chief William Casey, to fund destabilizations of the Central Asian regions of the U.S.S.R.

Kuwait's Catholics deny reports of Iraqi crimes

"The Iraqi soldiers respected us. . . . Reports of violence and murders of Catholic priests are totally false," Kuwait's Apostolic Vicar, Bishop Aloisius Micallef, told the international magazine *30 Giorni*, according to an article published at the end of July. Micallef also stressed how dangerous the situation is now for Christians in Kuwait.

"It is also false that the Iraqi soldiers had hidden tanks and ammunition in the churches," he said. "Some of the soldiers came to churches because they were Christian. Others came to ask for food because they

were starving." The bishop described the coalition's aerial bombing of an Iraqi Army column in retreat on the highway outside Kuwait City: "Whoever went to see what is now called 'the highway of hell,' described blood-curdling scenes. This is a burden that will remain on the human conscience."

Now, after the war, *30 Giorni* writes, "the small Catholic community in Kuwait could become the last *desaparecida* in the desert storm—a 'disappearance' to be seen as part of the collateral effects of this 'just war,' and which is not even noticed, now that the eyes and the appetites of the world are focused on the billion-dollar contracts for reconstruction."

Said Micallef: "The opening of the borders is selective. Among the Catholics the percentage remains very low. . . . The Palestinian community cannot be criminalized *in toto* for collaborationism. Now all Iraqi and Palestinian residents have been advised to stay home. Nobody was re-hired."

30 Giorni accuses the Kuwaiti authorities of "discouraging the return of the 'stable' foreigners, who before the war amounted to 70% of the population. A real plan of expulsion seems to be being implemented for some ethnic groups: the Iraqis and above all the Palestinians, the biggest community before the war."

Asean countries seek to counter media lies

The six member countries of the Association of Southeast Asian Nations (Asean) agreed to take steps to promote more balanced, less destructive journalism, at a meeting of information ministers in Kuala Lumpur, Malaysia on Aug. 2, according to Radio Australia.

The information ministers said that the media should not be used in a manner that undermines the stability and well-being of countries. To this end, foreign journalists will be encouraged to spend time in the various Asean countries. Other measures were not immediately specified.

Malaysian Prime Minister Mahathir

Mohamad called the Western press "a threat." He said that it was not easy to ban a newspaper or expel a reporter, but that sometimes it must be done. "You don't do such things without getting a bashing from the Fourth Estate and those who consider themselves holier than us," he said. But "the mindless acceptance of someone else's interpretation of democracy and an unquestioning submission to certain practices, as for example the 'right' to fabricate and tell lies, will undermine not only the fledgling democracies, but the democratic system itself. This, the countries of Asean can ill afford."

Iran's Velayati looks to Afghanistan, Kashmir

Iranian Foreign Minister Ali Akbar Velayati arrived in Pakistan on July 28 for tripartite talks with Pakistan and the Afghan mujaheddin, on an early political settlement in Afghanistan.

Heavy fighting is continuing between the guerrillas and Afghan government troops, and hundreds of people were reported killed or injured when an arms depot was blown up in the capital of Kabul recently, the Pakistani newspaper the *Nation* reported. The blast was reportedly caused by rockets fired by mujaheddin troops blowing up thousands of missiles, including Scuds.

A declaration issued after the talks called for a "peaceful solution of the Afghan problem under which Afghanistan's Islamic identity and its independent, non-aligned, and sovereign status are restored."

Velayati also addressed the deteriorating Indo-Pakistani border crisis over Kashmir, emphasizing his government's commitment that "the uprising by the people of occupied Kashmir [the Indian state of Jammu and Kashmir] to achieve their right to self-determination will be fully supported" Radio Pakistan reported on July 29.

Velayati said that the Kashmiris should be given an opportunity to decide their own future. Earlier, Britain's Lord Avebury, a leading supporter of the World Kashmiri

Freedom Movement, had told a journalist that he had been making overtures to Iran to have it become the main international advocate for Kashmir, because the British cannot "be seen" playing this role.

Group of Seven charged with 'interference'

The declaration issued by the Group of Seven industrial nations at the London summit in July could have "far-reaching consequences" for the Indian subcontinent, a July 22 release by India Abroad News Service reported. "There could be a thin dividing line between what the G-7 may consider the international approach, and what others might consider interference in their affairs. In G-7 language, there could be scope for international action in the subcontinent right now. . . . War in the subcontinent could invite international solutions as the G-7 might see them."

The G-7 declaration talks of world policing through a stronger United Nations, and refers to the "peoples" rather than "people" of the Soviet Union and Yugoslavia.

"Similar issues are potentially explosive within India, Pakistan, and Sri Lanka," the Indian report states. In the declaration's exhortations to the U.N. to be ready to carry out other "policing actions" like that against Iraq, "there may be enough here for separatists in the subcontinent to cite."

Germans worry about French missile site

The chairman of the German Christian Democratic parliamentary group, Alfred Dregger, on Aug. 2 denounced the plan of French President François Mitterrand to station the new Hades short-range missile in Alsace-Lorraine, directly bordering on Germany. The missile is scheduled to be placed there on Sept. 1.

"Does France really want," Dregger asked in Bonn, "to force its ally Germany to be struck by such weapons in the defense against an attack that would target France

via German airspace?"

The French stationing of the Hades, which has a range that could reach Würzburg or Prague, comes at a time when the Soviet Union is pulling out its own short-range missiles and nuclear artillery from central and eastern Europe, Dregger pointed out. The decision by Mitterrand is even more ominous, as it scraps all previous agreements, for example the joint NATO-French disarmament initiative of July 6, 1990, as well as discussions with between France and Germany over the past years.

Dropping the diplomatic niceties that are usually observed in a matter as sensitive as Franco-German relations, Dregger charged that Mitterrand is acting "like the duck that comes out of the water, shaking itself off: Everything is gone again, and the German security concerns are no longer part of the game."

Dregger's remarks are one of many signs of friction building up between Paris and Bonn on vital policy issues, and of a realignment of France, under Mitterrand, with the anti-German coalition led by Britain.

Brazilian journalist defends Columbus

Brazilian journalist José Ignacio Werneck wrote on July 29 in the newspaper *Tribuna da Imprensa* that "in the U.S., it's the vogue to attack Christopher Columbus, as the date of the 500th anniversary of the discovery of America gets closer." But don't blame Columbus, he says, for the problems we created. Werneck says that those who attack Columbus are still quite happy with their air conditioning, VCRs, and other modern comforts. If, "through an aberration of fate, America hadn't been discovered, we'd all be either in Europe or Africa, and on our continent, the Aztecs would still be tearing the hearts out of their prisoners. It's true that Guanabara Bay wouldn't be as polluted, but let's not blame that on Columbus: That's not an automatic consequence of civilization, but only of our own ineptitude."

● **GERMAN** Foreign Minister Hans-Dietrich Genscher declared on Aug. 5 that any attempt to change borders by force in Yugoslavia, in order to create a Greater Serbia, is "totally unacceptable." In an interview with German radio, he sharply criticized Serbia's political leadership for having torpedoed European Community diplomatic efforts in Yugoslavia. Genscher said that economic sanctions would now be in order.

● **TURKEY** notified the U.S. State Department at the end of July, of its interest in the outcome of the Yugoslav crisis, expressing particular concern for the situation in Bosnia, where there is a substantial Muslim population and a Turkish minority, reported the London *Independent* on Aug. 6.

● **LITHUANIAN** President Vytautas Landsbergis on July 30 announced the diplomatic recognition of Slovenia and Croatia by Lithuania, in a statement of solidarity with the independence struggle of the two republics against Belgrade. He said that their struggle was as just as the struggle of the Baltic nations against Moscow for sovereignty and independence.

● **THE ARCHBISHOP** of Berlin, Georg Sterzinsky, recently named cardinal by Pope John Paul II, will serve in two important posts in the Vatican hierarchy, the Vatican congregation on religious education and the papal council for dialogue with other religions.

● **THE SOVIET** Communist Party daily *Pravda* lashed out at the Palestinians, in an unusual commentary on July 31. "The Palestinians, after their very bad calculations in supporting Baghdad during the Gulf war, are demonstrating a need for new ideas and a new definition of interests of the different Palestinian groups." The article was published to coincide with the U.S.-Soviet initiative for a joint conference on the Mideast.

The 'Bushgate' clock is ticking louder

by Jeffrey Steinberg

It's becoming more and more difficult for President Bush to spend any time back in Washington, D.C. these days without stepping into the line of fire in one of a number of growing scandals. And although the President has packed his bags and left the White House on a four-week vacation, there is little chance that those scandals will die down by the time he and the Congress return to business after Labor Day.

Looming over the President is the fact that his closest advisers, his political collaborators, and even his family have been intimately connected with the filthy drug money and weapons-smuggling networks involved in the "October Surprise" and the Bank of Credit and Commerce International (BCCI) scandals now under investigation.

His early August Camp David get-together with key political advisers to discuss his expected 1992 reelection campaign is a good case in point. Seated around the table were at least two long-time Bush aides whose names will very likely come up in the course of the BCCI investigations.

Fuller and Teeley

Craig Fuller, who was Bush's chief of staff in the vice president's office during the Reagan years, is now a top figure at Hill and Knowlton World Services, the public relations firm that has been accused by former U.S. Customs director William Von Raab of shielding BCCI from federal prosecutors. In testimony before a Senate Foreign Relations subcommittee on July 31, Von Raab named Hill and Knowlton chief executive officer Robert Keith Gray as a leading figure in BCCI's "gray network" of Washington lobbyists and power-brokers on the bank's pad. Gray has designated Fuller as his heir apparent as CEO at the giant public relations firm.

Gray was a prominent Reagan-Bush campaign booster and hosted a private New York City banquet for Bush when he was first elected vice president back in 1980. To make

matters worse, Gray was for a number of years a director of First American Bankshares, the Washington-Virginia-Maryland bank corporation alleged to have been illegally owned by BCCI.

Gray was named in July by ABC's "Nightline" as a suspected participant, along with the late William Casey, in a pair of meetings in Madrid, Spain in July and August of 1980, where the Reagan-Bush campaign chief allegedly cooked up a deal with the Iranian ayatollahs to delay the release of American hostages in Teheran until after the presidential elections. The hostages were ultimately released hours after Ronald Reagan was inaugurated as President in January 1981.

The circumstances surrounding that 1980 presidential campaign and the so-called October Surprise will be probed by bipartisan panels in both the Senate and the House of Representatives beginning right after the congressional recess. On Aug. 5, after months of preliminary inquiry, House Speaker Tom Foley (D-Wash.) and Senate Majority Leader George Mitchell (D-Me.) announced that a formal probe would be initiated, under the direction of Rep. Lee Hamilton (D-Ind.) and Sen. Terry Sanford (D-N.C.).

Also seated at the President's early-August Camp David reelection gathering was Peter Teeley, formerly Vice President Bush's communications director. Teeley left the Reagan-Bush White House just prior to the 1988 elections to set up his own consulting firm. Among that firm's first big clients was the government of the Seychelles Islands, the Indian Ocean paradise that has been virtually synonymous with the "Propaganda Two" freemasonic lodge, BCCI, and Indian subcontinent hot-money flows since the mid-1970s.

Although, so far, the largest number of the U.S. politicians linked to the BCCI affair have been prominent Democrats, including former President Jimmy Carter and Lyndon

Johnson's defense secretary and Democratic Party elder statesman Clark Clifford, at least one source extremely close to the various BCCI probes has told *EIR* that "before BCCI is over, the Bush administration won't know what hit it." According to this source, BCCI arranged millions of dollars in political payoffs through a Florida bank, CenTrust Savings and Loan, headed by David Paul. Paul allegedly socked large amounts of money into the Bush campaign as well as into other prominent Republican campaigns. Paul is a Democrat who handled campaign fundraising in 1988 for Joseph Biden.

In a preliminary report issued by a Senate Judiciary subcommittee on Aug. 6, CenTrust was implicated in insider stock trading with Charles Keating's Lincoln Savings and Loan, junk bond deals with Drexel Burnham's Michael Milken, and money laundering with BCCI. The committee will likely hold formal hearings in early autumn.

Gates nomination in deep trouble

September will probably prove to be a make-or-break month for the Bush presidency. Between Sept. 10 and Sept. 16, Congress has scheduled confirmation hearings for U.S. Supreme Court nominee Clarence Thomas and Director of Central Intelligence designate Robert Gates. On Sept. 11, House Banking Committee chairman Rep. Henry Gonzalez (D-Tex.) (who has already introduced a bill for the impeachment of President Bush) is scheduled to begin hearings on BCCI that are expected to revive allegations that Bush White House officials, including Gates, funneled arms to both Iran and Iraq up through the January 1991 outbreak of the Persian Gulf war.

Washington, D.C. lawyers Clark Clifford and Robert Altman are already scheduled to testify before the Gonzalez committee. Gonzalez has also requested extensive records from Henry Kissinger and his Kissinger Associates consulting firm, regarding the U.S.-Iraq trade links. Bush National Security Adviser Brent Scowcroft and Deputy Secretary of State Lawrence Eagleburger are both former Kissinger Associates officials, and both are prominent targets of the Gonzalez questionnaire.

On Aug. 2, the *Los Angeles Times* reported that numbers of former and active duty CIA officers have approached members of the Senate Select Committee on Intelligence with damning information about Gates's performance at the agency. "They've come out of the trenches screaming," one congressman told the paper. Such internal CIA opposition is considered extremely rare.

On Aug. 6, the *Washington Post* revealed that Iran-Contra Independent Counsel Lawrence Walsh has sent a letter to retired CIA officer Dwayne Claridge, a leading Irangate figure, informing him that he is a "target" of Walsh's investigation. A perjury indictment, similar to the one handed down in July against former CIA Central American Task Force chief Allan Fiers, is expected any day now. Other former senior CIA officials who have been named as prominent

targets of the Walsh probe are Clair George and Donald Gregg. George headed the Directorate of Operations under the late CIA head William Casey, while Gregg was Vice President Bush's senior national security staffer and is now ambassador to South Korea. Reportedly, Walsh's investigation gained new life in June when several CIA people stepped forward to help the special prosecutor decode tapes of conversations between headquarters officials and field agents. This led to the perjury plea-bargain by Fiers and the expected new round of indictments.

The Bush family jewels

Reporters from several major news outlets are also focusing attention on President Bush's son George W. Bush, Jr. of Midland, Texas. George Jr. is the President's oldest son, a Yale graduate, and, like the President, a member of the elite Skull and Bones secret society. In an article in the July 12 *Texas Observer*, writer David Armstrong revealed that Harken Oil, a firm directed by the elder Bush son, shocked the oil industry in January 1990 by winning an exclusive contract to explore and market Bahrain's offshore oil and natural gas reserves. George Bush, Jr. denies that his father's position had anything to do with the potentially multibillion-dollar deal, and terms accusations that the U.S. troops were sent into the Persian Gulf last year to defend Harken's Gulf ventures, "far-fetched."

George Bush, Jr.'s partner in the oil firm is Allan Quasha, the son of a Manila attorney who was the general counsel to the Nugen Hand Bank, a hot-money-laundering outfit linked to CIA heroin trafficking in the Far East. Nugen Hand went belly-up in early 1980 when one of the bank's two founders, Frank Nugen, was found in an abandoned car in Australia, the victim of an apparent "suicide."

According to media sources, George W. Bush, Jr.'s business ventures are linked to other shady CIA personalities, and this story is also expected to come out publicly.

One of the reasons that the Harken-Bahrain story could strike a raw nerve with the American public is the fact that one year after the start of the Gulf crisis, many people are beginning to question the sanity of President Bush's Operation Desert Storm. Recent polls show a marked drop in public support for the President's handling of the entire Gulf affair. The criticisms range from disappointment that Saddam Hussein remains in power, while the Kuwaiti regime remains as repressive as ever, to horror at the level of devastation brought to the innocent civilian population of Iraq by the war and the continuing sanctions; to the harm done to U.S. interests.

The situation around the Bush presidency may have not yet reached critical mass, and the Democrats may still be in disarray themselves. But this should offer little consolation to President Bush as he begins his four weeks of "no politics—just relaxation." In all probability, come September, all hell is going to break loose, and George Bush is going to face the greatest challenge of his presidency.

Anglo-Americans meet at Bohemian Grove

by Brian Lantz

California's Redwoods once again served as the backdrop for a closed gathering of Anglo-American political and corporate leaders this July 12-27. The "Bohemian Grove," a privately held stand of Redwoods, is the site of an annual masonic "Encampment" sponsored by San Francisco's exclusive Bohemian Club. David Rockefeller, Henry Kissinger, George Bush, and banker A.W. Clausen, are among the members. The guests are equally significant. Colin Powell was allowed to attend last year. This year, Prince Alexander of Yugoslavia attended. "I hope they ask me back," the Prince beamed. He reportedly left for Israel, via Jordan. *EIR* has learned that this year's famous "Lakeside chats," a tradition dating from Herbert Hoover's days at the Grove, included:

Mikhail Tartutua, Soviet television's San Francisco bureau chief, "A Soviet in the U.S."; S. Fredrick Starr, president of Oberlin College, Ohio, "U.S.S.R.: Smaller But Better?"; Dr. Robert W. Jamplis, clinical professor of surgery, Stanford University, "Medicine in the Year 2000: Can We Afford Any?"; Joseph Califano, "American Health Care Revolution: Who Lives, Who Dies, Who Pays?"; Helmut Schmidt, former chancellor of West Germany, "The Enormous Problems of the 21st Century"; Elliot Richardson, "Defining a New World Order"; Defense Secretary Richard Cheney, "Major Defense Problems of the 21st Century"; ex-Secretary of State George Shultz, "Agenda For America."

The gathering must have been less than unanimous in support of Bush's vision of the "new world order." Blueblood Elliot Richardson, just back from Iraq, along with other Council on Foreign Relations and Trilateral Commission folk, has been publicly disagreeing with Bush's agenda. Helmut Schmidt has been apoplectic over U.S. financial policies.

With the British monarchy and sections of French freemasonry pushing a monarchist revival in eastern Europe (see *EIR*, Aug. 2), Prince Alexander's appearance at the Grove was timely. This year's Encampment came in lockstep with the Group of 7 meeting in London, the results of which have favored the ascendancy of Prince Alexander over a short-lived, fascist "Greater Serbia" empire.

Lyndon LaRouche has hypothesized that Anglo-American financial interests, jettisoning the even crazier Thatcherites, are moving to broker Soviet oil for German capital goods, placing continental Europe, including the east, again under firm Anglo-American-Russian control.

Consider the success of the San Francisco-based Chevron

Corp. in winning exclusive rights to develop the huge Russian Tengiz oil field. The 8,900-square-mile field is believed to hold at least 25 billion barrels of crude. Chevron leaders have been traditionally linked with the "Stowaway Camp" of the Bohemian Grove, along with David Rockefeller and William Hewitt, a former ambassador and director of the U.S.-U.S.S.R. Trade and Economic Council. Former Chevron chairmen Ralph Gwin Follis and Otto N. Miller were also associated with the Knights of the Order of St. John, whose members swear undying allegiance to the Queen of England. Shultz, the man whom Kissinger says he respects the most, serves on Chevron's board of directors.

Bohemia's 'weaving spiders'

Let us consider two more of the Bohemian Grove's 120-plus known camps: "Mandalay" and "Hill Billies."

The Hill Billies camp includes George Bush, A.W. Clausen, William Draper III, and William F. Buckley. Half of its 26 listed members reportedly belong to Skull and Bones, the Yale University-based satanic secret club, into which Bush was initiated. The late Alden Yates, of Bechtel Group Inc., was a member. Bush's membership in the Hill Billies does not guarantee his political future. Richard Nixon, long a member of Herbert Hoover's old Bohemian camp, "The Cavemen," was discouraged from coming back after Watergate.

"Mandalay" camp includes the Bechtel family, high-ranking Scottish Rite freemasons attached historically to Chevron. Better-known members include Kissinger, Shultz, Secretary of the Treasury Nicholas Brady, the late John A. McCone, Carl E. Reichardt of Wells Fargo Bank, Edgar Kaiser, Leonard Firestone, and William French Smith. Other brethren are Samuel Armacost and the late Rudolph Peterson, both former chief officers and presidents of Bank of America. Peterson was at the heart of the bank's dealings with Italy's P-2 masonic lodge in the 1970s. Bank of America's activities as an international clearinghouse bank are currently under investigation, and litigation, in the Bank of Credit and Commerce International (BCCI) scandal.

Bechtel Group Inc., closely intertwined with Chevron, is a major player in the Soviet Union, in Leningrad steel production and a projected government electronics research center near Moscow. Steven Bechtel, Jr. was part of a May 30-31, 1990 conference in Moscow, coinciding with the Bush-Gorbachov summit. The conference was sponsored by the Royal Institute for International Affairs (Chatham House), the London *Financial Times*, and IMEMO, the Soviet "Trust" think tank. Bechtel spoke on "How the Engineering and Construction Industries Worldwide Can Help with the Infrastructure Requirements of the U.S.S.R." It was in that context that Most Favored Nation status for the Soviet Union was first mooted. Such arrangements, premised on masonic geopolitical theories, lack the force of natural law. Old Bechtel, founder of today's Bechtel Group, Inc., died in the U.S.S.R.; he fell off a cliff.

Book Review

Reviving the lost science of well-tempered tuning

by John Sigerson

Tuning: Containing the Perfection of Eighteenth-Century Temperament, the Lost Art of Nineteenth-Century Temperament, and the Science of Equal Temperament, Complete with Instructions for Aural and Electronic Tuning

by Owen H. Jorgenson

Michigan State University Press, East Lansing, 1991

798 pages, hardbound \$65

Owen Jorgenson, an expert on piano technology who teaches at Michigan State University, has turned his lifelong preoccupation with musical tunings other than modern equal temperament, into a comprehensive, hands-on manual for enabling teachers and students of piano tuning to begin to break the "tyranny of equal temperament" which has prevailed over the past century, and to reconstruct the tuning systems which were required by the great composers of classical polyphony. The manual is chiefly aimed at professionals, containing practical instructions on 120 different methods of tuning keyboard instruments by methods ranging from variants on the ancient Pythagorean tuning, through meantone and well-tempered tuning, all the way to equal temperament. However, the interspersed brief discussions and short essays are also strewn with gems of historical observations which are of great use to all those who are striving today to rescue civilization from its current cultural morass through reviving the principles of classical polyphony based on the bel canto vocalization of classical poetry.

A few comments are necessary in order to situate the issue of equal temperament versus well temperament for those not familiar with the technical details: Up until the middle of the 19th century, the current of Christian-Platonic scientific inquiry ranging from Plato through Nicolaus of Cusa, Leonardo da Vinci, Johannes Kepler, and Gottfried Leibniz, and

including J.S. Bach, viewed the apparent anomalies which always cropped up in the attempt to construct a usable musical scale, as yet another demonstration of what has come to be termed the "curvature of space-time." More specifically, the attempt to construct a musical scale solely by algebraic ratios of the simple counting numbers (1:2, 2:3, 3:4 and so forth) always had the result that certain intervals of that scale would sound so harshly "out of tune" that they were unusable for musical performance. The musical scale was therefore assumed to reflect some higher ordering process, which could perhaps be approximated by some more complex ordering of rational numbers, or perhaps by other numbers whose cardinality was determined in a different way, closer to the way a living process works. According to this outlook, the practical construction of the musical scale can be refined in successive steps, as that natural ordering process is discovered with decreasing degrees of imperfection.

Johannes Kepler made a profound discovery in this regard, when he demonstrated that the configuration of the planetary orbits of our Solar System is congruent with the ordering of the musical scale. Leibniz's development of the concept of "least action" on the basis of Nicolaus of Cusa's work, provided the context for the circles around J.S. Bach to devise systems of tempering which lawfully determined and yet contained no wildly out-of-tune "wolf" intervals. Subsequently, Kepler's finding about the universality of the well-tempered system was resoundingly confirmed in the early 19th century by Carl Friedrich Gauss, who found that the newly discovered asteroid belt precisely fit Kepler's specifications for a "missing planet" at the position represented by the note F-sharp. More recently, in 1985 Lyndon LaRouche demonstrated that the location of the primary natural register shift of the bel canto singing voice, which lies between F and F-sharp, uniquely locates the absolute values of the well-tempered scale such that middle C must be located at or very near to 256 cycles per second.

The well-tempered system was therefore not *invented* as a convenience for practicing musicians; it is part of the natural

ordering of the universe, an ordering which has been *discovered* with increasing accuracy over the course of the past 2,500 years. Our knowledge of this grand display of natural beauty will doubtless arrive even closer to the truth as we begin to grasp the full implications of an array of scientific investigations which are under way today in the realms of the harmonic ordering of the elements and of plasma structures ranging in size from the subatomic to the astrophysical.

Soulless romanticism

The concept of *equal tempering*, on the other hand, is a product of the mechanistic, gnostic-romantic current of thought which views anomalies such as those found in the construction of a musical scale, as bothersome impediments to an otherwise logically consistent, arbitrary construct. In the 19th century, this current was most prominently represented by the mechanistic Hermann Helmholtz, who maintained that music is solely concerned with the degree of physical pleasure derived by the vibrations of inanimate objects. According to this degraded view, the musical scale itself is an arbitrary construct which society agrees upon, in a kind of Rousseauvian social contract, in order to “flatten out” or otherwise suppress what is believed to be the *inherent imperfection* of the physical universe. All ideas of perfection are relegated to the mystical realm of the unknowable.

The romantic view puts primary emphasis on the “vertical” side of music, treating groups of notes played simultaneously (“chords”) as the primary “substance” of musical action on the listener’s senses. Equal tempering arose out of the effort to minimize the effect of the “disruptive” anomaly (called a “comma”) by algebraically distributing it equally among each of the 12 steps of the scale, such that each interval is algebraically equal to the successive ones. It is, as it were, a communistic “leveling” principle applied to the musical scale; and it is not accidental that its emergence during the early 20th century coincided with the crystallization of the twin irrationalist currents of communism and fascism.

In utter contrast to this romantic viewpoint, the classical viewpoint of *well tempering* treats the ordered succession of tones in one or more *sung* voices (polyphony) as primary. Chords do not have any primary existence, but are thought of as momentary coincidences in time of two or more polyphonic voices. Each interval in the scale is a unique individual—a Leibnizian monad—which bases its existence not on its perfect identity with its neighbor, but on its relation to the ordering principle of the scale as a whole.

It is against this background that we can appreciate the significance of what Mr. Jorgenson informs us about the drastic change in accepted keyboard tuning practices over the past 100 years. In the chapter entitled “Why Equal Temperament Was Not Commonly Practiced on Pianos Before the Twentieth Century,” he reports that before this century, tuners of keyboard instruments approached tuning the scale

in an entirely different way than today:

“Today, in the late 20th century, the term ‘tuning by ear’ means that one is not using any electronic tuning aids or devices [an all-too common practice which inevitably results in a poorly tuned instrument—JWS]. It means that one is using his ears to count and compare the beat frequencies [interference patterns caused by slightly out-of-tune upper partials] of various tempered intervals. During the 19th century and before, the term ‘tuning by ear’ meant the opposite; that is, one did *not* count or compare beat frequencies. In fact, one did not listen to beats at all. . . .

“In the past, tuning by ear meant that one judged the relationships between the two notes of an interval by listening to the two notes melodically only. *The first note was never sustained while the second note was being played.* Therefore, no beats could be heard. *In other words, tuners tuned in the manner that singers sing. The art of singing was considered a valuable basis for this technique*” (emphasis added).

This fact has great significance not only for tuning, but for the way we think about the concepts of *consonance* and *dissonance* in general. In the romantic Helmholtzian view, the degree of consonance or dissonance between two tones is entirely a question of the degree of “smoothness” or “harshness” to the physical senses produced by conflicting upper partials in the overtone series produced by dead vibrating objects. But it is clear from Jorgenson’s report that for those minds steeped in the tradition of classical polyphony, it is not the physical senses, but the *human mind* which is the arbiter of consonance and dissonance. I.e., the mind “hears” the tones “sung” in succession, and then judges them according to the *higher ordering principle* upon which the creative activity of the mind itself is based.

The concept of ‘color’ in music

Jorgenson reports that even through the late 19th century—by which time it had become common practice to listen for beatings in the vertical intervals of fifths and fourths in order to temper them—the finest piano tuners still did not strive for a mechanistic equal temperament, but rather “they listened to the color-qualities and not the beats of the thirds and sixths. Thus, their musical experience, along with their aesthetic quality judgments of third, sixths, and triads, influenced their tempering. The result was that the traditional characters of the keys were still preserved.”

By “characters of the keys,” Jorgenson means that the slightly unequal intervals which characterize all tuning systems except equal temperament, give each key a distinguishably different character or “color.” This is equally true of the older meantone temperaments—which did not permit modulation throughout all the keys—as it is of the well-temperament promoted by the circles around J.S. Bach. As a good demonstration of how this works, Jorgenson recommends tuning a keyboard to the well-temperament specified by J.S. Bach’s contemporary Andreas Werckmeister, and

transposing Bach's Prelude and Fugue in C major from the first volume of *The Well-Tempered Clavier* into C-sharp major, and noticing how dissonant it sounds. Conversely, one can transpose Bach's Prelude and Fugue in C-sharp major into C major, and "notice how dead and lifeless it sounds."

Equal tempering obliterates such distinctions. Strict equal tempering only arose at the beginning of the 20th century, when the dionysiac irrationality of Wagner's "chromaticism" began to be supplanted by the equally irrational formalism of atonality. Jorgenson writes that equal temperament achieves "a homogenized neutral gray coloring that is completely dependable without any changes while modulating through all the keys. No variety during modulation is the equal-tempered ideal. *Equal temperament therefore has no tonality, and it is the most appropriate for the atonal 20th-century music.* The qualities sacrificed in order to make equal temperament possible are harmoniousness in the commonly used keys, key-color changes allowing variety when modulating, and the 'characters of the keys' " (emphasis added). (Helmholtz, who detested J.S. Bach, recommended a solution even more radical than equal tempering: Junk Bach's polyphonic tradition altogether by forcing a return to the old meantone temperament.)

Newton and tone-deafness

Jorgenson's argument in favor of key-color versus the grayness of equal tempering is refreshing and useful, as far as it goes. However, he lets romantic irrationality reenter through the back door, by not proceeding to the next step of considering that these "characters of the keys" must have the same quality of *absoluteness* as do the colors of the electromagnetic spectrum. Although broad differences in key-colors can be distinguished regardless of which pitch is chosen as the absolute reference (e.g., at the modern, arbitrary high tuning of A=440 Hz), those colors will always remain "off-color," as in a poorly reproduced color photograph, to the extent that the scale is not set to the natural tuning of C=256 Hz as specified by LaRouche and others. The naturally tuned well-tempered scale also possesses an additional feature which further enhances those color distinctions between the various keys: Each key is uniquely characterized not only by a distinct set of intervallic relationships, but also by a distinct set of implicit register shifts for the various species of bel canto singing voice.

It is probably too much to expect that a book primarily intended as a review of the past few centuries' tuning practice, would pursue such a line of inquiry. But the absence of a single mention of the momentous work of Johannes Kepler, who vigorously opposed the arbitrary equal tempering system as propounded by his contemporary Marin Mersennes, leads one to suspect that for all the wealth of material presented in this volume, it is still only a small part of the picture. It is to Jorgenson's credit that he freely admits that his book is primarily a history of tuning in England and the United

States. Yet his blanket assertion that the picture was not substantially different in continental Europe, cannot be entirely true, since the clash between the Kepler-Leibniz continental current and the British gnostic empiricists typified by Isaac Newton, extended to every field of knowledge. Perhaps Jorgenson's oversight is a result of the undue amount of respect which he accords to Helmholtz and his tone-deaf epigone, Alexander John Ellis, both of whom were dedicated to poisoning continental scientific practice from within, with their British empiricism.

These criticisms are in no way intended to belittle the tremendous practical value of Jorgenson's book for reestablishing the practice of well-temperament and for burying equal temperament along with the rest of the cultural detritus of the 20th century. His many practical observations on old tuning procedures also underline the need for us not only to retune our instruments, but also our ears, in order to properly hear classical polyphony. For instance, Jorgenson points out that whereas our modern ears have been accustomed by equal temperament to tolerate only slight temperaments of fifths but can tolerate quite large temperaments of thirds away from the "just" or Platonic whole-number ratios, exactly the reverse was true during the 17th century, when thirds would be heard out of tune if they were altered by more than a very slight margin, whereas fifths and fourths were still heard as tolerable when they were as much as three times more tempered than they are today. Just as our eyes have been spoiled by the ugliness of modernist architecture and "art," so our ears have been desensitized and spoiled by the unrelieved monotony of equal tempering, and music teachers, students, and listeners alike are bound to benefit greatly by hearing the works of the great masters of classical polyphony performed according to the variety of well-tempered tuning schemes assembled here.

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Senate whittles down SDI to point defense

The Senate has approved \$4.6 billion in funding for the Strategic Defense Initiative (SDI), which is \$550 million less than that requested by the White House, but \$1.1 billion more than that approved by the House. Amendments by Sens. Tom Harkin (D-Iowa) and Dale Bumpers (D-Ark.) to cut funding were defeated.

An amendment by Sen. Albert Gore (D-Tenn.) to prevent any SDI deployment was defeated in a 60-39 vote. The main dispute is between those who want to prevent any deployment of an anti-missile system and those who want some form of deployment of a limited, ground-based SDI system.

The limited program has been a hobby horse of Senate Armed Services Committee chairman Sam Nunn (D-Ga.), who proposed in 1988 the revamping of the SDI into a ground-based system to protect against an accidental missile launch. This concept was reiterated by President Bush in his 1991 inaugural address, where he spoke about "refocusing" the SDI for the sake of "providing protection from limited ballistic missile strikes." The Nunn committee appropriated \$1.5 billion for an initial deployment of 100 interceptor missiles by 1996, and calls for U.S.-Soviet negotiations for a more elaborate system.

Further deployments would be in violation of the Anti-Ballistic Missile (ABM) Treaty. Statements from Soviet military leaders indicate that they would be prepared to renegotiate such a treaty to the extent that the U.S. rejects the notion of a total ballistic missile defense system.

The Nunn proposal was opposed by roughly two-thirds of the Democrats, who wish to maintain the ABM Treaty. But 21 Democrats joined 39 Republicans to defeat the Gore

amendment. The Nunn proposal is now virtually assured to become a part of the Defense Appropriations bill. While the Nunn proposal would continue research into space-based interceptors, the administration's "Brilliant Pebbles," the only space-based element left in the SDI, would be placed on hold.

House votes to close U.S. military bases

The House voted on July 30 to approve the recommendations of the Defense Base Closure and Realignment Commission, which would shut down 25 major military and naval bases and nine smaller facilities in the United States. The vote was 364-60.

Among the bases to be closed are the Philadelphia Naval Shipyard; Long Beach Naval Station; Fort Ord, California; MacDill Air Force Base in Tampa, Florida; and Loring Air Force Base in Maine.

The House also voted 412-14 to mandate the commission to consider foreign as well as domestic bases. On the same day as the House vote, the Pentagon announced that it was considering closing 72 U.S. military sites in Europe and reducing U.S. military presence at seven more. The 72 European sites include large installations in Germany such as the Tempelhof Central Airport in Berlin, Cooke Army Barracks in Göppingen, Wharton Army Barracks in Heilbronn, and O'Brien Army Barracks in Nuremberg, employing a total of 10,381 servicemen and 874 civilians.

About 150,000 troops, or roughly half the U.S. forces in Europe, are expected to depart the continent by 1995. Of those, between 82,600 and 86,000 are due to leave by 1992. German par-

liamentarians have been coming to the United States, visiting members of the Armed Services Committee, to encourage them not to close the bases.

Secretary of Defense Richard Cheney has argued against the Congress having any say in the closing of foreign bases, hoping to keep that prerogative in the hands of the Defense Department. But congressmen, under heavy criticism for cutting bases in their own districts, feel that they have to target U.S. foreign commitments abroad as well.

DoJ yields to Judiciary Committee subpoena threat

The Department of Justice (DoJ) narrowly averted a confrontation with the House Judiciary Committee on July 31 by agreeing to allow lawmakers to review a legal opinion giving FBI agents authority to kidnap fugitives in foreign nations.

DoJ officials were given until 9 a.m. on July 31 to turn over a 1989 confidential legal opinion which had been subpoenaed by the Judiciary Subcommittee on Economic and Commercial Law which outlines the FBI's authority to arrest criminal suspects abroad—the notorious "Thornburgh Doctrine." The subpoenas were issued after Attorney General Richard Thornburgh boycotted a Judiciary Committee oversight hearing, claiming that Democrats on the committee were planning to turn it into a political circus.

The subcommittee also wanted documents pertaining to the DoJ's handling of a \$10 million contract with Inslaw, Inc., a Washington-based computer software company. The committee is probing allegations by Inslaw that DoJ officials conspired to steal a software program and deliv-

er it to a rival firm headed by a long-time associate of former Attorney General Edwin Meese.

"I am pleased that the attorney general . . . has decided to obey the subpoena by acknowledging our respective interests in the opinion," said Judiciary Committee chairman Rep. Jack Brooks (D-Tex.). "I was fully prepared this morning to move forward with the contempt process against the attorney general to compel production, had he not supplied written assurances of his willingness to accommodate the interests of the committee."

President Bush had been prepared to resist the panel's subpoena by invoking executive privilege. Thornburgh, under fire from Democrats for an alleged DoJ coverup of the Bank for Credit and Commerce International scandal, decided against an open confrontation.

Congress extends unemployment benefits

In the face of growing lay-offs in industry and the service sector, the Senate on Aug. 1 and the House on Aug. 2 approved \$5.2 billion in extended unemployment benefits.

The measure, sponsored by Sen. Lloyd Bentsen (D-Tex.), the chairman of the Senate Finance Committee, would provide up to 20 additional weeks of benefits to the nearly 3 million unemployed who will have exhausted their benefits by late this year. The bill was also seen as a political move by House and Senate Democrats to underline the Bush administration's insensitivity to the plight of workers.

The bill was sent to the President before the congressional recess, but the White House has indicated that Bush will veto the bill or refuse to take

steps to implement it. Budget Director Richard Darman called the legislation economically "counterproductive," saying that it would merely add to the huge federal deficit.

Committee to save Iraqi children testifies

The Committee to Save the Children in Iraq submitted testimony to the House Select Committee on Hunger, chaired by Rep. Tony Hall (D-Ohio), on Aug. 1, criticizing the Bush administration for genocide against the children of Iraq by maintaining the sanctions against that country.

Committee representative Nancy Spannaus referred to the statements of U.N. Special Delegate Prince Sadruddin Aga Khan, that the continuation of the sanctions "means the denial of the most basic human rights to the Iraqi people and equals a deliberate policy of genocide in the name of the United Nations."

Spannaus pointed to the massive contamination of water supplies caused by the destruction of water and power infrastructure, and the devastating effect of lack of electricity on communications and medical care. She urged the committee to call for the immediate lifting of all sanctions against Iraq.

Freedom from Want Act is introduced

The "Freedom from Want Act" (H.R. 2258), a mega-bill covering both domestic and world issues introduced in February by members of the House Select Committee on Hunger, now has over 100 co-sponsors. The bill represents an effort to use the concern

over hunger to implement a "new world order" agenda of food control, corporatism, and genocide.

The bill has been parceled out to other committees including Labor, Education, and Foreign Affairs. Observers expect that aspects of the bill will be passed as part of other legislation. The House Select Committee on Hunger reported the following developments on July 30:

- "Micro-enterprise" credit and training provisions have been adopted as proposed amendments to the Job Training and Partnership Act (H.R. 3033). "Microenterprises are businesses employing five or fewer people, one of whom is the owner." The stated objective is, "helping welfare recipients become self-sufficient."

- The per meal reimbursement for senior food relief programs has been raised from 56.76¢ to 65.66¢, in a proposed amendment to the Older Americans Act (H.R. 2967). Thousands of people have been cut out of these programs altogether for lack of funds.

- The House version of the 1991 Foreign Aid Authorization included several provisions calling for a U.N. Convention on the Right to Food and Humanitarian Assistance, a permanent U.N. Undersecretary for Humanitarian Affairs, and increasing U.S. funding for international hunger and malnutrition-related programs." This is otherwise known as the "Czar of Food" proposal.

Rep. Tony Hall (D-Ohio) said, "Solving the problem of hunger requires comprehensive and innovative strategies. We have to give people more than food—we have to give them hope, and the tools they need to feed themselves. . . . I'm glad that key domestic and international provisions of this bill are on the way to becoming law."

National News

Columnist indicts Bush budget fraud

Paul Craig Roberts, in a commentary in the July 30 *Wall Street Journal*, indicted the Bush administration for financial fraud. "Warren Brookes has slammed Budget Director Richard Darman for 'the worst fiscal mismanagement in U.S. history,'" Roberts writes. "But Mr. Brookes's charge of incompetence shields the government from the far more serious charge of fraud.

"Mr. Darman has managed to produce a larger deficit with a tax increase and a defense build-down than Mr. Reagan achieved with a tax cut and defense buildup. . . .

"Moreover, the growth in the federal deficit may be far from over. States and localities are generally prohibited by law from consistently running deficits, and so to pare their deficits, they are likely to increase income and property taxes, which are federally deductible. Thus, as these taxes rise, federal tax revenues grow less rapidly with income—which itself grows less rapidly as taxes rise."

Roberts points out that Darman ballooned the deficit by taking on the S&L bailout, and is counting on reducing it by sale of the assets, which are now worthless. The coming increase in federal deficits will dwarf what has occurred so far, especially if the government bails out the commercial banking system, as now seems likely. He concludes: "The growing deficit will reflect a dying economy."

Teens to be given birth control implants

Teenagers in drug and alcohol abuse programs in Colorado will get Norplant birth control implants in the first demonstration project of its kind in the country. Funded by a private foundation, Planned Parenthood in Colorado plans to implant 100 teenage girls with the birth control device free of charge. The July 29 *Richmond Times Dispatch* in

Virginia reported that the controversy around the program has caused the private foundation to request anonymity.

Women who have low incomes are also being offered the implant. Planned Parenthood has trained dozens of Denver-area doctors and launched a fundraising campaign to help low-income women afford the device. Opponents of Norplant complain that women considered "unfit" for motherhood such as the poor, drug addicts, and others, may be coerced to use Norplant.

SDIO warns of Third World missile threat

The "Third World ballistic missile threat" from nations like India and Brazil is featured in a new report by the U.S. Strategic Defense Initiative Organization (SDIO), the July 29 *Jerusalem Post* reported. The report is the latest evidence of U.S. targeting of Third World nations for their efforts to develop advanced technology.

The *Jerusalem Post*, quoting the report, said that the proliferation, and subsequent modification of Scud-B missiles was not earlier anticipated, and "it was also not anticipated that these modified versions would generate a new Third World missile business, with China and North Korea as leaders for development and sales."

The paper paraphrased the SDIO: "The elaborate Iraqi missile development effort was not unique, but rather serves as an advanced look at other such programs being carried out around the world. Therefore, the threat of ballistic missiles is not solved by the U.N. Security Council resolution requiring Iraq to destroy its ballistic missile systems with ranges greater than 150 kilometers. . . . Iraq's ballistic missile program is rightfully seen as a harbinger of things to come. If Iraq can buy crude technology, upgrade it and produce longer-range or more lethal systems, others can as well."

The report lists several Third World countries and their missile-related activities: India, for having test-fired its two-stage Agni missile with a range of 1,500-2,000 kilometers; Brazil, for its preparations to be

a player in the military missile business with its MB/EE-600, SS-300, and SS-1000 missiles, which have ranges of 600, 300, and 1,000 kilometers, respectively; Pakistan, for its acquisition of the Chinese M-11 system; and Saudi Arabia, for its purchase of the Chinese CSS-2.

Anti-war officer faces court martial 'railroad'

Capt. Yolanda Huet-Vaughn, accused by the U.S. Army of desertion for her refusal to serve in the Persian Gulf War, told *EIR* on July 31 from Ft. Leonard Wood, Missouri that the government has denied her the right to present her defense. She said that the court martial beginning Aug. 5 will "be a railroad."

Vaughn, along with international legal and medical experts, had argued at a pre-trial hearing in early May that she "had a duty under U.S. and international law to refuse deployment in the Gulf war." Huet-Vaughn said she stands ready to prove that the U.S. violated international law in starting the war and, therefore, under the *U.S. Army Manual's* own rules, following orders is not a legal excuse for committing a crime.

On July 15, the prosecution brought two limiting motions forward which were rubber-stamped with no explanation or counter-rebuttal allowed. These two motions *in limine* make it illegal for Vaughn to question whether the war was legal, or to bring up anything that has to do with her motives, including philosophical or religious ideas.

Vaughn, a doctor, reports that hundreds or thousands of resisters are being "treated increasingly vindictively" by the U.S. military.

Environmentalists are the threat, says report

Environmentalists are a threat to people and the environment, according to a report issued in early August by the National Center for Policy Analysis in Dallas, Texas. The

Briefly

86-page report points out that most of the money being spent to clean up the environment is wasted, and in many cases environmental policies actually cause environmental harm.

According to the report, the Environmental Protection Agency funds "politically popular programs" like Superfund, which "appears to have benefitted trial lawyers and politicians a lot more than the public," at the expense of others "which might advance environmental objectives."

The problem is that members of the environmental elite believe "the best of all possible worlds lies not in the future, but in the past," the report charges. They "are 'reactionaries' in the truest sense of the word" who "oppose science, technology, industrialization, and economic growth," and at times even "imply that humans are an unfortunate accident of evolution and have no natural place on our planet."

Most environmentally concerned people, the report says, realize technology is their "single most important weapon" because it "has allowed us to clean up rivers and lakes, improve the quality of air in our cities, and reduce the impact of oil spills"; but these "progressive environmentalists" are becoming voiceless in the capitals of most industrialized countries.

NRC recommissions older nuclear plant

The Nuclear Regulatory Commission voted 4-0 on July 31 to allow the Yankee Rowe nuclear plant to continue to operate. The plant, which went into operation in Massachusetts in 1960, is the nation's oldest nuclear power plant, and nuclear opponents are trying to have the plant shut down, claiming that neutron bombardment has weakened the reactor vessel to the point where it is unsafe.

The plant will continue to operate until next spring, while the utility does tests to determine the condition of the vessel. The NRC commissioners had toured the plant themselves on July 8.

The decision is important because there

will be an increasing number of plants reaching the 30-year-old mark in operations, and the precedent of not being stampeded into shutting them down for alleged safety problems is important for the entire industry.

The NRC is also in the midst of deciding how to evaluate the conditions of the plants, in an effort to re-license them for an additional 20 years. There are less than a handful of nuclear power plants being completed. If re-licensing is not allowed and no new plants are ordered, by the beginning of the next century, nuclear power will be all but phased-out in the United States.

Ascher: mayoralty a test on drug legalization

John Ascher, a candidate for mayor of Baltimore, Maryland and an associate of political prisoner Lyndon LaRouche, defined his race against incumbent mayor Kurt Schmoke as a referendum on drug legalization, in campaign statements in late July and early August. Schmoke is notorious for calling for a national debate on legalizing drugs.

Ascher, a Democrat, is urging voters "to defeat our local pro-drug mayor. . . . Whether you like it or not, Baltimore's race for mayor is a referendum on legalizing drugs. Vote No to dope."

Ascher's statement came as the media reported a 60% increase in crack use in Baltimore over the past year. During the same time, the number of arrests for drug sales has declined. Ascher blamed this directly on Schmoke who, he said, has not even put up a pretense of fighting dope.

Ascher's campaign has been garnering media coverage. The Aug. 3 *Baltimore Evening Sun* headlined one article, "Schmoke Assailed." "Mayoral candidate John Ascher says that Mayor Schmoke played into the hands of the drug mafia by advocating the decriminalization of drugs. 'Many have recently asked why there is no War on Drugs in Baltimore; no drug czar, not even a fig leaf. It is because your mayor agrees with the drug mafia that it is better to legalize drugs than to wage war to stop drugs,'" Ascher was quoted.

● **THE FRIENDS** committee on legislation is alerting citizens to the House resolutions by Rep. Tim Penny (D-Minn.) and Henry Gonzalez (D-Tex.) which seek to lift the sanctions against Iraq which are leading to the deaths of hundreds of thousands of children. Their effort is cited in a letter to the editor in the July 31 *Richmond Times Dispatch* in Virginia.

● **DONALD GREGG**, U.S. Ambassador to South Korea and national security adviser to Vice President Bush, has been designated a "subject" of Independent Counsel Lawrence Walsh's probe of the Iran-Contra affair, the July 31 *USA Today* reported.

● **THE MILITARY** Families Support Network warned Aug. 2 of the danger that the U.S. will go to war against Iraq again. The group urges speaking out against the "blanket authorization [the Dole-Lieberman resolution] to go to war just passed" in the U.S. Senate.

● **TOM HAYDEN**, a California assemblyman, will teach a course on "The Environment and Spirituality" at Santa Monica College, the Aug. 3 *New York Times* reported. The course ends with the prospects for a new Earth-oriented religion. "We need to see nature as having a sacred quality, so we revere it and are in awe of it," said former SDS radical Hayden.

● **TELEPHONE** fundraisers for the Bush campaign are finding that fully one-half of the "inner circle" GOPers called are angry at George Bush because of the state of the economy, according to an individual engaged in the phoning.

● **THE U.S. MILITARY** stood with the butchers of Beijing on the reviewing stand at Tiananmen Square, as the U.S. officially ended a two-year boycott of China's annual Army Day reception, UPI reported Aug. 1.

British policy leads to war

August not only marks the first anniversary of George Bush's infamous war against Iraq, but of the bombing raids on Hiroshima and Nagasaki with which the United States ended the war against Japan 46 years ago. It is indeed easy and justified to condemn the United States on both counts, and President Bush for the former, and to overlook the role of the British—although they are disgustingly vocal to this day in pressing for the annihilation of Iraq as a nation.

A review of all the wars this century shows the hand of Great Britain, as well as its geopolitics, in setting them off.

More light was shed on this British role on Aug. 4, when the *Washington Post* carried a review of the book *The Great Pacific War*, written by Hector C. Bywater, a British naval expert, in the early 1920s. According to the reviewer, William H. Honan, Bywater's book was hotly debated in the West and in Japan.

Bywater had laid out a scenario for a Japanese surprise attack on the U.S. Pacific Fleet, which would open up the Philippines and Guam for capture. He then proposed a U.S. answering strategy of island hopping, to regain territory seized by the Japanese, as opposed to a frontal attack upon Japan itself. This did become the U.S. strategy in the Pacific. Most interesting is the fact that Japanese Admiral Yamamoto, according to Honan, adopted the strategy in Bywater's scenario, even though he himself did not advocate going to war.

In his book, Bywater had forecast an eventual U.S. victory, and correspondence has surfaced in the Japanese archives which corroborates that Yamamoto recognized the correctness of this view, but apparently the Japanese admiral hoped for a negotiated settlement. Most interesting is the contention by reviewer Honan that before Yamamoto's intervention—that is, before Bywater's scenario—the Japanese war plans were directed toward a strike against the Dutch East Indies. The British colonies would also have been threatened, but there is no assurance that—without Pearl Harbor—the United States would have been brought into the war. *Thus it would seem that the First World War had*

barely ended, when the British were planning the next.

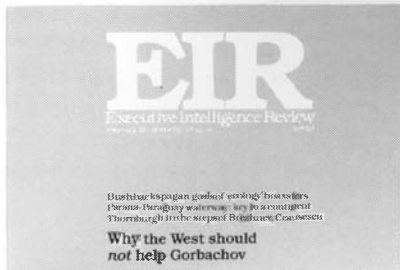
The British also pioneered the use of terror-bombing tactics to subdue colonial populations. Thus, in the 1920s, the British bombed Iraq in order to force the Iraqis into submission. The British had been given a League of Nations mandate to rule Iraq, following the breakup of the Ottoman Empire at the close of the First World War. When the Iraqis tried to free themselves from this new form of despotism, the British used military force against them.

This practice of bombing colonial populations was extended to "police" actions by the British against the Indian population as well, and continued in Iraq, even into 1932. It is even reported that they used delayed-action bombs, which would explode as they were being removed from areas on which they had been dropped—a procedure designed to do the maximum damage to civilians.

When World War II came, Winston Churchill was an advocate of using bombing to instill physical terror in civilian populations, a tactic which led to the strategy of fire-bombing, which resulted in the overnight massacre of 35,000 Germans in Dresden, and in the destruction by fire of Tokyo. Such incendiary bombing was both a precursor of the use of the atom bomb on Hiroshima and Nagasaki by the United States, and of the development of napalm bombs used in Vietnam and recently against Iraq.

In the 1920s and '30s, the United States opposed this kind of barbarity, and was in favor of the total abolition of aerial bombing. But the British refused to give up the practice. U.S. opposition, of course, did not last, and today we see the U.S. Senate seconding President Bush's (and Great Britain's) threat to renew the aerial bombardment against Iraq.

Certainly Hitler had to be defeated, and the Japanese were carrying out an imperialist policy in the Pacific, but the truth about how Pearl Harbor came about, and the way in which the British have traditionally manipulated the United States into wars, is a story which should be told. Lest it never stop.



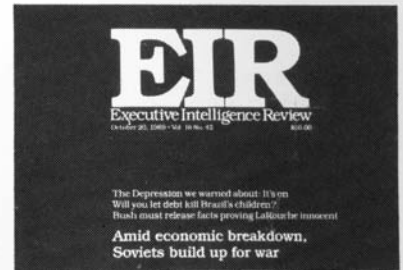
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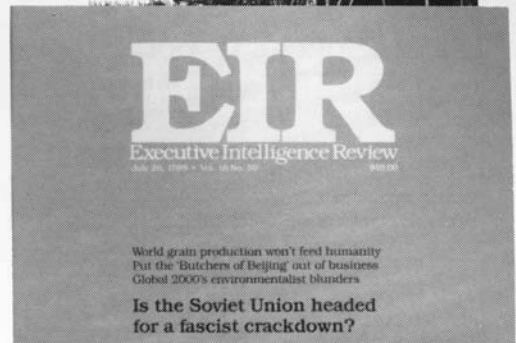
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