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Executive Intelligence Review

November 29, 1991 • Vol. 18 No. 46

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EIR (ISSN 0886-0947) is published weekly (50 issues) except for the first week of April, and the last week of December by EIR News Service Inc., 333 1/2 Pennsylvania Ave., S.E., 2nd Floor, Washington, DC 20003. (202) 544-7010.

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Japan subscription sales: O.T.O. Research Corporation, Takeuchi Bldg., 1-34-12 Takatanobaba, Shinjuku-Ku, Tokyo 160. Tel: (03) 208-7821.

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

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

From the Editor

On Nov. 22, as we go to press, the Schiller Institute has convened a major international forum in Berlin to discuss a plan for recovery. It pivots on two proposals: the "Productive Triangle" Berlin-Vienna-Paris, which Lyndon LaRouche first put forward in 1989 as the way to use the world's most concentrated productive capacity for restarting the economy; and the "True Fourth Development Decade," which LaRouche commissioned this past September for presentation at the United Nations. This calls for a new world monetary system to replace the defunct Bretton Woods system and create credit for the physical development of the economy, especially through large-scale infrastructure.

Without such programs, the world depression is entering a very dangerous strategic phase. The growing armies of hungry, homeless, and nationless people, and the spread of epidemics, reported in various articles in this week's *Economics* section, will trigger a new world war, and end freedom not only in the newly liberated countries, but also in the industrialized sector.

Serbia's barbaric aggression against Croatia is one warning of what lies ahead unless policies change. It may have contributed to an unusual outbreak of common sense during the first official conference of reunited Europe to discuss the need for a joint infrastructure plan, held in Prague. See the *Feature* for our exclusive report.

Who could oppose such obviously beneficial economic programs? You could start with Henry Kissinger and the oligarchs who have backed his career through a series of "Kissinger administrations," including, as our researcher notes in the *Books* section, the nominally Democratic cabinet of Jimmy Carter. The "October Surprise" trail leads to the Iran-Contra scandal of the 1980s, when the Reagan-Bush government ran drugs with the Contras. Now, Kissinger's clients and Bush want to open up eastern Europe to the sleaze market.

Kissinger should not count on his position "above suspicion." There is no honor among thieves. In a bizarre turn of events, the heavily bribed witness for the prosecution and Nazi drug-runner Carlos Lehder revealed to the Miami court in the trial of General Noriega on Nov. 20 that Colombian ex-President López Michelsen was exactly what *EIR* has exposed him to be since 1984—the political godfather of the Medellín cocaine cartel.

Nora Hamerman

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LaRouche warns of new depression turmoil ahead

by Chris White

The newest round of turmoil on the New York stock exchange, which erupted Nov. 15, marks the beginning of a new plunge into depression collapse. The new round of financial chaos is spreading internationally, into currency markets as well as international stock exchanges.

Inside the United States, where the media have made the "Dow Jones 30" the magic marker for the performance of the economy as a whole, it is very easy to overlook the realities that underlie developments in the psychotic arenas that are market trading floors.

In point of fact, during the month of October, Citicorp made official the insolvency of the U.S. banking system as a whole, with its announcement of record third quarter losses. Faked as they were, the losses confirmed that the collapse of the speculatively fueled real estate markets of the 1980s doomed Citibank—the nation's largest bank, with more than \$200 billion in assets—along with all the other mega-banks, for they are all contaminated by the same psychosis.

Then, during the first week in November, the utter disaster of the government's quarterly debt re-funding operation signaled that the international money-lenders whom the U.S. has relied on for the last years also consider the U.S. credit system as a whole insolvent. During the middle of the effort to finance the debt, the Federal Reserve had to intervene, for the first time ever in the way it did, lowering interest rates to increase yields to drum up support for the debt sale.

Third, even according to the official reporting of U.S. government agencies, and the reports of manufacturing and trade associations, what is officially called "the recovery from recession," supposed to have begun during the second quarter, did not occur. On the contrary, the collapse of the economy, in terms of production, employment, sales and purchases, has been accelerating since September.

Fundamental policy shift is needed

These matters were addressed by Democratic presidential candidate Lyndon LaRouche, in a statement issued from the Rochester, Minnesota prison facility where he is being held a political prisoner. LaRouche, alone, had correctly forecast the stock market upheaval of October 1987, and the corresponding market developments of September-October 1989. Beginning in the spring of this year, he warned of upheavals looming ahead in the fall.

LaRouche explained, in outline, how his successful method of forecasting is based on economics, not market tea-leaf reading or behavior analysis.

In LaRouche's view, there are two considerations to keep in mind. First, the United States is now entering a new phase of an ongoing economic depression. Second, as long as the present policies, including the Gramm-Rudman zero-sum game budget-balancing policies, are continued in Washington under the influence of the "free trade" and deregulation policies of the past dozen years, this economy will continue to go deeper and deeper and deeper into depression.

The policies LaRouche's opponents for the presidency on the Democratic side typify the blunders that have been made. The reforms which they propose, are all worse medicine than the sickness. All of them are proponents of the same fascist fiscal austerity which has been the hallmark of the Reagan-Bush years. That was what Democratic Party proponents of such policies found out to their chagrin, in the recent state elections in Virginia and New Jersey, for example.

What is needed, LaRouche stresses, is a fundamental change in policy. "It was bad policy which caused this depression, bad policy trends over 28 years. Unfortunately, most of the politicians have the habits of 28 years of bad

policy so imbedded in their mind, that they will react to new crises by trying to *repair* the policy which caused the problem in the first place. They are trying to help the disease, not the patient.”

LaRouche’s method of forecasting

So, from Bush, and the Congress, such is the knee-jerk reaction: “Now is the time to buy a car, now is the time to buy a house.” The lunatics insist that there is no depression, only a collapse in “consumer confidence.” So, they propose measures to revive “consumer confidence,” like the Bentsen-Gramm \$300-per-person tax cut, or the Domenici-Spector IRA reform, designed to permit withdrawals of funds from retirement accounts, if the funds are spent on automobiles and houses, or Bush’s infamous proposal to lower interest rates on credit cards, so that card-holders will be more eager to flash the plastic. As Bush demonstrated, in his own way, each of these proposals, like the fiscal austerity packages associated with the Democratic gaggle of contenders, is going to make things worse. Each assumes that money is primary. Each is totally insane.

Compare this insanity to the way in which LaRouche makes his economic forecasts. He put it this way: “I rarely forecast stock market plunges and I really did not forecast this as a stock market plunge. Let me explain—not to explain myself, but to indicate—while the experience is fresh in mind, how this development has to be judged.

“I forecast the October 1987 stock market collapse in the spring of 1987. In 1989, in the spring and early summer, I forecast the probability of another financial crack affecting the stock markets, to occur at the beginning of the fourth quarter that year, that is the October-early November period. This year, in 1991, in the spring and summer, I forecast that we were looking for, first, another October-November period financial crisis coming out of the banking and real estate problems, and later, over the course of the summer, I predicted that we would look for the financial crisis probably in the second half of November, because the Bush administration had the means and would undoubtedly use them to try to delay the financial crisis by an additional month. That is essentially what happened.

“The stock market is much over-valued in popular opinion, or, shall we say, popular mythology, but it does reflect financial crises. By financial crises, I mean banking, insurance companies, real estate, and so forth.”

LaRouche stressed that he makes economic forecasts, not predictions about the behavior of markets. “Now, how do I forecast? I’ve made a lot of economic forecasts, as opposed to financial forecasts. For example: I forecast in 1982, in the spring of 1982, the explosion of a debt bomb in the South and Central American debt, to occur not later than September. When I met with President [José] López Portillo of Mexico at the end of May 1982, I told him that we must expect the Mexican debt to blow out by the beginning of

September, and he must be prepared for it. I wrote *Operation Juárez* that year, completing that for delivery, and it was delivered the first of August, in anticipation of that kind of crisis, outlining the measures to be taken.”

LaRouche’s record, over more than 20 years, bears it out. Back in the 1960s, when he used to teach a one-semester course on economics, his critique of the now-discredited Karl Marx, he used to tell people that we should look for a collapse of the Bretton Woods system, the world financial system. This occurred in August 1971, and the collapse continued over the period into the Azores meeting between then-President Richard Nixon, and selected European leaders, in 1972.

He forecast similarly, in November 1979, during the New Hampshire Democratic primary campaign for that year’s presidential elections, that Federal Reserve chairman Paul Volcker’s measures, the policy of radically increasing interest rates then going into effect, would send the U.S. economy into a recession by the beginning of February 1980. That was exactly what did happen.

He also forecast that the Volcker recession would persist as a financial and economic crisis at least into the summer of 1982. This it did. And after the beginning of 1983, he forecast that although the financial figures reported by the government would show growth, as far as the actual physical economy was concerned, that would be fake growth. Agriculture, industry, infrastructure, per capita real incomes, and so forth, would collapse by about 2% a year during 1983, 1984, and so on. And that’s exactly what did happen.

On the basis of that record, LaRouche described his own approach to forecasting this way: “Generally, when I forecast our economic developments, which are calculable, based on continuation of certain policies, or changes in policy, then on that basis one can forecast certain things about financial circumstances—not precisely, but with fair approximation. And, sometimes, rarely, the stock market follows the financial trends. Often it goes the other way, for various kinds of reasons.”

The stock market is for suckers

What LaRouche does is to indicate points of discontinuity in the economic and financial processes, particularly financial processes, which intersect directly the developments in marketing, credit, investment, and so forth. On this basis, he’s been very successful, by calling the shots *only* when he sees them. When people ask him, “Do you make forecasts at other times?” he says, “I don’t know what to forecast except the general trend, which I’ve already indicated.”

LaRouche stresses that the current break in the stock market is not in itself so important. What is important is the financial crisis which underlies it. The stock market is a game for suckers! Look at the underlying issues of credit, consumer credit, business investment, and capital flows. Without the kind of change in approach which LaRouche freed from jail would bring, this economy is heading down into a bottomless pit.

Tuberculosis outbreak underlines genocidal conditions in United States

by Joyce Fredman

The announcement on Nov. 15 of the 14th death this year in the New York State prison system as a result of a new strain of drug-resistant tuberculosis, triggered cries of alarm around the country from health as well as political officials. The latest death, that of an inmate from the Auburn Correctional Center in Syracuse, New York, has prompted widespread use of the terms "plague" and "epidemic," long absent from this country's medical lexicon. The prison system, however, is not alone in facing this horror. Over the past weeks, reports have surfaced from Washington, Miami, and Newark of homeless citizens and ghetto residents registering record rates of tuberculosis, in conjunction with AIDS and flu. This comes at a time when cities' funds are near depletion.

Under conditions of such economic decline as the Bush years have brought the United States, the inner cities are now facing a similar fate to the one facing Peru, with its epidemic of cholera—the death of large segments of the population due to a disease which is totally controllable and was once considered nearly extinct, a disease whose resurgence is due to nothing other than the complete and deliberate breakdown of health and living conditions. The "white plague," which killed approximately 4 million people in the United States during the first half of the century, has returned, thanks to George Bush and his economic insanity.

A disease of poverty

Tuberculosis, once called consumption or pthisis, is a major chronic or acute infectious disease caused by the bacillus *Mycobacterium tuberculosis*. This organism was discovered by the German physician Robert Koch in 1882, and eight years later, he developed the tuberculin test for diagnosis of its presence. The bacillus may attack any part of the body, such as the kidney, bones, or brain, but it most commonly attacks the lungs.

In medical references, tuberculosis is characterized as "a disease which continues to flourish wherever poverty, poor diet, and crowded and substandard living conditions prevail." It is an airborne disease which is easily spread through the coughs or sneezes of anyone in the infectious stage. Tuberculosis manifests itself in different phases, progressing in

seriousness.

In the first phase, the body's natural defenses resist the disease and most or all of it is either destroyed or walled in by a fibrous capsule, called a tubercle, that develops around the inflamed area. At this point, prophylactic medication is prescribed to suppress the possibility of later activation of the dormant disease. During the 1940s, the first chemotherapeutic agents were discovered to effect such suppression, as well as to combat the disease in its later stages.

The second phase is what is known as "consumption." Most of the time, entry into this phase occurs because of lack of diagnosis and medication. This is the phase in which the lungs are usually affected and symptoms such as fever, night sweats, loss of appetite, weight loss, and virulent coughing are present. Here is where the most serious danger occurs. Even with medication, the transition into the second phase is prevented most effectively by "improvement of living conditions, early diagnosis, and proper public-health measures."

Before the discovery of the various medications, patients in this stage were consigned to public sanatoriums, set up to remove them from the public and to offer them whatever chance for recuperation they had. First established in 1874 by physician Edward Trudeau in Saranac Lake, N.Y., for many years they were the mainstay of treatment. As tuberculosis was thought to have been brought under control, nearly all of the sanatoriums were closed down. Now, not only has classic TB come back, but new strains have come to town as well.

Drug-resistant strains

The most common drugs used in the treatment of tuberculosis are isoniazid (INH), rifampin, and streptomycin. The most recent deaths in New York State are particularly alarming because they resulted from drug-resistant strains of tuberculosis bacilli. New York Health Department officials and the Centers for Disease Control released preliminary results of a joint study on Nov. 19, showing that cases of drug-resistant tuberculosis have more than doubled since 1982-84, when the last study was done.

Incidence of TB in the United States was at its lowest in

60 years in 1985—slightly above 22,000. Since then there have been estimates of 28,000, close to a 20% increase! But many health officials feel the statistics are an undercount. Nationally, 10% of those infected with the bacillus come down with the disease, but among the poor or unhealthy, the percentage is much higher. These are precisely the people who have the least chance of being diagnosed and treated—hence, the highest chance of passing it on, while dying themselves.

This is also the perfect breeding ground for drug-resistant strains. When a patient begins a course of treatment, but fails to complete it, the bacillus in the body not only survives, but finds, identifies, and adapts to the drugs, gradually becoming more and more resistant. Because the treatment for TB extends over time (from six months to a year, on average), and entails sometimes three or more doses a day, precisely the most susceptible segment of the population is the least likely to follow through on treatment, both because of inaccessibility of treatment, and a lifestyle which makes such followup problematic.

The situation in the Queensboro Jail, in Long Island City, N. Y., is a perfect example of the potential for disaster. Eight of the inmates who died in New York were housed in Queensboro temporarily. According to a spokesman for the New York City Department of Health, Queensboro is a short-term facility, housing inmates awaiting trial or serving sentences of one year.

"This jail is a virtual revolving door," he said. "Our immediate concern is in preventing a widespread epidemic inside the facility. But, because of the turnover in population, any spread among these inmates is going to be very quickly reflected in a similar spread in the poorer, crowded neighborhoods that they come from. We could move very quickly to an uncontrollable situation."

"It's the worst-case scenario," said James Flateau, spokesman for the State Department of Correctional Services. "It means that the strain has moved through the system. It means it was carried, and we believe by inmates, between the facilities. And it may be at others."

In response, Thomas A. Coughlin III, the Commissioner of Correctional Services, announced on Nov. 15 a massive plan for testing all 28,000 employess and 60,000 inmates. Once they are tested, however, further problems are raised. As Coughlin made clear, "the role of the prison system is to provide secure and humane incarceration and rehabilitation, while offering basic medical care—it was never designed to offer hospital care, nor does it have or desire such expertise."

The unlikely prospect of a competent plan for the prisons is grim enough, but the nightmare doesn't stop there. "This is an indication of the extent of the multi-drug-resistant strain in society—that is the implication," said Dr. George DiFerdinando, Jr., director of the State Health Department's tuberculosis control program. "The real question is, how are you going to control it now that it is established in the

community?"

A recent survey at one New York City hospital found that 35% of TB cases were somewhat drug-resistant, and overall outbreaks have been reported in hospitals from New York to Miami. The inner cities have become like Petri dishes for culturing the disease.

LaRouche forecast 'pandemics'

The fact that an inadequate standard of living contributes to deadly epidemics is not surprising. In May 1985, Lyndon H. LaRouche delineated the connection. After defining the "energy of the system" as the portion of the energy-throughput which must be consumed or wasted by a process, merely to maintain the process at its existing level, he predicted what happens when economic systems are not based on the science of progress:

"The conditions for economically determined pandemics, may be either the instance in which the average consumption is determined by a fall of potential relative population-density, below the level of requirements for the existing population, and the special case, that the differential rates of distribution of the households' goods 'market-basket' falls below the level of 'energy of the system' for a large part of the population. We are most concerned with the effects on health, as the nutritional throughput per capita falls below some relative biological minimum, and also the effect of collapse of sanitation and other relevant aspects of basic infrastructure upon the conditions of an undernourished population. . . . [The notion that a collapse] should transform populations into breeding cultures for eruption of pandemics, is an (implicit) possibility. . . ."

'Coughing, coughing, coughing'

That transformation of the United States underclass is exactly what is occurring. A study by the Centers for Disease Control released on Nov. 12 indicated that the AIDS virus has infected the nation's homeless at rates that are up to 40 times as high as those of the population at large. Such rates astounded even those familiar with the disastrous health conditions of our cities. One epidemiologist was quoted as saying that the rates were much "higher than even health providers had expected." Rates of AIDS among homeless teenagers were called "alarmingly high."

The ramifications are horrific. Those infected with AIDS virus are highly susceptible to tuberculosis. One doctor who directs Health Care for the Homeless observed, "Now your shelters are your sanatoriums." Dr. Michael Iseman of the National Jewish Center for Immunology and Infectious Diseases, the country's leading experts on drug-resistant TB, says the spread is "devastating. We'll see lethal outcomes and massive epidemics—particularly in shelters, hospitals, AIDS hospices, and prisons. It has all the makings of a tragedy."

This prediction of doom is already coming true, even

within the nation's capital. More than 450 new cases were reported in Washington, D.C. last year alone. Fifteen percent of the known cases in the District are people with immune systems weakened by AIDS. That percentage rate is growing steadily. "If we don't have an epidemic now, we are on the verge," said Elin Gursky, the Prince George's County Health Department's director of epidemiology and disease control. "We've got lots of TB in Washington, D.C., and we are chipping away at the mountain with a teaspoon," said Hazel M. Swann, chief of the D.C. Public Health Commission's Bureau of Tuberculosis Control. "They are just out there, coughing, coughing, coughing."

But not loud enough for the President to hear. His hysterical denial that there is anything wrong with the economy has gone from ludicrous to criminal. LaRouche, a candidate for the Democratic presidential nomination, has said that the United States is now facing the Four Horsemen of the Apocalypse. The policies of the past period have brought us to the point of famine, pestilence, and epidemic disease. But thanks to the delusions in Washington, the capacity to deal with this, even by the most willing city or state official is completely stymied by lack of resources.

There's not a lot of money

The gravity of the crisis clearly calls for measures such as mass testing, more medication at cheaper rates, quarantine capacity, and, most important, a reversal of the squalor that has turned the urban areas of this country into contagion factories. However, this occurs at a time when not only local budgets, but health care as a whole, is at its nadir. Conservative estimates put the general practitioner shortage in this country at 35,000. There are vast areas of rural America with *no* doctors, including 18 counties in Texas alone. Investigative reporters are filling the papers with horror stories of phony "black market" nurses. And in the land of plenty, not only can we not afford research into new medicines, but the bill can't be paid on existing ones.

The New York City Health Department said that streptomycin and paraminosalicylic acid (PAS), two of the drugs used to fight strains of tuberculosis that are resistant to other medications, were taken off the market because they were not profitable. Now, Health Department officials insist that aggressive multi-drug approaches are needed immediately. Recommendations are that *all* patients with TB infection be treated with four different types of anti-TB medications, rather than one or two.

"We found . . . that, unless four anti-TB drugs are used, at least one in 20 patients will have a substantial risk" of not recovering, said Thomas Frieden, a Centers for Disease Control medical epidemiologist.

Needless to say, this approach would be substantially more expensive. Yet it isn't clear what is even available, in what quantity. Alongside news reports of the lack of production of PAS, figures were released showing that more than

one-third of patients with tuberculosis had resistance to one or more TB medications.

There is no doubt as to the lack of "profitability," as things now stand. Last year, 10 patients with multiple-drug-resistant tuberculosis in the Fort Worth area cost close to \$1 million in treatment, more than five times that county's tuberculosis control budget.

Now, with the accelerating rate of infection, experts such as Dr. Iseman are calling for much more extended quarantining than the standard two weeks. "I think some people will need to be quarantined until we see their sputum is cleared of germs," he said. "I think we're heading toward reinventing the sanatorium. But there's not a lot of money and we're simply being overrun."

When Margaret Hamburg, New York City's acting health commissioner, asked for \$15 million in federal money this year, she was answered with \$600,000. This has implications for more than pills. The x-ray machine, vital in diagnosing tuberculosis, at a public clinic in the Washington Heights section of Manhattan, has not worked for a year. Doctors estimate at least another year before it will be fixed. Patients who go to Corona, Queens have the same problem; they are rerouted to Brooklyn. Many who don't have the time for frequent trips across town and back, simply skip it.

When the budget cuts hit Washington, D.C., the staff of the city's TB clinic went from 31 to eight. Hazel Swann, the control chief there, says the clinic was forced to stop giving thousands of TB tests required by some employers. Unable to use a computer they had purchased, the clinic relies on an antiquated system of handwritten file cards to track patients.

"We run out of [antibiotics]. Almost every year, around May or June, we start running out of stuff," she said. And their x-ray capacity isn't much better than that of Washington Heights. They use an old viewing machine, which only sometimes works, and was thrown out by a local hospital.

Nowhere to hide

Politicians, both left and right, made self-righteous speeches the day after the Louisiana elections, about how relieved they were to see a fascist—David Duke—defeated. Yet, where are the shrieks of conscience about the death camps we are building every day, in our prisons, in our ghettos, in our shelters? Is this the scheme of the "new world order" for getting rid of the undesirables?

If so, they need beware. Pandemics do not respect social barriers, nor race, nor position. As *EIR* warned in its "Emergency War Plan to Fight AIDS and Other Pandemics" Special Report (February 1986), "although pandemics may first break out among a high-risk 'weak link' and localized population, under conditions of overall economic austerity, the world population as a whole is threatened." When the Four Horsemen of the Apocalypse begin to gallop, there are few who can pull in the reins.

Denial of science is the worst form of colonialism

Dr. Manuel Elkin Patarroyo, inventor of an anti-malaria vaccine in Colombia, granted the following interview to EIR correspondent Javier Almario on Nov. 1. The interview took place at the Immunology Laboratory at the San Juan de Dios Hospital in Bogotá. The interview includes questions from a journalist from the Jorge Tadeo Lozano University, who is identified as "Q."

EIR: Do you think that the malaria vaccine is ready for mass application?

Patarroyo: We believe that very little remains to be done. Possibly something is still lacking, although we haven't found anything yet. If something is, it is very little if you consider how massive a world vaccine is. As I've explained before, one must do this in stages. For example: How long have we known of the existence of a vaccine against hepatitis B? At least 10 or 12 years. That is, since the first tests on humans were made. We've only been testing for three years. And right now there are only 5 million people vaccinated against hepatitis B. No more!

Of course, one can understand the pressure worldwide for vaccinating against malaria. I would be delighted to do so, but I am also very cautious. Actually, though, I have moved very rapidly and some are complaining that I am going too fast. Others complain of the opposite. We are caught between two fires. All I can say is that we are making progress. We began with 5 people, then 13, then 63, then 1,000, then 1,500 of both sexes, then we went to 15,000 and we now have 27,000 vaccinated. Next year we will reach 200,000, moving by stages to make sure there are no problems, and that the vaccine is working as it should. But we now think that if anything remains to be done, it is very little.

EIR: Considering that your experiments suggest the vaccine is most effective in children, are you going to begin by vaccinating children?

Patarroyo: Of course. In Africa, we are going to begin by vaccinating only children. Why? Because once you've had the parasite [as a child] and survived, you have some immunity, you have defenses. So, the disease is no longer so fatal. This is when we say that the disease, at a given moment, is subclinical. That is, the disease doesn't reach its clinical

characteristics of being severe. Thus, in Africa, all our work is going to be with the children, and we will see much greater benefit there.

EIR: What is the anti-malaria vaccine's effectiveness with children?

Patarroyo: In the studies we have begun in Tumaco, we have found a success rate of between 60% and 85% among children. The same with the elderly. Curiously, after the age of 15, the efficacy of the vaccine falls dramatically due to high rates of exposure, of contagion. Undoubtedly, the efficacy is much greater among those most susceptible, that is, children and the elderly.

EIR: Let's look at it in statistics. How many lives would be saved if this vaccine were universally applied?

Patarroyo: I don't like to speculate. I don't even like to present my hypotheses, although I have them. I like to show results. In the first test one can prove wrong, in the second test one can prove wrong, and in the third test one can prove wrong. But looking at the whole thing, I am not wrong. . . .

EIR: How many people die worldwide of this disease?

Patarroyo: According to the World Health Organization, there are between 300 and 350 million cases of malaria a year. Which means that there are nearly 1 million cases of malaria a day. These are brutal figures. In one week, the equivalent of the entire population of Bogotá becomes ill. The WHO estimates that there are 3.5 million deaths caused by malaria; that is, 10,000 deaths a day. These are brutal figures. I don't want to make any guesses, because there could be many variables. The only thing I can say is that if this vaccine were universally applied, it would be magnificent, sensational.

Q: And this is going to be done in Africa? The vaccine is going to be applied there?

Patarroyo: The vaccine is for the whole world. What is happening is that now I am going to Africa. And I have been in Africa observing things. Basically, what we are going to do is begin the vaccinations in one single place. Then we will see how well the others are organized, and we will

Patarroyo invented an anti-malaria vaccine

Colombia, Ibero-America, and the Third World have a right to science and technology, insists Dr. Manuel Elkin Patarroyo, inventor of an anti-malaria vaccine that will be given to 200,000 South Americans, Africans, and Asians in its first global application next year.

Dr. Patarroyo is director of the Immunology Institute of the San Juan de Dios Hospital, in Santa Fe de Bogotá, Colombia. His group, which began work in 1977, succeeded in 1987 in chemically fabricating the first synthetic vaccine against malaria, a disease which currently claims 62,000 Colombian lives, and 3.5 million lives worldwide, every year.

Applied in three separate doses, the efficiency rate of the vaccine has reached 80%, with the greatest success observed in children under 15 years of age. Already, 27,000 Colombians have received Patarroyo's vaccine.

The aggressive research of the institute is slowly managing to overturn the prejudices of the advanced sector, while resisting the pressures of the multinational pharmaceutical companies anxious to get control of the vaccine. Further, Patarroyo's research is advancing *despite* lack of support from Colombian Health Minister Camilo González Posso, a member of the narco-terrorist M-19, which was legalized in 1989 and was handed the Health Ministry portfolio as its "quota" of power.

"It is thought that the Colombian, the Latin American, is more brawn than brains," says Patarroyo. It's a lie. To make science, one needs "schools of research, where the most talented can go. It is presumed that this does not and cannot exist in Latin America. . . . That is why I systematically reclaim the right to advance science in our countries."

Patarroyo strongly denounced the concept of "technological apartheid," according to which the development

of science and technology in the countries of the Third World must be prevented at all cost. "It is another form of colonialism. Those who hold power don't want to lose it."

The vaccine

The work of Patarroyo's research group began in 1977, the goal being to chemically produce vaccines, synthetically reproducing the components of targeted parasites, viruses, and bacteria.

Efforts to develop a vaccine against malaria, and specifically against the *Plasmodium falciparum*, which causes the most fatal form of the disease, began with a colony of Aotus monkeys in Amazonas department. These monkeys became infected with malaria the same way as humans, and therefore proved highly useful for the research. The molecules of the *Plasmodium falciparum* parasite were separated, yielding 22 different proteins, each of which was injected into a control group of Aotus monkeys. Later, they were inoculated with the *Plasmodium*. At first all became ill. But those inoculated with certain of the proteins showed delayed infection rates. None of the proteins individually proved to be the "magic bullet."

After the actual sequence of the amino acids of these molecules was discovered, and parts of them chemically reproduced, it was learned that a certain molecular mix gave the monkeys 80-90% protection.

The work to translate that success rate to humans was progressing, and human experimentation had actually begun, when Colombian President César Gaviria took power in August 1990. He gave the Health Ministry to the narco-terrorist M-19, whose "alternative medicine" advocacy (witch doctors and herbs) coheres nicely with the Gaviria government's embrace of the ecology lobby's "sustainable development" fraud. Financing for Patarroyo's project was stopped cold.

Fortunately, the governments of Venezuela, Ecuador, and Brazil had already begun experimenting with Patarroyo's work, guaranteeing its continuation.—*Javier Almarío*

immediately begin, hopefully in the same week, to apply the rest.

EIR: And only children are going to be vaccinated?

Patarroyo: Only children from one to 15 years of age.

EIR: When you speak or write, it seems you always want to demonstrate that in Colombia, in Ibero-America, and in the Third World, science truly *can* be practiced.

Patarroyo: Of course! We as a people have always been

taken as incompetents. Let me explain. At any given moment, it is thought that the Colombian, the Latin American, is very good for muscle-power, that we produce athletes, etc. You can imagine: Boxers . . . there you have Latin Americans. Great cyclists: Latin Americans. We are being relegated to the status of mere goods. Today, you are a great athlete . . . tomorrow, you no longer are a great athlete, and the day after tomorrow, even less so.

On the other hand, there are permanent values, of intelligence, of the heart, of goodness. They tell us that such and

such a Latin American writer is talented. But that is something he does, himself. Latin America has García Márquez, it has Gabriela Mistral, it has Asturias, it has its fantastic authors. But, at the same time, that is a question of the individual, who is not reproducible. Unlike science. Science has to be a continuum of effort, of work, of concentration, of thought. And for this you need schools. Schools of thought, of work, of action, where the most talented can go. And it is supposed that this doesn't or cannot exist in Latin America. We are always looked at as if we are incapable of doing this. Lies. The problem is not there. The problem is that, plain and simple, we have not had adequate leadership . . . so that these schools remain in place. And that is why I systematically reclaim the right to advance science in our countries.

EIR: In the political elites of the advanced sector, in England, the United States, France, there is discussion—especially since the war against Iraq—that it is dangerous to have science and technology in the Third World. They have even coined the term “technological apartheid,” to which, they say, our countries should be subjected. . . . What do you think of this concept?

Patarroyo: It is another form of neo-colonialism. Undoubtedly, those who have maintained or retained power obviously don't want to lose it. That is lawful. It is pure and simple another form of colonialism, the worst of all colonialisms: intellectual colonialism. It is the worst of all, the worst. I think that it is a total absurdity. They are using the Iraq deception. But by the same token one could say: What guarantees do we have that at any moment the prime minister of England might not go crazy and start shooting? I am convinced that it is but another form of colonialism.

Q: What other projects do you have in mind? What other vaccine would you like to develop?

Patarroyo: We are very actively working on the development of a vaccine against tuberculosis. We already have something under way. We are also working on a vaccine against hoof and mouth disease. We are working together with VECOL [state company manufacturing animal vaccines]. We are now working closely with them, after having smoothed off some rough edges, not only in the vaccine against hoof and mouth, but also in developing a method of diagnosing bovine tuberculosis, which is also a very big problem; it is a zoonosis, that is, not only cattle can be infected, but the same bovine tuberculosis bacillus can also attack humans. We are working on a method of rapid diagnosis, similar to the method used in human tuberculosis, to be able to detect the bovine tuberculosis bacillus in the milk. . . .

We also have a very good development, which is a new method of diagnosing leprosy. It detects leprosy very early on, not when the individual has leprosy, but when he is

first infected and has no obvious symptoms. The drug is immediately administered, to be able to overcome his leprosy.

EIR: In the scientific publications of the advanced sector, there is skepticism regarding your work. Those who are not hostile toward you describe you as “the self-proclaimed inventor of the anti-malaria vaccine.” The World Health Organization criticized the way in which experimentation with the vaccine was done on humans. The Centers for Disease Control (CDC) in Atlanta, Georgia in the United States claim that your vaccine has not generated a single antibody against malaria. How do you respond to these criticisms?

Patarroyo: This is nothing new to me. This naturally occurs in science. It is part of the human condition. But the most important thing is that no one expected a vaccine against malaria to emerge from a Third World nation. No one expected it or imagined it. Everyone expected the vaccine to emerge in the United States, England, France, Switzerland, or Sweden. But no one imagined that it could come from Latin America. Suddenly along comes someone who tells them: There is a vaccine. Meanwhile, the others continue with their own timing, at their own speed. This obviously generates all the reactions you can imagine, related to the attitude I described earlier: Science in Latin America? Forget it! It's impossible! And should someone suggest successful science in Latin America? Even less so!

What is going on is that all the work of the Immunology Institute is ignored. . . . This group is very competitive globally. I tell you that we could demolish any other group in the world. And this was never imagined in the developed countries. These criticisms are therefore normal, and don't bother me in the least. The same thing happened to my hero, Louis Pasteur. It was only acknowledged that Pasteur had developed the vaccines when he was about to die. I want to be a little luckier: that they recognize me next year. I want to move faster. But there is a stereotype. If someone in the United States discovers something, everyone here bows down and says, “Yes.” But if someone from here discovers something, the whole world—here and there—says, “No!”

The criticisms of the World Health Organization, in truth, have an element of political manipulation. The WHO is financed by the pharmaceutical industry, which is also an institution that wants to control the vaccine, because there is money behind it. I have been refuting their criticisms one by one. . . .

The CDC was totally wrong. [This was] an absolute error. But they haven't had the courage to admit that they made a mistake. They have remained silent. They made a mistake, and they published it, and have not had the courage to retract it.

EIR: The error was in having vaccinated the monkeys with separate peptides, instead of vaccinating them with all the

peptides together, which is your vaccine?

Patarroyo: Yes, they separated, or detached, them. The truth is that other groups in the world are already reproducing what our group has done. Those groups which are finding these results are fighting with the CDC, because I am not going to pick a fight with the CDC. They ask me: "Why don't you repeat the experiment?" Well, I have already repeated it seven times, and I am not going to repeat it an eighth because of their mistake. Let them repeat it! They call this arrogance. But arrogance is different from dignity. I don't have to act submissively because those who say so are in the United States or in Europe.

EIR: You have received offers to sell your rights as author of the vaccine?

Patarroyo: Yes. Many proposals have come from the pharmaceutical companies. And it bothers them very much that my answer is that we are not going to sell the vaccine, that we are going to see how we can distribute it [directly] to the developing countries, so that they can eliminate the additional charges. The cost would multiply if the vaccine were sold to any company, and we don't want that. If I had already sold it, soon I would have become a [Jonas] Salk for the industry and for those who are now attacking me, but not for the people who need it, who are the blacks of Africa, the people of the Pacific Coast, the Thais, the Asians, etc. This is the crux of the matter.

Q: After you received proposals to go to Spain and head a laboratory over there, did the Colombian government give you help?

Patarroyo: The proposal from Spain was very good. The proposal came directly from the Spanish queen, directly from the crown, and from the government, from the higher council. I have an excellent relationship with [Colombian] President César Gaviria and his wife. The conflict I had was with the Health Ministry. I don't have a good relationship with the health minister [Camilo González Posso, a leader of the M-19—ed.]. That bad relationship contributed to the revival of old criticisms. The criticism of the World Health Organization is an old criticism. The CDC attacks . . . were made in early 1989, and they repeat them again systematically. In the United States and in Europe, no one pays attention to this any longer. They put together all those criticisms and issued a rehashed version sponsored by someone inside the Health Ministry. Well, what can you do? We couldn't finish our studies in Tumaco.

EIR: You got as far as the second vaccination dose. Was the third dose administered?

Patarroyo: The third dose was given but the followup couldn't be done. Yet, not to do this is playing with people's lives. For some in Tumaco, I am the wretch, although there are many who have understood, because people from the

Malaria Eradication Service told the residents of Tumaco: "The fault is not Dr. Patarroyo's, but rather that they aren't paying us to do the followup, and we don't even have enough to live on."

I decided to return basically because of thousands of people who wrote letters asking me to. I received letters from peasants, from ministers, and from scientists across Latin America. I received calls from the health minister of Ecuador, and from the health minister of Venezuela, who said: "You got involved in this business of experimenting with the vaccine against malaria, and got us involved, and you can't leave us in the lurch."

Upon returning, we had lunch with President Gaviria, with the health minister, the agriculture minister, and we reached an agreement thanks to which we are working with VECOL. But with the health minister, there never really was an agreement, because he promised and promised and at the hour of truth, he didn't come through. The health minister did none of what he promised to the President, to the agriculture minister, and to me. To get into another fight with the minister made no sense. So I decided that things here in Tumaco were finished, and that we would proceed apace with the results of the vaccinations in Brazil, in Ecuador, Venezuela, etc.

EIR: How have you proceeded to get funds for scientific research in a country where the health budget is increasingly reduced as a result of the economic adjustments dictated by the International Monetary Fund, the World Bank, and the private banks that demand that the priority is debt repayment?

Patarroyo: When one is working seriously, and has serious products, like the anti-malaria vaccine, one can ask with authority. One goes and asks: "I have a course, I have an institution, I have the means, and besides, I have these products." . . . It is a matter of investing in what we have done. And the country has invested and continues to invest in this. We have achieved a method recognized throughout the world for the diagnosis of tuberculosis, an anti-malaria vaccine with efficacy rates of 40-80%, let's say 40% for the sake of discussion, or 50%. Does not the reduction of the mortality rate (from malaria) by 50% seem of enormous benefit, in lives, in both economic and social terms? So governments know how to invest.

EIR: What is molecule SPF66 which is now being applied as the anti-malaria vaccine?

Patarroyo: You mean Synthetic Plasmodium Falciparum, which was the 66th trial. Plain and simple, it is little pieces of the malaria parasite produced chemically, which have been glued together and polymerized. Since they are different pieces, they induce defenses against different molecules of the parasite, so that when the parasite invades the human organism, antibodies, or defenses, already exist to neutralize the action, and it does not cause infection. That is molecule SPF66. It is a very simple concept.

Japan's Achilles' heel: the IMF

Part 2, by Kathy Wolfe

Over the past decade, as the International Monetary Fund (IMF) has destroyed the economies of most of the Third World, Japan has begun industrializing the one area of the world which has grown economically: Asia. In Washington, which objects to any industrialization anywhere, complaints about Japan's Asian investment strategy take the form of: "Have you stopped beating your wife, yet?" If Japan had not invested in Asia, the Bush administration would complain that the Japanese were cheap. Since Japan has invested, Washington complains that the Japanese are taking over the Pacific.

"If you think the Soviet Empire in Europe is collapsing, wait until you see what happens to the American Empire in the Pacific," University of California Japan expert Chalmers Johnson of the Council on Foreign Relations warned Congress last year. "Americans, British, French all make a lot of noise. But the Japanese are the real power in Asia," as K.C. Kwok, economist at the Hongkong and Shanghai Bank in Hong Kong, told the press recently. "Japan is the only country capable of supplying resources to the region" says Ali Wardhana, a former Indonesian cabinet minister.

In fact, Japan should be encouraged to do more in the Third World, not less. Japanese officials such as Sumihito Hirai of JETRO New York made the problem clear in interviews with *EIR* published two weeks ago. "It is true that development was not possible in much of the LDCs [lesser developed countries] because of the international debt crisis," he said. "Certainly in Latin America" the IMF made private lending impossible, "so Japan could not build up investments there. But Asia is different. In Asia, we were able to raise living standards."

Masataka Nakamura, general manager of Mitsui Trust Co. New York, told *EIR*, "We prefer to work in Asia where we have a certain cultural understanding of the way of doing things. The growth areas for Japanese banks are in Asia: Thailand, Singapore, Malaysia, Indonesia—the Asian tiger nations. They are close to Japan geographically, and we need what they can produce."

The problem is that granting all of Ibero-America and Africa to the IMF and thus allowing them to slide into famine and genocide is not only morally wrong, it is about to bankrupt Japan. Asia alone cannot possibly pull the world out of

the current depression—nor generate enough orders to keep Japan's banks and industry afloat.

Asian strategy

The U.S. "Pacific Empire" is, in fact, already irrelevant. Japan's overall financial flows to Asia are nearing \$100 billion, more than twice those of the United States. There was \$47.5 billion in Japanese private capital investment in Asia over the period of 1951-90. Japan also supplied more than 60% of Asia's aid, over \$20 billion in government aid, known as Official Development Assistance (ODA), including "soft" loans at low 2.5% interest, \$14.8 billion of which was made during the last few years (see **Table 1**). In addition to the totals in Table 1, we can add over \$18 billion in loans to Asian nations from the Japan Export-Import Bank at the end of March 1991.

In 1991, Japan exported more to Asia than to the U.S. for the first time in 15 years, part of Japan's strategy to greatly decrease its trade dependency on the U.S. overall. Japan's trade with the U.S. is down from 33% of total Japanese trade to under 25% in 1991, and the U.S. share will fall further.

Japan's first investments in Asia were to secure supplies of raw materials such as oil and other minerals, especially in Indonesia. Since 1985, the rise of the yen has made exports from Japan more expensive, so the Japanese began to move their industrial plants overseas, especially to Thailand, South

TABLE 1
Japanese investment and aid in Asia
(millions of dollars)

Countries; major industries	Private investment 1990	Cumulative	
		Private investment 1951-90	Government aid (ODA) 1985-89
Indonesia: chemical, banking, automotive, machinery	\$1,105	\$11,540	\$3,160
Thailand: wholesale, electrical, food, chemicals	1,154	4,422	1,676
Hong Kong: wholesale, trade, banking	1,785	9,850	10
Singapore: wholesale, electrical, chemicals, banking	840	6,555	100
Malaysia: electrical, wholesale, chemicals, services	725	3,231	401
South Korea: electrical, chemical, machinery, textiles	284	4,138	400
China: oil, electrical	349	2,823	2,944
Taiwan: electrical, chemicals, machinery, automotive	446	2,731	10
Philippines: trade, chemicals, electrical, food	258	1,580	1,996
India, Pakistan, Bangladesh	99	506	3,236
Asia total	\$7,054	\$47,519	\$14,838

Korea, Taiwan, Indonesia, and Malaysia.

Certainly much of this relocation was to take advantage of cheap Asian wages, often only 10% of those in Japan. Today, however, Japanese economists claim that per capita incomes in Asia will begin soon to rise to the point that the next wave of Japanese investment is planned to be for the higher wage-scale, higher-technology industries, for sales to the local population. "Up to now, most Japanese investments in Asia were a kind of relocation of plants to produce for export [to the U.S. and Europe], but that's over now," says Kayoko Kitamura at the Tokyo Institute for Developing Economies. "The ASEAN market is growing rapidly, and now Japanese investment will be for the local markets."

Sales of cars and trucks, for example, in Thailand have tripled from 100,000 a year in 1987 to over 300,000 a year. Matsushita Electric sees a 10% annual sales growth for consumer electronics in Southeast Asia.

Japanese private investment in Thailand, Malaysia, South Korea, and Indonesia has especially begun to create a basis for industrialization. Japanese diplomatic sources say that Japan tries to emphasize infrastructure in its government operations toward underdeveloped countries. Japan is granting yen loans for infrastructure development at 2.5% interest to be paid back in 30 years, with a 10-year grace period beyond that.

Toyota has plans to invest \$700 million in the region to take production of automobiles there from 300,000 to 500,000 units by 1995, according to Toyota's Asia director Akira Yokoi. Most of these Japanese vehicles are sold in Asia—almost all autos in Thailand are of Japanese make. Today, Japanese industry has only some 5% of its industrial production abroad. But the Ministry of International Trade and Industry estimates that auto, machine tools, industrial electronics, and other key sectors will have 30-50% of their production abroad by the year 2000. In Thailand 300,000 workers or 15% of the work force will be employed by Japanese firms by the end of 1992.

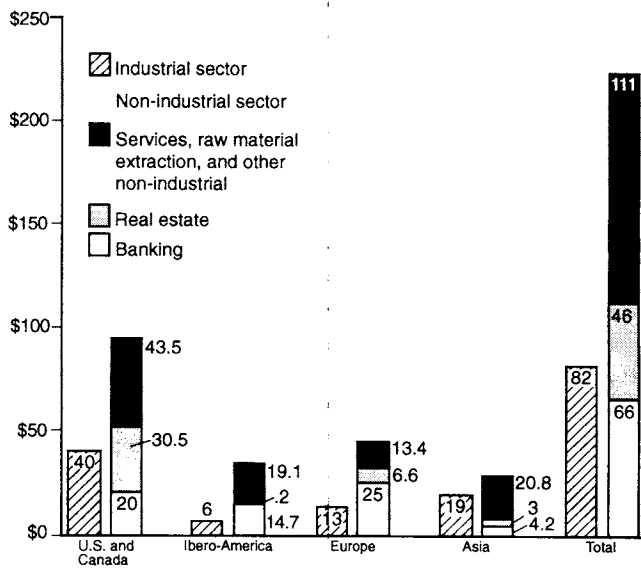
Since the Chinese Communists' bloody crackdown on the democracy movement in 1989, Japan's development program for China has been stalled, but Japanese diplomatic sources report that Japan is eager to make China a priority. Unless China's vast population is developed, instability there will be a major problem for all Asia, they say. Since 1980, Japan has given China \$10.45 billion in energy loans. The Japanese government in particular has an outstanding \$6.1 billion loan to China which was frozen after the June 1989 Tiananmen crackdown. Some financing from this may have now been resumed; Japanese sources say their government would like to finance large big Three-Gorges Dam project, for example.

Japan is also ready to back the Mekong Development Project in Cambodia if current peace momentum can be maintained. The Japanese government announced Oct. 26 that it will hold a Conference on Cambodian Reconstruction and Development in early 1992.

FIGURE 1

Japan's foreign private investment de-emphasizes industry

Cumulative 1951-90
(billions of dollars)



Source: Japanese Ministry of Finance.

Quality of investment

The fact, however, that Japan allows the IMF and the New York banks to control the world economy overall has created the kind of fundamental flaws in Japan's development strategy which could destroy Japan.

The real problem is that Japan's elite has abandoned the kind of true large-scale development and industrialization project initially proposed during the 1970s by Masaki Nakajima of the Mitsubishi Research Institute, who conceived of the Global Infrastructure Fund (GIF). At a recent GIF meeting at the Jimmy Carter Center in Atlanta, Georgia, Japanese leaders formally gave up on a dozen of these "mega-projects," ostensibly because of environmental problems. The real problem, however, is a global IMF austerity system which forbids such large-scale industrialization of the Third World.

For example, failure to apply the large-scale development project model has meant that the pro-industrial Japanese government agencies which would have coordinated such projects, have been less involved. Instead the Japanese private sector has proceeded in a less planned fashion, and has caught the "bug" from British and U.S. bankers of investing too much in the service sector, real estate, and other non-productive "post-industrial" areas.

Figure 1 for example shows that Japan's global investment in raw materials and services at \$223 billion is three times that in industry at \$82 billion. Within that \$223 billion figure, only about \$23 billion is for extractive materials which are at least

TABLE 2

Japanese banks lead the world in assets: the top 12 banks

(billions of dollars at 130 yen to the dollar)

Banking company	Country	Total assets (loans outstanding as of March 31, 1989)
Dai-ichi Kangyo Bank	Japan	\$386.94
Sumitomo Bank	Japan	376.09
Fuji Bank	Japan	364.04
Sanwa Bank	Japan	348.36
Mitsubishi Bank	Japan	343.59
Industrial Bank of Japan	Japan	257.58
Norinchukin Bank	Japan	241.95
Tokai Bank	Japan	225.12
Mitsui Bank	Japan	219.67
Mitsubishi Trust	Japan	210.47
Crédit Agricole	France	207.99
Citicorp	U.S.A.	203.83

Source: American Banker.

industrially useful, such as agricultural products, forestry, fishing, mining, and related construction. Another \$18 billion is for transportation (infrastructure). Fully \$182 billion however, is wasteful service sector investment.

This is not just massive Japanese investment in inflated North American real estate at \$30.5 billion. In Asia, Japan's investments in industry versus services are about equal, but it turns out on closer examination that 25% of total Japanese investment are in the British-dominated financial centers of Hong Kong and Singapore. In Ibero-America, which gets only 13% of Japanese Foreign Direct Investment private investment, more than half is in the Cayman Islands, Panama, and other offshore banking havens.

Unless Japan ceases the practice of letting the IMF lead it around by the nose, the Japanese system will inevitably crash with the rotten U.S. banking system. Japan has the largest banks in the world which operate massively in the dollar-based banking sector (Table 2). Japanese private bankers insist that "Third World debt is a terrible problem, but we have to follow the lead of the U.S. banks on this."

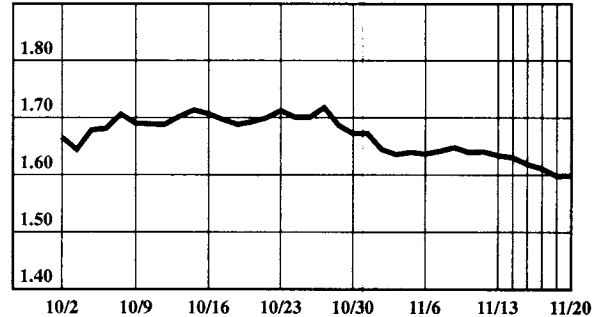
The Japanese government has to wake up and realize that Japan cannot hide in Asia from the mess that the British and American banks are making in the rest of the world by shutting down production and funding speculative debt. The Asian market alone simply cannot support a banking and industrial system of Japan's size. Japan must demand an end to IMF shock therapy austerity and switch to large-scale industrialization projects for the entire Third World, if only to save the Japanese system.

To be continued.

Currency Rates

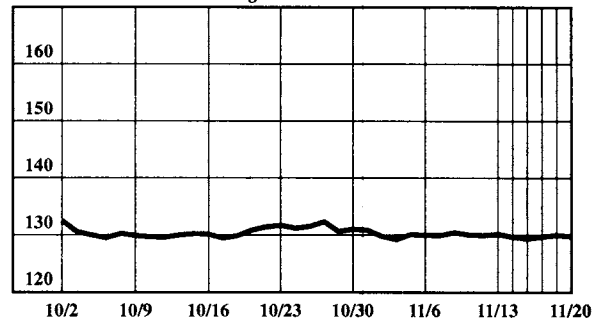
The dollar in deutschemarks

New York late afternoon fixing



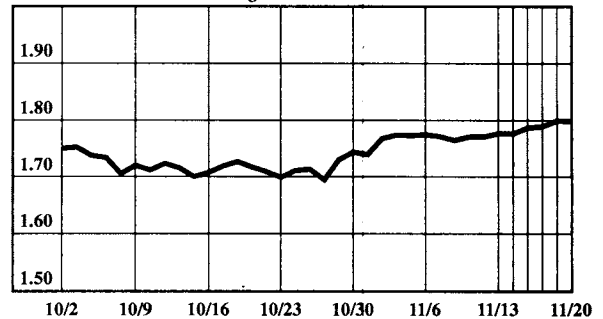
The dollar in yen

New York late afternoon fixing



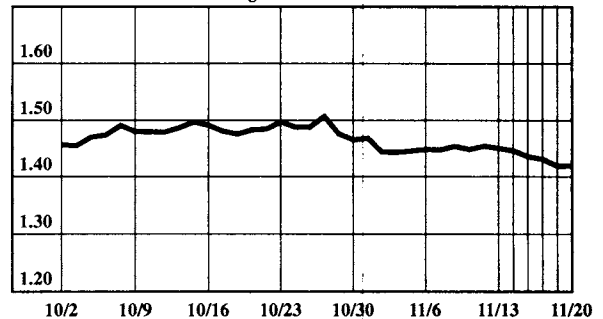
The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



Lies of Salinas fail to hide Mexican economic disaster

by Carlos Cota Meza and Peter Rush

The desperation of Mexican President Carlos Salinas de Gortari at the true state of the Mexican economy was nowhere better displayed than in his Nov. 1 speech, the Mexican equivalent of a State of the Union address, where he apparently couldn't find any statistics showing genuine improvement of the economy. Summing up nearly three years of his administration, Salinas instead served up three whoppers, lies so transparent that his own government's figures easily refute them: to wit, that employment is increasing; that the balance of foreign trade is healthy; and that agriculture is improving.

On top of this, only days after delivering his speech, Salinas's plan for a free trade treaty with the United States—the North American Free Trade Agreement (NAFTA)—was suddenly jeopardized by the weakening of his partner George Bush with the Nov. 5 defeat of Republican Richard Thornburgh in the race for senator of Pennsylvania, in which voters resoundingly voiced their opposition to such a treaty. The reality that free trade with Mexico means a loss of hundreds of thousands, and potentially millions, of U.S. jobs, sank in so profoundly that despite public denials, the Bush administration is reported to have privately decided not to push for it until after the 1992 presidential election. According to the Nov. 20 *Journal of Commerce*, however, Salinas will meet with Bush in Washington on Dec. 14 to try to convince him to complete the NAFTA talks by March 1992. The Mexican President will reportedly warn Bush that any delay in the agreement “could slow the pace of economic reform in his country” and unleash social strife.

The three reforms Salinas announced in his Nov. 1 speech will unleash a worsening political crisis and guaranteed social conflict. He announced a sweeping decentralization of education, which will pass the financial burden of education on to families and students who can hardly afford it; he decreed dramatic changes in the country's existing agrarian structure, in place since 1917, which will open up agriculture to purchase and domination by foreign food cartels; and he proposed a reform of church-state relations.

Lie #1: The foreign trade picture is healthy

All but admitting that the foreign trade picture is out of kilter, Salinas commented that the balance of foreign trade

presents “a new situation that requires an adequate explanation.” He was referring to the fact that Mexico is presently running an unprecedented trade deficit that hit \$6.5 billion in the first eight months of the year, and is expected to top \$10 billion by year's end. The deficit is caused by the flood of imports which free trade has already brought about—Mexico already has virtual free trade with the United States in most categories of manufactured goods. He said that the growth of imports “is the result of an increase in private investment that has been financed by the flow of foreign investment,” and that “the main motors of the economic expansion have been, at present, exports and new investment.”

The reality is quite different. Behind the trade deficit lies a grim picture for Mexican industry. There is no evidence to support the thesis that foreign capital is responsible for large-scale import of capital goods for investment in Mexican industry, as Salinas claimed. Rather, the imports are primarily products that compete with domestic industries, which are, as a result, going out of business in record numbers, as confirmed by official figures showing declines in employment in a majority of manufacturing sectors. Many analysts agree that the vast bulk of the billions of dollars that have entered the country in the last year or so have gone directly into either the stock market or bank assets—i.e., purely speculative investments that do not result in any economic activity in the physical economy.

This is further shown by official statistics showing that invested imported capital goods in 1990 were barely 50% the level they were in 1980—measured in current dollars—and closer to one-third the 1980 level measured in deflated dollars. Mexico's import of machine tools, a very good measure of whether an economy is investing in genuine expansion and modernization of its industrial equipment, remain at record lows, around \$200 million in 1990, down from over \$300 million in 1989 and \$1.4 billion in 1980.

As for exports, the President neglected to differentiate between exports of the so-called *maquiladoras*—the border region runaway shops that import all inputs from, and export all output to, the United States under special, duty-free tariff arrangements—and the rest of Mexican industry. Exports from the *maquiladoras* have zoomed, while exports from the

rest of the economy have been much more modest. But the growth of *maquiladora* exports should be little comfort: They hardly engage the rest of the Mexican economy at all, neither selling nor buying industrial output from the rest of the country. Almost their entire benefit is in the jobs they provide—generally at wages lower than industrial wages elsewhere in Mexico—and even here, much of that income is spent across the border in the United States, while the majority of the wage-earners live in shantytowns of incredible squalor. The growth of the *maquiladoras* does bring foreign exchange into the coffers of the central bank, whence it is used to pay debt service on nearly \$100 billion in foreign debt, but it is scant benefit to 85 million Mexicans earning less than half what they earned in 1982.

In sum, Mexico is losing from free trade: Its imports of manufactured items, among which consumer goods is the fastest-growing category, have far outpaced its exports of manufactured goods, and this disparity will only increase with the final elimination of all tariffs.

Lie #2: Employment is increasing

“Economic growth, which hit a 5% annual rate in the first half of 1991, is the highest it has been in the last ten years,” Salinas said in his speech, adding that “the economic recovery is reflected directly in levels of employment.” Even if true, and sustained through the end of the year, the economic growth figure would still be well below the annual rates of economic growth of the 1970s through 1981.

Moreover, it is likely that most, or even all, of the reported growth has been financed by the \$10 billion in capital that has so far entered the country, most of it hot money flowing into speculative financial instruments, and which has financed the trade deficit. Were this money to flee as rapidly as it came, that 5% growth could very quickly become negative again.

As for employment, the true picture can only be described as bleak. It is no accident that Salinas neglected to offer a single figure in support of his claim for improving employment, because there are none. The latest official employment figures released by the Labor Ministry for 1990, show an absolute stagnation in total employment in medium- and large-scale manufacturing, at 972,133, up a negligible 364 from 1989. And even in the *maquiladora* industries, the only manufacturing sector which has been growing, employment growth has plummeted, from 155,420 new jobs in 1987, to 60,236 in 1989, to 30,568 in 1990.

But this marginal total growth contrasts with the estimated 1 million new entrants in the job market in 1990. And with tens of thousands of peasants being forced to leave the land and seek employment in cities annually, it is no surprise that unemployment is now officially 15%, or 5.1 million workers, with an additional 40% of the labor force, 14 million workers, estimated to be in the “informal economy,” or to be otherwise underemployed. With more than 50% of the

labor force without decent employment, and unemployment increasing at the rate of nearly 1 million a year, Salinas is sitting on top of an economic time bomb.

A possible detonator could be Salinas’s agrarian reform proposal, also announced in his speech. Among other changes to the country’s land tenure system, inherited from the 1910-17 revolution, the semi-communal property arrangement known as the *ejido*, where the land was protected from purchase by absentee landlords, is being junked in favor of permitting land to be purchased by anybody, including foreigners.

Coupled to free trade with the United States in agricultural commodities, this could force upwards of 3.5 million peasant farm households—20 million people altogether—off the land, according to Prof. José Luis Calva of the National Autonomous University of Mexico, speaking at the Trilateral Meeting on Agriculture, the Environment and the Free Trade Treaty held in Mexico City Nov. 18-19. The calculation is based on the fact that Mexican costs of agricultural production are two to three times higher than the costs of highly mechanized U.S. agricultural and cattle production. Eliminating the current restrictions on agricultural imports, which limit imports to what the government decides is needed to compensate for insufficient Mexican production, would lead to the virtual replacement of Mexican agriculture with cheap U.S. imports.

Other speakers pointed out that free trade merely helps “the interests of the large transnationals that control the production of food at a world level.” And with the land reform, the food cartels would soon buy up huge tracts of formerly peasant land inside Mexico.

Lie #3: Agriculture is improving

Salinas stated in his speech that “agricultural production has recovered . . . it grew 3% in 1991, and the surplus of agricultural exports over imports grew from \$186 million to \$334 million from January to August 1991 compared to the same period in 1990.”

Since agricultural output fluctuates much more than 3%, up or down, in any given year, based on weather, the 3% increase by itself signifies nothing about the state of agriculture. More telling is the fact that the total output of grains in each of the last three years has been well below the average for the past decade, and in per capita terms, is more than 20% below the 1980-85 average. More than 1 million farmers have become insolvent and hundreds of thousands of peasants have left the land.

Other measures show the crisis more fully: The number of tractors now in use is 170,723 fewer than in 1983; fertilizer use is down 15% from 1985 levels; pesticide use is down 20%; the use of beneficial insects for pest control is down more than 50%; and the use of high-quality seeds is down almost 30%. Irrigated land has shrunk from 5.5 million hectares to 4.3 million.

Human survival is the only real 'rights' issue in Peru

by Luis Vásquez and Cynthia Rush

In recent months, a stream of human rights lobbyists, U.S. congressmen, State Department officials, and others have descended on Peru to complain about human rights violations. None of them has spoken about the rights of human beings who have been killed by the International Monetary Fund's economic "shock" policies; nor has anyone talked about how many millions of dollars in damages, not to mention the number of human lives, have been lost as a result of ten years of murderous activities by the Pol Pot-like terrorists of Shining Path. These violations are of no concern to the Washington crowd.

On the contrary, according to a report in the daily *La República* Nov. 18, the executive director of the Washington, D.C.-based Americas Watch has written a letter to Shining Path's top leader Abimael Guzmán, asking him to report on human rights violations committed by Peru's Armed Forces. When the Organization of American States Human Rights Commission visited Peru in late October, the commission made it a top priority to meet with jailed terrorists and drug kingpins to document their complaints against the Army. And, on Nov. 18, Amnesty International put out a full-page ad in the *New York Times* characterizing Peru's Armed Forces as the world's worst violator of human rights.

At bottom, the numerous delegations which have traveled to Peru have gone on behalf of one thing only: George Bush's "new world order," whose goal is to kill off Peru's impoverished dark-skinned population, dismantle its remaining national institutions, particularly the Armed Forces, and hand power over to Shining Path. Under the circumstances of Peru's devastating economic crisis, coupled with Shining Path's murderous rampages, and a spreading cholera epidemic, the criminal behavior of these visiting groups can be explained only from the standpoint of this objective.

Peru has been 'Africanized'

In April 1991, the Swedish Radda Barden Foundation published a report titled *The August 1990 Shock*, a reference to the brutal austerity measures imposed by President Alberto Fujimori. The report noted that, when the government imposed its "anti-inflationary" measures, "the Peruvian population was already among the planet's poorest." By the end of 1990, "Peru was approaching a socio-economic situation more resembling the Fourth World African countries, than

the rest of the Latin American nations." Before Fujimori's "shock treatment," living standards had fallen to the levels of the 1950s, while under- and unemployment had hit record levels. Average income couldn't purchase even half of the family market basket, which in March 1991 cost \$500 a month.

The Radda Barden report underscores the fact that the Fujimori "reforms," which have recently been extended in even more dramatic fashion by Finance Minister Carlos Bologna, achieved what 70 austerity packages had been unable to do in the previous 15 years: Overnight, they eliminated all subsidies on most food staples and fuel, and, the report adds, "increased by between 2 and 30 times the prices of almost all items in the popular diet, accompanied by similar increases in energy, water, phone, and transportation services." Salaries, however, were only increased by 100%, since, "according to the logic of the IMF and Finance Ministry economists, inflation is caused by excess demand." The Swedish report makes the important point that "this is hard to believe in a country like Peru, where 60% of the population already had subsistence problems due to low income and few possibilities of demand."

In addition, the report explained, the government authorized the use of foreign exchange and tax revenues to pay off debt to the IMF, World Bank, and Inter-American Development Bank (IADB). This was, it said, an attempt to "re-insert Peru into the international financial world with a good image for repayment, but with little compassion for its people."

The impact of these measures on Peru's manufacturing sector was dramatic. The president of the National Society of Industries reported that, while the cost of inputs such as fuel, energy, water, and phone increased between 20 and 30 times, the value of the dollar and wages only doubled.

More dramatic was what happened to the middle class and the poor, who overnight saw their already-deteriorated real income drop by 60%. A survey carried out by the Metric firm showed that "due to the [economic] shock, the poorest of population who only consumes one meal a day increased from 0.3 to 3%, that is, it increased tenfold. Families which have money for only two meals a day increased from 10 to 21%" of the total population.

After August 1990, the number of poor children in Lima who were forced to leave school to work increased by almost

a third, according to the Metric survey. From 100,000 children working in 1989, the figure rose to 190,000, according to a preliminary survey by the Labor Ministry. Statistics released by the Education Ministry showed that 40% of school-aged youth have left school to work to supplement family income. So far, in 1991, some 400,000 children have left school, and the Fujimori government's recently announced plan to privatize public education, and pass the cost on to parents or private organizations, will eliminate education for all but the wealthy. Former Education Minister Mercedes Cabanillas charged Nov. 13 that this plan obeys the dictates of such agencies as the IMF, World Bank, and IADB. "At a time when there is loss of employment, freezing of wages and jobs, is it possible for heads of households to pay tuition?" she asked.

Narco-terrorism is genocide

What does it mean when leaders of "human rights" groups go to Peru to hobnob with terrorist murderers and drug traffickers, and claim that members of the Armed Forces are worse criminals than the Shining Path terrorists? What does it mean if Peru's armed forces are destroyed?

In a statement reported in the Oct. 18 *El Comercio*, Msgr. Juan Luis Cipriani called narco-terrorism "the greatest genocide of our history, the worst of our internal wars, the greatest violation of human rights seen in Latin America in this century." In almost 10 years of Shining Path's activities, Bishop Cipriani noted, "20,000 people have died and more than 5 million have been affected by the loss of a father, a mother, or children. Over 25% of the country has been punished by a murderous and merciless terrorism."

Aside from killing—often torturing and mutilating its victims first—Shining Path has caused infrastructure damage whose monetary value is close to the amount of Peru's foreign debt, \$20 billion. It has blown up electricity towers, transportation and agricultural infrastructure, and research centers, and killed Peruvian and foreign engineers and technicians who were working to bring advanced technology to rural areas. As in Cambodia under Pol Pot, anything connected to western Christian culture is targeted by Shining Path for extermination.

The terrorists' strategy of "strategic equilibrium" is designed to cut off urban centers, especially Lima, from the rest of the country, and starve the cities into surrendering. What has prevented that from happening so far is the deployment of the Armed Forces, including creation of military-administered civic programs in the slums to feed and provide services for the poor. According to Shining Path's European spokesman, Luis Arce Borja, the group is now positioned to provoke insurrections in all major Peruvian cities, "including Lima," to begin its campaign to take power by the end of this decade.

In the climate of desperation caused by the IMF's genocidal policies and by the Fujimori government's submission

to every aspect of Bush's new world order, thousands of youth fall prey to Shining Path's ideology. A survey carried out by Peruvian intelligence services a few months ago revealed the alarming statistic that 17% of Lima's youth support the activities of narco-terrorism. For those who don't, according to a United Nations report issued last October, Shining Path uses methods of forced recruitment, terror, and indoctrination, accomplished by establishing clandestine schools for children between the ages of 5 and 10. This, the United Nations report said, "violates the most fundamental rights of the child, and threatens his very life."

Cholera: no end in sight

Apparently, judging from their backing for terrorists and the IMF, the international human rights lobby and the Bush administration think cholera too has "human rights." Radda Barden estimated that by March 1991, in Lima's metropolitan area, 90% of the families lived below the poverty line, with a monthly income equal to half of the family market basket—that is, about \$200 a month. Seventy percent of families are considered to be living in "critical" or "very critical" poverty, with an income below one-quarter of the cost of the market basket—less than \$130 a month. The government's social assistance program reaches barely 12% of the population, but at least 60% of Lima's families are in desperate need of help.

In February 1991, the first outbreak of cholera in Ibero-America occurred—not surprisingly, in Peru. To date, over 2,600 people have died, over 300,000 are infected and \$1 billion has been lost in tourism, trade, and industry. International health agencies and experts agree that only massive investment in health infrastructure, to guarantee clean, potable water, and proper sewage and sanitation systems, can prevent the catastrophe threatened not only by cholera, but by many other preventable diseases which afflict Peruvians.

An investment of \$180 million as an emergency measure could have brought the epidemic under control; but the Fujimori government didn't want to upset its arrangements with foreign bankers, so it paid the debt instead. Now, as Peru enters its summer season, it faces a new outbreak, and even more virulent strains of the disease which can kill in a matter of hours. The Nov. 11 edition of *Caretas* magazine noted "serious doubts" about the government's commitment to combatting the disease. "There are reasons to believe that the local water supply system has been an important transmission route for the epidemic in the country's main coastal cities." *Caretas* quoted one physician, Dr. Oscar Ugarte Ubilluz, who charged that, while the government adopted his plan to fight cholera, "it hasn't even been considered in the current national budget." The Health Ministry is unwilling to talk about reports of a new outbreak, but media report that officials from the ministry and the city water supply company say "the level of chlorine in potable water is insufficient to remove the bacteria which cause cholera."

No bountiful harvest this Thanksgiving

Any "free trade" treaty in the face of world food scarcities is a prescription for genocide.

There is no bountiful harvest for which to give thanks this year. As 1991 draws to a close, the assessment of the world grain crop is that far too little grain has been harvested to provide even minimum nourishment for human life and dignity.

Globally, about 3 billion tons of grains of all types should be harvested each year for adequate consumption for 5 billion people (directly as cereals, and indirectly for livestock feed), and for national food reserves for emergencies. Instead, about 1.695 billion metric tons will likely be the 1991 world harvest, according to the November monthly "World Agriculture Production" report issued by the U.S. Department of Agriculture. And much of this grain will be in the grip of the world food cartel companies.

This abysmal picture is the result of 25 years of incompetent and immoral economic policies imposed by the International Monetary Fund (IMF), the World Bank, and the General Agreement on Tariffs and Trade (GATT). Under the dictates of these agencies, Third World nations have been unable to advance their agriculture-related infrastructure (water, transportation, industry, fertilizers). At the same time, farmers in the so-called advanced sector have been financially hard-pressed and have been induced to take land out of production. Enough crop land has been idled from production in the United States since 1985 to exceed the territorial size of the state of Massachusetts.

In the context of food scarcities, the cartel of mega-food companies has

moved to monopolize world food supplies for political control purposes. The world grain trade is dominated totally by a few companies—Cargill, Continental, Bunge, Louis Dreyfus, Garnac/André, Feruzzi, Archer Daniels Midland (ADM), and a few others.

The pressure for nations to agree to allow these companies free rein under a "free trade treaty"—the proposed GATT "Uruguay Round," and the proposed North American Free Trade Agreement of the United States, Mexico, and Canada—is tantamount to a guarantee of world famine. Under this scenario, all remaining national support for farmers would be disallowed, and nations would be forced to rely on the "world market" for their food—i.e., the food cartel companies.

Instead, national initiatives for food output expansion are required—*not* free trade.

Here is the summary harvest picture from around the world in the Nov. 13 USDA report.

Total grains. The USDA forecasts that total world grain output in 1991 (wheat, corn, rice, millet, oats, etc.) will be 1.695 billion tons, down 5% from last year's 1.78 billion tons and well below the harvest levels of several years in the 1980s. This decline is the result of declines in several crops in high-producing nations.

Wheat. Worldwide, growers are expected to reap 547.2 million tons, which is 8% below last year's wheat harvest—a record crop, but below what is needed for good nutrition.

The wheat crop in Australia, a

source of exportable surplus for food relief and trade, is drastically down, to about 10 million tons. In the past, it has reached 15 million tons. The drought in the top farm states of Queensland and New South Wales has caused dreadful damage. The wheat crop in the former Soviet Union is a low 78 million tons.

Feed grains. The USDA estimates for world total output (corn, grain sorghum, etc.) is about 801.5 million tons, which is down 4% from last year's harvest. Much of this is accounted for by weather damage to the heart of the U.S. corn belt—which in good years accounts for almost half of the globe's corn output. Iowa, a top corn state, along with Illinois, was slammed by floods in the planting season, followed by searing drought.

Australia's feed grain harvest is estimated to be about 6.9 million tons, 6% less than last year. This reflects the barley losses in the northeast part of the country. Feed grain production is also down in the Soviet Union.

In the face of these declines, the increases in some other grainbelt regions is not enough to compensate on a world scale. China, one of the largest grain producers, suffered huge losses of crops and life when flooding hit central China; however, there were good harvests in Szechwan and the North China Plain.

The U.N. Food and Agriculture Organization warned in its October 1991 "Food Outlook" report: "Output in the major grain exporting countries is down 5%, despite large harvests in Canada and the EEC [European Community]. . . . Regional food supply problems continue to worsen. In the Horn of Africa the situation is critical. In Somalia some 4.5 million people are threatened by famine. . . . The food and nutrition situation in Iraq is alarming, with increased incidence of malnutrition."

A house of credit cards

Bush's call for a cap on credit card rates generated an uproar that exposed the insolvency of the banking system.

President George Bush and the U.S. Senate have demonstrated to the world that the U.S. banking system is totally insolvent.

The President told a New York audience on Nov. 12 that he "would frankly like to see the credit card rates down." Taking Bush's call to heart, Republican Sen. Al D'Amato of New York the next day introduced a bill to cap credit card interest rates at 14%. The Senate passed the bill by a vote of 74-19, and members of the House promised a similar bill.

The Bush/D'Amato measure set off a firestorm of protest by the big banks, bank regulators, and major retail card issuers, who rushed to Capitol Hill to defeat the plan. At stake, they howled, was the very existence of the banking system.

They were right.

Over the past two years, credit card profits have accounted for some 25% of the reported profits of U.S. banks as a group. Of the claimed \$15.6 billion profits in 1989, some \$4.1 billion was attributed to credit cards, and credit cards were responsible for \$4 billion of the claimed \$16.9 billion profits in 1990. The emphasis is on the word *claimed*, since in reality the U.S. banking system has been losing money at an accelerating rate, while reporting nonexistent profits through fraudulent bookkeeping.

The Federal Reserve's repeated dropping of interest rates has in part been a back-door bailout of some of the country's largest banks. The big banks have maintained their near-20% interest rates on credit cards, and high rates on other loans, even as their cost

of deposits has plummeted. Each 1% increase in the spread between what banks pay for deposits and what they charge their customers gives the insolvent banks an estimated \$1.5-3 billion in badly needed income.

Take away this looting operation, and the banks would collapse overnight.

Faced with imminent catastrophe, the banks threatened to cancel half of their 120 million credit cards, raise the annual fees on the remaining cards, eliminate the interest-free grace period, and raise the fees they charge merchants.

"We're not threatening," insisted Philip Corwin, director of operations and retail banking for the American Bankers Association. "We're just telling what we're going to have to do."

The Bush administration, realizing the panic such actions would cause, quickly reversed its position—and clumsily tried to shift the blame to Congress. President Bush insisted that while he still favored lower rates, he was opposed to the irresponsible legislation. White House Press Secretary Marlin Fitzwater said that the legislation "could be quite disastrous to the banking industry." "This is wacky, senseless legislation," said Treasury Secretary Nicholas Brady, and Council of Economic Advisers chairman Michael Boskin called the measure "economically dangerous." Vice President Dan Quayle threatened an administration veto if the measure passed Congress. Federal Reserve chairman Alan Greenspan warned that the measure would have a "negative effect on banks' earnings" at a time

when there are already "concerns about capital positions."

What they were all saying, in effect, was, "The banks are already bankrupt and will not survive this action."

Tennessee Democrat James Sasser, a senior member of the Senate Banking Committee, put it more bluntly: "The thought around here is that Citicorp might go under, and that millions of folks would lose their credit cards, and that is causing a lot of wringing of hands and gnashing of teeth."

The brain-dead Citicorp, the nation's largest bank and largest issuer of credit cards, is already bankrupt, and reportedly has been unofficially seized by the U.S. government. Were the government to admit that Citicorp had failed, many of the bank's 20 million credit card holders would panic, as would the merchants who take those cards. The result would be massive runs against Citicorp, which would quickly spread to other banks and bring down the entire house of cards.

The failure of Citicorp would also immediately collapse the \$60 billion market in credit card-backed securities, of which Citicorp's share is \$19.6 billion. Trading in this mortally wounded market ground to a halt after the Senate action, shutting off another source of cash for the big banks, and blowing another hole in the financial markets similar to the 1989-90 collapse of the junk bond market.

The administration and Congress have dropped the idea of a credit card rate cap, but the damage has already been done.

As the Swiss bankers' daily *Neue Zürcher Zeitung* commented on Nov. 19, Bush's desperation moves, such as the credit card gambit, indicate that the President "appears to have completely lost his nerves, and reminds one of a headless chicken."

Business Briefs

AIDS

French scientist warns of insect transmission

A prominent French biochemist and entomologist has warned of a danger that AIDS can be transmitted by blood-sucking insects. Michel Bounias, a member of the French Academy of Sciences, recently told a French radio interviewer: "I see no reason which could possibly prevent a flea or a mosquito from transmitting the AIDS virus. The blood of a biting insect represents an environment in which a virus can survive very well for a relatively short time."

This magazine first warned of that possibility back in 1986. The medical establishment, as well as the World Health Organization, continues to deny the possibility, although no experiments to determine the possibility have been undertaken.

Finance

British banking system fears mortgage defaults

Mortgage default losses pose the "gravest crisis to the British financial industry since the sovereign debt crisis," insists Thomas Bennett of the bank Paribas London. According to official data, the rate of home repossessions by banks and mortgage lending companies in Britain in the first half of 1991 is running at an annual rate of 72,000 homes. In 1990, the level was 44,000, and one leading brokerage predicts 115,000 repossessions in 1992, some 20 times the levels of the severe recession of 1981-2.

In the worst economic crisis since the depression of the 1930s, British home prices have fallen more than 20% since their peak in 1988, while rising joblessness and the weak economy are creating what the Bank of England calls "considerations for which there is little historical precedent." There have been virtually no serious home mortgage default problems in Britain since the 1930s until this latest eruption.

The defaults are inflicting huge losses on mortgage insurers who have insured mortgage lenders for losses in event of defaults which were believed unlikely to occur. British insurance companies anticipate group losses of more than \$4 billion through 1992 as the crisis deepens.

Banking

Dillon-Read to merge with Barings

Two of the elite firms of Anglo-American merchant banking, America's Dillon Read and Britain's Barings, have announced that they are merging. While the firms are relatively small—Barings is the seventh largest merchant bank in Britain, and Dillon Read is the 22nd largest underwriter in the U.S.—they are among the most elite of such firms. Founded in 1762, Barings is the oldest of the British merchant banks, and long was one of the controlling interests in the Peninsular and Orient Steamship company, which figures prominently in the history of the Far East opium trade.

Dillon Read was founded in 1832, and was one of the handful of Wall Street firms that had a stranglehold on American industrial finances from the 1870s to the late 1960s.

Of crucial interest is that both firms steered clear of the worst financial excesses of the 1980s, and now stand to profit handsomely from the accelerating financial shakeout. As Dillon Read chairman John P. Birkelund told the *Wall Street Journal*, "When one says we're small, I have a problem with that, because I think the degree of influence you have is more important. I know of a lot of firms with a lot of capital that have very little influence. They just swing their capital around." Former Dillon Read co-chairman Nicholas Brady is now U.S. Treasury Secretary.

The *Financial Times* noted that Barings's "relationship with a leading Wall Street firm will be matched by only one other British merchant bank, Lazard Brothers, which is linked to Lazard Frères in New York through a complicated shareholding structure."

Barings is the leading adviser to Pearson PLC, which owns the *Financial Times* of London. Pearson, in turn (according to a profile in *Forbes* magazine in 1989), owns 50% of Lazard Partners, which owns 100% of Lazard Brothers (London), 12.27% of Lazard Frères & Cie. (Paris), and 18.7% of Lazard Frères and Co. (New York). The partners of Lazard Frères & Cie., in turn, own 48% of Rue Impériale de Lyon, which owns 21.7% of Eurafiance, which owns 46% of Gaz et Eaux, which—closing the ring—owns 9.4% of Pearson PLC.

Eastern Republics

German banker proposes emergency program

The chairman of Germany's Dresdner Bank has proposed a five-point emergency program for the former U.S.S.R. to preempt a monetary panic in the short-term period and consolidate the financial status of the former Soviet Union over the near future.

Werner Roeller, who also chairs the "monetary affairs and credits" section of the German-Soviet Economics Commission, proposed the following steps:

1) Issue a short-term bridge loan to contain the threat of an acute debt default.

2) Gain time by extending western deadlines for Soviet debt repayments, if no other alternative proves feasible.

3) Institute transparency in the financial status of the former U.S.S.R. and the republics, and sign "reliable agreements with the republic leaderships."

4) Create conditions for German government Hermes export credit guarantees to the individual republics on the basis of a "memorandum of understanding" that the republics would sign to define their share in the old debt of the former U.S.S.R. to the West.

5) Institute reliable financial transfers from the republics to the Moscow foreign trade bank, and report to western creditors on a regular basis.

"We need confidence, but we must not make things even more difficult for the republics."

lic than they already are," said Roeller, calling for an end to that "continued, counterproductive talk about a debt default that started at the Group of Seven summit." The most important thing to achieve, he recommended, was to "buy time and launch constructive solutions."

Asia

Malaysia to buy Soviet arms?

Malaysia is considering buying military equipment, including jet fighters, from the Soviet Union, Reuters quoted Prime Minister Mahathir Mohamad saying Nov. 15. Moscow had offered to sell Malaysia sophisticated military equipment under a package deal that would include transfer of technology, the national Bernama news agency quoted him as saying at an aerospace exhibition on Langkawi Island.

"We will have to study to determine what is suitable for us, if our interests coincide with what they are offering," the prime minister said. He said there was nothing wrong in buying arms from the Soviet Union as it was "no longer a communist country." Soviet military equipment may "appear rough and unattractive" but is just as good if not better than western weapons, he said. "We are not going to war with anyone but just placing importance on our defense, although our neighbors have sophisticated jets like the F-16," Mahathir said.

He gave no details, but the Soviets are believed to have offered to sell the MiG-29 and Sukhoi SU-27 jet fighters to Malaysia, defense sources at the exhibition said.

U.S. defense official Donald Atwood is quoted by Reuters saying that the U.S. is concerned that the Soviet economic collapse will prompt a dangerous migration of scientists and arms technology to the Third World. Atwood, who visited Soviet defense plants during November, told reporters—as an example of Soviet financial desperation—that officials at the Soviet space center openly discussed with U.S. visitors exchanging rocket technology for outside investment to support their space program. "I'm very much concerned about the

sale of that technology," he said. "What we do want to stop is them selling arms to countries that have unstable governments or have a history of aggression or a history of terrorism. In particular we want to stop the flow of technology that could later give them the ability to make weapons of mass destruction."

Health

Medicare fees revised to favor GPs

The Bush administration's newly released Medicare payment schedule for doctors appears to be designed to discourage high-technology or surgical interventions in favor of an emphasis on care provided by general practitioners. The new rules, which will go into effect in January, will cut payments to specialists, anesthesiologists, surgeons, and radiologists, on the premise that they have been "overpaid" relative to general practitioners.

To develop the new fee schedule, the government assigned numerical values to all services performed by doctors. The values range from less than 1 to over 100, according to the time required for the procedure, malpractice insurance costs, and doctor's office expenses. A standard monetary conversion factor was used to arrive at the price of each medical service. Family practitioners will have increases of 15% more in 1992 and 28% more in 1996 than they would have normally received. By 1996, anesthesiologists, radiologists, surgeons, and pathologists all receive about 20% less than they would normally get under the current system.

The new fee policy comes after years of contention between the administration and medical societies. According to the *New York Times*, the new rules, released Nov. 15, are based on the assumption that doctors will try to recoup their losses by seeing more Medicare patients or having more expensive testing done, so the government cut payments across the board. Not only is there no proof that this will occur, it is more likely doctors will see fewer patients receiving Medicare.

Briefly

● **AMERICAN** Airlines has canceled \$5.2 billion in new plane orders, 45 aircraft from Boeing, 37 from Fokker, and 11 from McDonnell Douglas. The move is reportedly part of the company's plans to slash \$8.2 billion in capital spending over the next five years.

● **CHOLERA** has spread to 16 Mexican states in 150 days, but the government still characterizes the problem as one of "isolated outbreaks," wrote journalist Emilio Vazquez Pérez in *Unomasuno*. The spread of cholera is caused "by the strangulation of the Latin American economies by the foreign debt," he said.

● **LATIN AMERICAN** Economic System president José de Rivera and its past president, Carlos Pérez del Castillo, have called on the industrialized powers and multilateral lending institutions to forgive 50% of the debts of Ibero-American nations, saying that at present, tens of billions of dollars annually leave for the lender countries, banks, and institutions.

● **ST. PETERSBURG** Mayor Anatoly Sobchak has attacked the Group of Seven and Group of 24 for their continued boycott of aid to Russia. He said that the republics of the former U.S.S.R. are faced with the worst food crisis in many years, and he questioned the motives of those that know what the situation looks like and still won't act.

● **OF \$45 BILLION** pledged to eastern Europe since 1989, only 20% has yet been disbursed, according to an OECD study. The pledges included \$32 billion from 24 western industrial countries, and \$13 billion in loans from the International Monetary Fund and World Bank.

● **THE FORMER** Soviet republics of Byelorussia and Kirghizia have each signed contracts for legal representation with the Anti-Defamation League-linked law firm of Paul Weiss Rifkind Wharton & Garrison, Theodore Sorensen announced, the Nov. 13 *New York Times* reported.

Finally, Europe talks about a joint transportation grid

by Angelika Beyreuther-Raimondi

The first-ever Pan-European Transportation Conference convened in Prague on Oct. 29-31, gathering practically all the transportation ministers of a reunited Europe—16 in total—who came with high-ranking delegations, to discuss the concept that in the “new Europe,” well-being and peace can only be assured, if a common European infrastructure network is created.

The conference occurred a full two years since Lyndon LaRouche first put forward his proposal for a high-speed transportation network to connect the Paris-Berlin-Vienna triangle, creating a productive “locomotive” in this area with the world’s most skilled workers and productive capacities, in order to rescue and develop the eastern European economies and pull the entire world out of economic depression. LaRouche sketched the idea at the moment when the Berlin Wall was coming down and revolutions—mostly peaceful—were sweeping away the communist dictatorships all over the former Soviet satellite states in central and eastern Europe.

Prague, of course, lies in the middle of LaRouche’s “Productive Triangle,” which has become well known in the last two years through a series of detailed descriptions published in multiple languages, and seminars featuring speakers from the Schiller Institute, which is backing the plan, throughout the major cities of Europe.

Two years to catch up

At the invitation of the European Parliament and the European Commission, and in cooperation with organizations such as the European Conference of Transportation Ministers, the various political, industrial, and other representatives took up the question of how to define an integrated transportation system in Europe; how to formulate the needed planning, utilization, and financing of European-wide transportation infrastructure; and how the demands for technology, protection of the environment, and security might be satisfied in the framework of a new



The Pan-European Transportation Conference opens, in the Spanish Hall of Prague Castle. Left to right: Jiri Nezval, minister of transport of the Czech and Slovak Federal Republic; Georgios Anastassopoulos, vice president of the European Parliament; European Commissioner Karel van Miert; C.S.F.R. Prime Minister Marian Calfa.

approach to transportation policy.

During the opening ceremonies, which took place in the splendid rooms of the presidential palace, the vice president of the European Parliament, Georgios Anastassopoulos of Greece, declared that it was urgent that an efficient transportation policy for the twenty-first century be devised. It is high time to catch up the two lost years that have passed since the revolutions in central and eastern Europe, he warned. In the West, people have not thought grandly enough about the historic revolutionary developments. Action is long overdue, and it is clear that the fundamental role of transportation, conceived as European-wide, must become a political priority: "What counts is the political will"; in the face of an expected 50% overall growth in transportation in Europe and an expected 1,000% growth along the East-West axis, no one could doubt that transportation policy must be an unambiguous political priority.

The host transportation minister of the Czech and Slovak Federal Republic, Jiri Nezval, greeted the participants from all the European nations with justified pride. He emphasized infrastructure's role in making possible for the cultural development of Europe, pointing out, "Without roads, there would have been no Christianization." He proposed "to create a kind of master plan for the unification of Europe in the area of transportation"; in the "reform states" of central and eastern Europe, that means concentrating on building a railway network.

Domenec Romera I. Alcazar, a transportation expert in

the European Parliament, called for a "bold and courageous attack" for "European-wide and global solutions and planning foreseen for the twenty-first century." The proposed transnational rail grid in Europe is "probably the most significant infrastructural proposal in the world in the twentieth century," he said.

The general secretary of the International Railway Association, Michel Walrave, put the problem this way: Why, he asked, should a "Marshall Plan for central and eastern Europe" not "have as its center of gravity, the area of railway transport?"

Overland links to Asia

The U.S.S.R. deputy minister of railways, V.N. Butko, spoke of the great opportunity presented to Europe, now that it has become possible to consider new ways of using the land routes to Asia. The trans-Siberian mainline connects Europe by land to the Pacific Ocean; the historic Silk Route, which in the Middle Ages connected China to Europe, is still today very significant from the standpoint of transportation policy. The construction of new international rail links would contribute to the development of traffic along the east-west axis. Moscow could be connected to the high-speed Hanover-Berlin-Warsaw route, especially since a high-speed section from St. Petersburg to Moscow is now in the planning stages.

Again and again during the conference the eastern participants, with a marked undertone of impatience, observed that the western Europeans might easily profit from the reunited

Europe, and should not raise the specter of a "sinkhole" in the east. In an interview with *EIR*, the transportation minister of the Russian Republic, Vitali B. Yefimov (see below), made a point of the geographical position of Russia, which "connects Europe, the Near East, the Far East, and China." He underlined the need to integrate the European with the Asiatic transportation system.

The ministers from the Baltic states cited the great new possibilities which are opened up by their "return" to Europe. Latvian Transportation Minister Janis Janovskis brought up the opportunities provided to northern Europe by linking the "ice-free harbors of Latvia . . . with the railway through Ukraine, to reach Odessa on the Black Sea," and from thence to the Mediterranean and the Mideast. Through this and other newly created possibilities, the "efficiency of European transportation should be substantially increased."

Traian Basescu, Romania's transportation minister, spoke of his country's potential: "All these matters imply that the economic reconstruction of eastern and central Europe shall begin with transportation." His Bulgarian colleague Veselin Pavlov, pointed to the two important ports of Varna and Burgas, whose development will create "favorable conditions for traffic transit from Europe to the Near East and Asia."

Cheapskates cost money

The failure to develop modern infrastructure is extremely costly in the long run, several speakers pointed out. The European Parliament recently confirmed that "the present lack of a European infrastructure network that would be attuned to the needs of the current users, imposes high costs upon the European economy." A study carried out for the

European Parliament, as reported by Domenec Romera I. Alcazar, asserts that "the annual costs to the European Community resulting from bad transportation infrastructure are estimated to be ECU 3.75 billion, an amount that by the year 2010 could reach ECU 13.6 billion per year, if the European high-speed railway grid were not built."

Heinz Ruhnau, the former chairman of the board of Lufthansa airlines, made a different calculation. He warned that inadequate infrastructure causes "a decrease in the productivity of the economy." On the other hand, "if there are no bottlenecks, the economic investment of the aircraft industry in the European Community will rise from the current DM 600 billion [\$357 billion] to DM 1,000 billion [\$595 billion] in the year 2010. The number of jobs should rise from 3.6 million to 5.6 million." Ruhnau gave a detailed accounting of how, because of inadequate European air traffic infrastructure, between 1986 and 1990 "about \$20 billion was wasted, annoying passengers, frustrating members of the airline and insurance associations, and putting an unnecessary strain on the environment."

Nothing that addressed these problems came from the president of the European Bank for Reconstruction and Development, Jacques Attali, although many had expected much from his speech. He did speak of a European "master plan" for the future, but he opined that because of restricted financial resources, not everything could be done at once, but only one project at a time. Other speakers in Prague agonized about raising taxes, establishing a European Transportation Fund, and the need to increase highway tolls—bypassing the necessary political decision: to put into effect the joint European infrastructure system, with all due speed and with the help of national measures of credit creation.

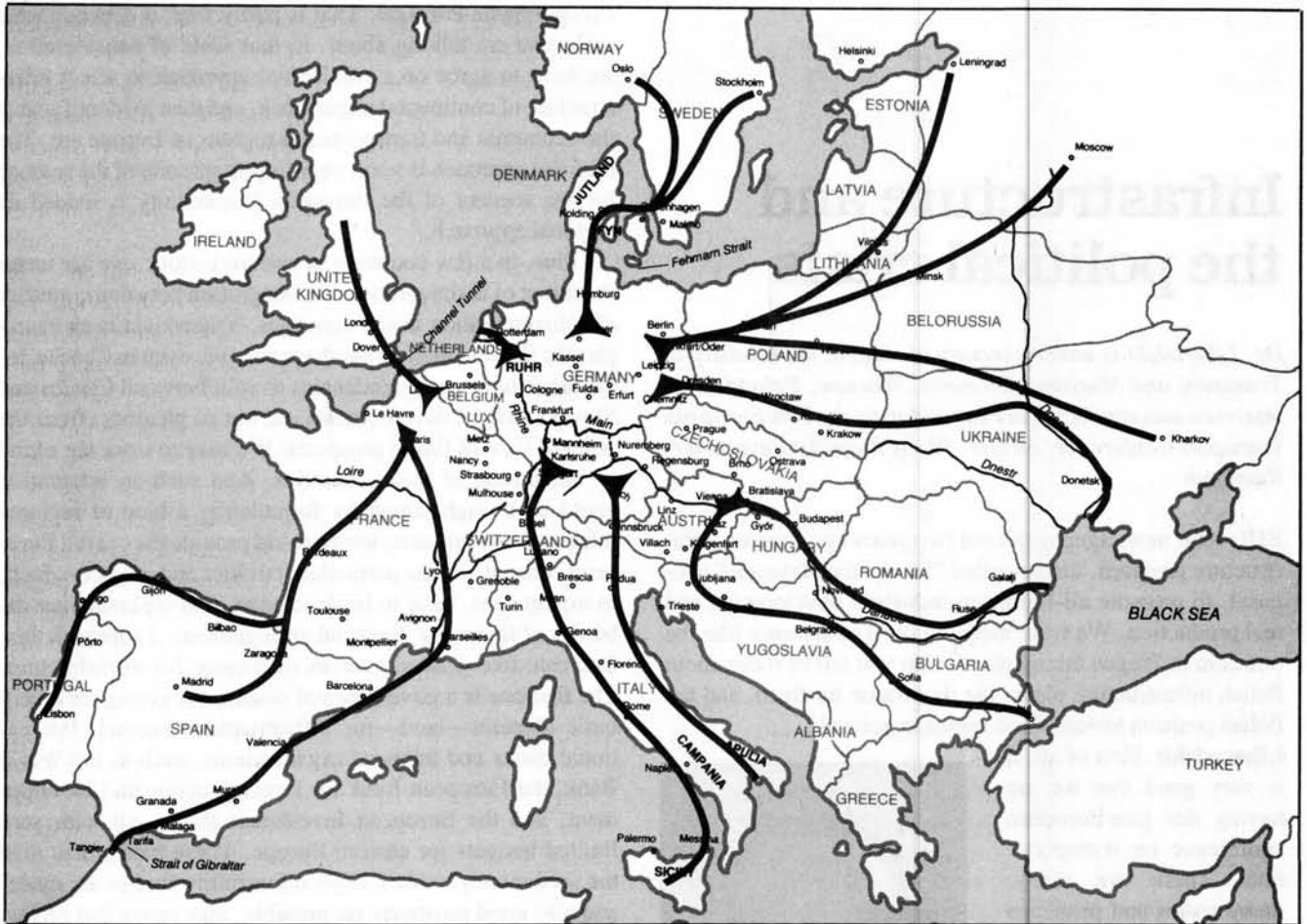


European transport ministers discuss the prospects for a continent-wide infrastructure program. If they act with sufficient vision and political decisiveness, the program can provide the key to saving the world's economy from a new Dark Age.

Jan Zavrel

FIGURE 1

Spiral arms extend from LaRouche's Productive Triangle



The LaRouche 'Productive Triangle'

Lyndon LaRouche's proposal for a European "Productive Triangle" has been circulating among policy makers for two years now, and elements of it cropped up again and again during speeches and discussions at the conference. In remarks intended as a contribution to deliberations (published in full in *EIR*, Nov. 8, p. 6), LaRouche emphasized the "American System of Political Economy," in opposition to the "free trade" dictates of the International Monetary Fund.

"Where is the recovery going to come from?" LaRouche asked. "It will come from the prudent use of the credit, the power of governments to establish monopolies on the issue of currency and the issue of that currency as loans, as loan capital to a national banking system for basic economic infrastructure, projects of water management, power generation and distribution, transportation, education, medical care, infrastructure, in promotion of scientific and technological

progress, that is, investment in scientific and technological progress in a capital-, energy-intensive mode. This will mean using the resources of credit to take the idle capacity of agriculture, mining, industry, and labor force, to mobilize them for national efforts of building. What must also be done is to bring together such efforts on the part of sovereign national states in a coordinated form, so that the various governments of states may cooperate, so that their various efforts will mutually support one another.

"That all can be done. It will be hard work, but a recovery is possible; whereas, if we do not take that course of recovery, then we are going to go into one of the worst periods in the history of mankind, a period for all of Europe and most of the world comparable to the Dark Ages in the fourteenth century."

LaRouche's proposal was, to be sure, not an openly discussed theme of the conference; yet if that proposal is not implemented soon, then the joint European infrastructure project will become an unrealized dream.

Infrastructure and the political crisis

Dr. Liberadski is undersecretary of state in the Ministry of Transport and Maritime Economy, Warsaw, Poland. This interview was conducted in Prague during the Pan-European Transport Conference, on Oct. 30, by Angelika Beyreuther-Raimondi.

EIR: Our news agency put out two years ago a major infrastructure program, the so-called "Productive Triangle" proposal, to promote all-European industrial development and real production. We were happy to see a conference like the one here in Prague taking place. Can you tell us more about Polish infrastructure plans, the timeframe for them, and the Polish position toward these issues in general?

Liberadski: First of all, it is very good that we are having this pan-European conference on transportation. There are many, many issues and problems which have to be taken up, and in some cases even formulated, right now, and solved in the future. For all these issues, we are considering two timeframes—first, the short term; and the second, a longer perspective. The second is of strategic importance, and involves big money—more than \$100 billion—and also the capacity to get it done on time. What does it mean, on time? In the short term, it is very important to make better use of the already-existing infrastructure.

We hear many words about integration, the necessity of integration. But yet the old prejudices still exist between the eastern and the western, more advanced, Europe exist. Western Europe neglected eastern Europe in terms of infrastructure. But this negligence is not so obvious. . . .

Organization will be of the utmost importance, since in this we are lacking. The organizational factor has to be brought from western Europe, because we have not got the



Jan Zavrcl

ability, the skills, the people prepared to introduce quite new and more efficient organization.

You could hear during this conference many words; almost every country presented itself as a country of transit—except maybe Portugal. That is partly true; it depends what scale you are talking about. In that scale of consideration, we have to agree on a continental approach to select infrastructure of continental importance, and then to identify what the economic and transportation regions of Europe are. The regional approach is very, very important; one of the reasons for the success of the European Community is indeed its regional approach.

Plus, in a few countries in eastern Europe, we are under the threat of disintegration, disintegration between countries and disintegration inside countries. Yugoslavia is an example; the Soviet Union is another example; even in Czechoslovakia we have some tendencies to split between Czechs and Slovaks. These developments are not so pleasant, from the point of view of future prospects. We have to work out a kind of integration of these countries. And such an integration could be brought about by formulating a bloc of regional infrastructure projects, which could provide the overall European concept and the particular activities and projects which, in my opinion, have to be developed. But we encounter the barrier of financing, financial arrangements. I approach this, to create free general sources of finance for infrastructure. The first one is a governmental source, for giving for a very basic element—land—for infrastructure. Second, international banks and financial organizations, such as the World Bank, the European Bank for Reconstruction and Development, and the European Investment Bank—all with very limited budgets for eastern Europe. These banks may give the seed money, which, if good feasibility studies are made, and also good prospects are possible, may prove that private capital sources may make their own inputs and profitable infrastructure based on concessions, licences, etc. . . . We have to find real investors, which are still lacking. . . .

EIR: You said in your speech, and I agree fully, that infrastructure investments are very productive and multiply effective.

Liberadski: Yes, of course. They also have the effect of a signal, to create jobs right now, and new possibilities. It was expressed nicely in one of the presentations at this conference, that if there is transportation, there are workers—and workers need transportation. So we have to start from something; if we start from infrastructure and transportation, we get work for the nation. And the work for the nation will justify that investment.

EIR: Everybody here agrees that infrastructure is the key for development. But there is no clear plan for financing, and we cannot wait. We cannot wait for another two years and have nothing significant happen. Are there discussions about

financing big infrastructure projects, in a big way?

Liberadski: The discussions about financing, to some extent, were disappointing to me; I expected more sound proposals and statements. I tried to express my point of view, that international financial organizations may encourage commercial banks to add their own money. Plus, probably you are surprised, but there is so much to be done in infrastructure, that if you could find figures, [it would add up to] about \$200 billion or ECUs. Everybody was surprised, but it takes 15 years, so it's nothing to be surprised about.

If it is done in a good way, as an investment and not just an expenditure of money, we may very soon get some portion of the money back. This is very important. For instance, Poland is ready to establish a law to build and operate highways as toll roads. If we start to do it—of course, getting the money from different sources, including our budget—after two years, we may get our first returns. So it could be operated as an investment.

But there is still remaining mutual distrust, which has to be overcome.

EIR: Another proposal which we put into the debate, and I discussed it with many delegations here, is that actually sovereign nations have the right to issue credit for productive investments like infrastructure, and this is not inflationary, but necessary to develop infrastructure on a national scale. It is a debated and controversial proposal, but I think it could work, especially if all governments agreed to it now.

Liberadski: I think you are right; however, probably the western countries have forgotten about their situation 40 or 50 years ago, during the big crisis of the early 1930s, and such programs, when they were called public works. Today it is inappropriate to get it done as public works, as was done before the Second World War, but now it could generate an economic acceleration in our countries, plus it gives our countries much more accessibility—in a physical sense—to West European companies, and interests them in coming here to make business. There are tremendous opportunities indeed, but the first step has to be taken, and probably this was a weakness on the part of the eastern European countries, that we did nothing yet to prove that this is true. I believe on both sides there have been some sins committed. But we would now like to take away these sins—that is my first confession.

EIR: Hopefully, this conference is a first step in that direction.

Liberadski: This conference gives a kind of personal feeling about people. In my opinion, this is also important, if somebody listened to my presentation, and got a feeling that, "Okay, this man is all right, and I can do business with him." Because you don't know the people right now who are in power in the eastern European countries, and it is also important to know that.

Interview: Vitali V. Yefimov

Build railroads from Europe to Asia

Mr. Yefimov is minister of transport of the Russian Republic. He was a speaker at the Pan-European Conference on Transportation, held in Prague, and was interviewed by Angelika Beyreuther-Raimondi there on Oct. 30. Both he and another speaker from his country, U.S.S.R. Deputy Minister of Railways V.N. Butko, emphasized that discussion of pan-European infrastructure development should not leave out of account the vast potential represented by Asia, and particularly the potential role of the Soviet trans-Siberian mainline. "Railway transport has prevailing significance for the East-West axis," said Butko in his speech, "since it successfully competes for long distance transport where road network infrastructure is insufficient." The Soviet railway system constitutes 12% of the world's railway network, carrying 50% of the world's ton-kilometers, he reported.

What follows is an unofficial translation of the interview with Mr. Yefimov, which was conducted in German and Russian.

EIR: I followed your speech with great interest. You pointed out the fact that time is very pressing, and that Europe is acting with too much hesitation in the face of problems which are only too apparent.

Two years ago, our news agency prepared a detailed proposal as to how a joint European infrastructure project might look, and we have publicized this widely. In this proposal, we say that it is from Europe that the reconstruction of the entire world economy must proceed. An essential point here is that we must connect the republics to this new Europe via infrastructure. How would you see the steps to be taken by which the republics might now be joined to Europe?

Yefimov: Together with Europe, and in particular with Germany, we have worked on getting rid of the old system, above all what was called the Iron Curtain. The goal is the formation of a joint economic region, cultural relations, commercial cooperation. But our cooperation with Europe has shown that Europe has limited itself to the western borders of the U.S.S.R., and only very carefully goes beyond them—for example, beyond the Polish border.

The Russian Republic is a Euro-Asiatic republic. The geographical position of Russia is very interesting: It connects Europe, the Near East, the Far East, and China.

A transportation system, the free movement of goods, is a prerequisite for any market whatsoever. Commerce only begins when goods are moved, and when goods are sold. The development of a European system, without its integration with the Asiatic systems, with Indochina, we do not take seriously. Europe will benefit from great masses of goods coming to the European market from the East, but still more, by great masses of goods from Europe going to the East, and being promoted there. . . .

When we speak of [opening up new routes for] air traffic, we mean the air routes over Russia to the Far East and to China, which will cut time down by some 30%, and therefore costs will also be lowered. We have calculated that per year, for those who use these routes, this will bring a billion rubles in savings. We propose that we undertake that project together with Europe. Our assumption is, of course, that we would also use these air routes. And we can also finance a part of the project, to the extent that we benefit from it.

Let us take the transportation of goods as an example. From Japan and Indochina, goods are now transported by ship. In the past, that was justifiable, since land transport did not have the necessary throughput capacity. [But the proposed upgraded] trans-Siberian mainline can fundamentally ensure an efficient system.

We think that it would be very good for European businessmen, if they could get their goods delivered from the East one week earlier. Each hour's delay means a decrease in profit. When a mass of goods is being transported, it is passive; that means that transport by ship is slow. We think that [the development of the trans-Siberian mainline] would be advantageous for Europe, but at the same time also for us. We would also use this system, and we therefore would be glad to invest money in this project also.

In the Middle Ages, from Europe to India there was the so-called Silk Route, and [along this] we propose to create a high-speed transportation corridor, such as railways, with which goods can be transported rapidly to the borders, to Pakistan and India. Along with that, we propose to introduce the "intermodal" means of transport on our territory. This would consist of high-speed railways, and then rapid connections to truck transport, since there [at the borders], the terrain is mountainous and building railways would be very costly.

Some people might say that this program is too global, but we are not building in a vacuum. For example, air-freight systems already exist, and only a few years are needed to modernize these systems.

The trans-Siberian stretch of track exists and in a very few years, its quality can be improved. The Silk Route today is not the same one of many centuries ago; there too, transportation systems do exist, but they must be brought up to a

certain level. Such projects are naturally expensive, but the pay-back will be very great. If we invest one ruble, then we will also get one ruble profit. . . .

EIR: Investment in infrastructure has proved historically to give even better returns.

Yefimov: In air traffic it will be more. Likewise, in other kinds of freight transport, this system will be effective. At first people might think that these systems, these proposals, are too global. But we are a Euro-Asiatic country, hence we cannot proceed from the standpoint of the necessities of Europe alone. We are determined to find what is advantageous for us *and* for Europe. But if you speak of Europe [by itself], then you have forgotten about one-third of the continent.

EIR: I see a political problem, and I should like to hear your assessment of it. There are people who have a monetarist outlook, who follow the policies of the International Monetary Fund, and it is these people who are impeding a genuine policy of infrastructure development.

Whom do you see as your partners in the West for such cooperation? It can hardly be the advocates of the International Monetary Fund.

Yefimov: Today a favorable political situation has come into being; the great monopolistic system of the Soviet Union has been switched to another economic track, and now we have created the political possibility of even discussing such projects. The war in Afghanistan and everything connected to it, has ended. Tomorrow, or the day after tomorrow, people will understand this, and then they will be willing to work together.

The new economic system allows us to draw upon not only state investors and state capital, but also upon private capital and private initiative. We are now forming, on our territory, joint ventures in highways, air transport, ship transport, and, in part, railways. And people were ready to invest money in these projects.

But the first step must be for these ideas to be given credibility. But then you have to make prior calculations and cost estimates. I am convinced that the economic return will be a stimulus for private capital.

The countries of the Near East and Indochina are not so poor as they may seem to you; they have huge deposits, huge quantities of minerals, and Europe does need minerals. In our territory everything will soon be exhausted, and then we will be forced to realize such projects in a great hurry; then costs and expenditures will also be greater [than if we started now].

I think that we have today a favorable premise for beginning our joint work. Many assert that we only wish to lure people, since otherwise we would wait in vain for such investments. But our policies are different—namely, mutual benefit. On this basis, we are ready for any joint efforts.

Our transition from the socialist system

Mr. Birziskis is the Lithuanian minister of transport. He was interviewed by Renate Rumpf on Oct. 30, during the Pan-European Transport Conference in Prague.

EIR: How do you view developments since the independence of the Baltic states, especially the transport cooperation of your country with the other European countries?

Birziskis: . . . We have a problem. We are going from the administrative system to the market system, along with the ex-socialist countries Czechoslovakia, Poland, and Hungary. . . . The problem is how to join the European transport system. We can join the system only with the first steps. . . .



The other problem is that we still have very close economic ties to the Soviet Union, and those ties have to be loosened.

EIR: How is the cooperation between your country and our European politicians?

Birziskis: Relations and contact with Europe will systematically improve. There are two sides of our relations: interstate relations and business relations. Iceland and Denmark were the first to recognize our independence and were not afraid of such contacts. Since August, we have received some good specialized support from the West on how to organize our ruling structures and so on. The main support, political support, was from the Scandinavian countries. . . .

EIR: This conference is for me quite an interesting step forward in planning a new system. What do you think?

Birziskis: It depends on how you look at this problem. This conference is not so useful on concrete matters, but . . . we are preparing a new program today, for the future, which means it is useful for us. It will be interesting for you to hear that some of the representatives from the Soviet Union are finding out for themselves here that we are a separate state and that our transport system is also a separate system. . . .

Latvia to boost ties with Europe

Mr. Janovskis is the minister of transport of Latvia. He was interviewed by Renate Rumpf on Oct. 30, at the Pan-European Transport Conference in Prague.

EIR: How do you see the future for your country, and your collaboration with other western countries, especially the northern countries?

Janovskis: We are looking to the future with hope, and we think it is very important to join in international cooperation. It is important to join international organizations and adopt international conventions in transport, because then we will be able to solve our transport problems more efficiently. . . . I hope we will reach an agreement with other transport ministers in creating groups of experts for evaluation of our transport system. We have very good contact already with Danish, Swedish, and Finnish transport ministers, and we will soon start with bilateral agreements with the German transport minister too. In November we will meet the Danish transport minister in Latvia. We have had cooperation from that country, and we hope to be able to sign agreements during this next meeting. We have already implemented some projects in specialist training with Swedish and Danish institutions, where the ministers have helped us. . . .

EIR: What can you tell us about the recent political developments in the Baltic states?

Janovskis: In our country, we are now in a period of intensive work. We have to spend all our effort to consolidate our independence. We have a lot to do, in particularly in putting our economy in order, according to our standard today. We are now working out the privatization process. We have to work very seriously on legislation and introducing the [European] Community. That would be the main objective for our Parliament.

I would like to address the problems of our domestic currency, which we are going to introduce. The situation is bad, because our currency is not convertible, and we are not able to operate in other countries. I think that another very important point is that we, as newly independent republics, are working together and trying to intensify the relations among us. We are for an honest partnership among us, which will be based on trust. . . .

'We have been overtaken by events'

Mr. Anastassopoulos, who is from Greece, is the vice president of the European Parliament in Strasbourg, France. He was interviewed by Angelika Beyreuther-Raimondi at the Pan-European Transport Conference in Prague.

EIR: In your speech, you mentioned that there has been a lot of talk, but nothing has been done so far with respect to the development of the central and eastern European nations since 1989.

Anastassopoulos: We have been so overtaken by events that it took us time to become conscious of them, and to start reacting. It took us time to organize some assistance, and there should be much more. I think we are going to improve, but I am not certain that we are going to improve with the speed required, in view of the changes in the countries of central and eastern Europe. They are passing through a very difficult period, and unfortunately, this period will not be short. If people, at least some of them, thought that they would have a better time almost overnight, they must have been disappointed. They must realize that the passage from centrally planned economies to the market economy, something which has never been done before, is a very difficult one, and it does necessarily imply a very hard period of transition.

You can't speak about transport, if you don't place it in the general context of relations. . . . You have to see where we are and where we are going.

EIR: There are two competing concepts at work here. One is to promote real increases in productivity and infrastructure. I just spoke with a member of the Russian delegation, and they have some really big ideas about how to connect their huge continent to Europe [see accompanying interview with V.V. Yefimov]. And the other one, to simplify it, is the monetarist approach, the International Monetary Fund approach, which means no promotion of real industrial devel-

opment in these countries.

Anastassopoulos: I do not think that it can be proved which is the more valid. You can't imagine any country staying well-placed in the race of economic competition—which we are all in, whether we like it or not, we can't abstain—if it has not put its house in order. That is a prerequisite. The problem is, naturally, that the measures that help you to bring your house or your economy into order, do not in themselves promote economic growth. That is well known. On the contrary, in order to fight inflation, sometimes you have to go for a recession. But, but—there is a "but"! In order to create sane conditions for economic growth, you have to have your economy in order, but it is a phase through which you have to pass.

Without that, you cannot push for economic growth. It's as simple as that. If you want to tell me that a good economic policy is one that does not bother very much about inflation, taxes, etc. . . . you can't follow such a policy for a number of years, because there will come a time when you have to stop it. . . . This kind of policy you can have only as a temporary policy, for a certain period—talking about the two schools you were referring to.

I think that unfortunately, a government of a country must—whether it likes it or not, because of the negative repercussions on economic growth—put the economy in order, otherwise they cannot continue. . . .

But what you said before about splendid ideas: Fortunately, ideas are not lacking. What proves a bit more difficult in practice, is to try to seek ways in which you can have the means at your disposal, so that you can put some of these bright ideas into practice.

And that is the big question of politics, otherwise you come up with ideas—I can give you visions, I always say, and I believe in that, that a politician without vision should not stay in politics. But a politician who does confuse his vision with reality should not have a place in politics. You have to have a vision to get you moving—

EIR: Not many politicians in Europe have vision.

Anastassopoulos: They should have vision. What are you trying to do in life . . . how do you feel in the day-to-day problems, not only in material things which are important, but questions like dignity? If you don't have a vision about



Jan Zavrel

the role of the state, how liberal it should be, etc., about dignity, social justice. . . .

EIR: This conference attracted us, because concrete ideas and vision for Europe are being discussed. How should Europe function in the next months and years? Looking at the East, I find it very urgent to increase production, get infrastructure. Looking at the South, it's even more important. And looking at the West—I am not a friend of the current system of American economics. Poverty is spreading in the U.S.; it's a disaster. In Europe we should have a vision of how to change that misery.

Anastassopoulos: Even more: This is one of the cases, where having a vision is also promoting one's interests, and that is also very important. . . . You should have people [in eastern and central Europe] who are being inspired and influenced by what they have been doing. They have chased regimes away . . . and now they are trying to follow our example, and then they find that great resistance. We have a great moral and political commitment to fulfill.

But apart from that, when these people, after going through very difficult phases in the next years, when they get

again to the point of economic development, they represent potential consumers or producers. . . .

[Unlike the countries of eastern Europe], Germany has both the economic power to [solve its economic problems] without asking for anyone else's help to do it, and, of course, there is also another big difference: The people have a sense of duty and discipline and of organization. So they are doing it. You can't expect really the same degree of solidarity between western and eastern Europeans.

EIR: Why not? Politicians also have the task of educating the people.

Anastassopoulos: They belong to the same continent, but not to the same people as the Germans. The Community as a whole is economically not as strong as Germany alone is. I believe there is also a difference in the way you can stimulate growth. The average eastern German was generally well educated; the structure was better there, even though the material conditions were as bad as here [in Czechoslovakia]. But the human infrastructure was better prepared to be mobilized, and still, it will take some time for the west Germans to mobilize their eastern compatriots. . . .

A call for swift action on ties with east Europe

The following report was submitted by Mr. Anastassopoulos in summary of the conference panel on relations with central and eastern Europe.

The radical political changes in the states of central and eastern Europe may be expected to bring about more intensive cooperation between these states and the European Community and their gradual inclusion in the process of European integration; because of this, considerably more political attention needs to be paid to transport, to reflect its real importance for the process of European integration.

On the other hand, it is time to breathe life into the clauses on cooperation in the field of transport contained in the agreements between the European Community and Yugoslavia, Hungary, Poland, Czechoslovakia, Bulgaria, Romania, and the Soviet Union on trade and economic cooperation and proceed to an exchange of views on future developments of a European transport system.

For the European Parliament, priority should be given to the rapid conclusion of agreements, particularly on the following transport policy questions:

- definition of certain European high-speed rail links

complemented by high-grade intercity train connections, while respecting the countryside and the people involved;

- definition of a European network for road/rail/inland waterway and combined transport with adequate terminals;

- definition of the technical specifications for a uniform European air traffic control system with an appropriate number of control centers;

- definition of an alternative transit route from Greece to central Germany via Bulgaria, Romania, Hungary, and Czechoslovakia;

- cooperation between railway companies in the commercial field, in order to guarantee competitiveness of goods transport by rail on central and eastern European routes;

- development of cross-border links and sufficient border checkpoints between the Community and central and eastern European countries;

- reciprocal access to inland waterways, the importance of which should be stressed with regard to the forthcoming completion of the Rhine-Danube Canal;

- overflying rights and freedom of commercial activity for airlines;

- free access to loading and removal of unfair competition practices in maritime transport; considerable support should be given to coastal shipping, not least as an environmentally compatible alternative to transport by land.

Airlift aims to save Iraqi children

by Nancy Spannaus

At a Nov. 18 press conference held in the Baghdad office of the Red Crescent Society, spokesmen for the Committee to Save the Children in Iraq announced the delivery of 16.5 tons of relief goods to Iraq. The goods, organized by the Letter of James-Food for Peace and several Swedish organizations, arrived on the first flight of civilian Iraqi Airways since the war, which flew from Stockholm to Amman, Jordan on Nov. 15.

Speaking for the committee, Mrs. Muriel Mirak-Weissbach told the packed press conference that the flight was important not only for the goods which it brought in, but also for paving the way for the resumption of normal Iraqi trade with the rest of the world. This flight had to receive special approval from Sweden, to provide the landing rights for Iraqi Airways, and also from the U.N. Sanctions Committee. But the lifting of the embargo is the most essential step toward relieving the health and food crises for the Iraqi population.

This shipment from Sweden is expected to be followed by an extraordinary gift of powdered milk from American farmers to Iraqi children. As of Nov. 21, five tons of milk, packed in crates marked "Gift from American dairy farmers to Iraqi children," was expected to arrive in Baghdad for delivery to the needy. Dozens of dairy farmers throughout the U.S. decided to undertake this "milk lift" as an alternative to dumping dairy products to protest devastating low prices. The action was facilitated by the Committee to Save the Children in Iraq and the Chaldean Catholic Church of the United States.

The Committee to Save the Children in Iraq was formed in the early spring of 1991, with the aim of preventing the death of millions of Iraqis, which could be foreseen following the wanton destruction of their country's infrastructure in the war. The leading members include: His Beatitude Rafael I Bidawid, Patriarch of the Chaldean Church of Babylon; Helga

Zepp-LaRouche, president of the Schiller Institute, Germany; Prof. Dr. Hans Koechler, president of the International Progress Organization, Vienna; Amelia Robinson, civil rights leader, U.S.A.; Massimo Pini, Member of Parliament, Switzerland; Dr. Reza Sabri-Tabrizi of Edinburgh University; Michael Hare-Duke, bishop of St. Andrews, Scotland; Prof. Michael Dummett of Oxford University; Prof. John Bell of Leeds University; Prof. Francis Boyle of the University of Illinois; Monsignor Paul O'Bryne, bishop of Calgary, Canada; and Monsignor Crowley, auxiliary bishop of Montreal.

So far, the committee has organized three major shipments of primarily medical supplies into Iraq, and arranged for the medical treatment of 22 Iraqi children in Germany. The more humanitarian aid it provides, however, the more convinced it is that genocide against 18 million Iraqis will only be stopped by a total lifting of the embargo, better described as a blockade.

Deadline: December 2

The next meeting of the U.N. Sanctions Committee, which will review maintaining the embargo against Iraq, will occur on Dec. 2. The outcome of that meeting will determine how many more thousands of Iraqi young and sick are going to die for lack of food and medical treatment.

The annual meeting of the U.N. Food and Agriculture Organization, held Nov. 14 in Rome, reviewed the Iraq situation, among others. It noted the recent FAO mission's confirmation of "a deterioration in the food and nutrition situation."

Iraqi Agriculture Minister Abdul-Wahab al-Sabagh told the press that the government was currently only managing to provide one-quarter of the food needs of the population at subsidized prices. And he expects total agricultural production in 1991 to be only 75% of last year's. "If this embargo

continues, it will lead to the death of thousands of children and old people," he said.

Sabagh said that Iraq has only been allowed to import 100,000 tons of grain since the end of the war, whereas it used to import 200,000 tons a month. That is largely due to lack of available funds, still pent up in confiscated bank accounts in the West. It is reliably reported that the U.S. government won't even let the Iraqis use their seized assets in U.S. banks to buy U.S.-produced food.

The larger problem comes from the inability of Iraq to import anything but food and medicine. As Sadagh said, "Today we have a great lack of food and medicines. We lack spare parts for agricultural machinery. We lack fertilizers and pesticides, as well as spares to get our power stations and oil refineries working again. We are a country that lives in the dark because of the destruction of our power stations. We have many rivers, but we need pumps to bring the water to the fields, and these require electricity which we do not have."

Goods delivered

The contents of the Nov. 15 shipment by the Committee to Save the Children in Iraq were primarily medical equipment, including 48 hospital beds, 10 operating tables, 67 wheel chairs, 8,000 syringes, and the like. They were donated by the Swedish relief groups Erikshjælpen, Star of Hope, and Laerkarmissionen.

Speaking to journalists at a press conference in Stockholm's Arlanda Airport prior to takeoff, committee coordinator Muriel Mirak-Weissbach said: "The most recent reports indicate that the worst predictions, regarding the deadly effects of the ongoing embargo were, if anything, too optimistic. An increase of 380% in infant mortality, calculated by the International Study Team in October, means, what we are seeing in Iraq is genocide. People, particularly children, are dying like flies, for no other reason than that vital food and medicine, and equipment for electricity generation and water purification, are being withheld through the sanctions policy.

"What is significant in our flight today is not only the 16.5 tons of excellent hospital equipment donated by Swedish organizations, but the fact that for the first time since the war, a plane of Iraqi Airways is delivering these life-saving goods. If the Iraqi civilian fleet, many of its aircraft currently grounded outside Iraq, were to be mobilized in an international relief effort, with direct flights into Iraq, significant help could be provided. Ultimately, however, it is only by lifting the embargo that the Iraqi population can be saved from annihilation. Today's flight is an important step in the process of lifting the embargo."

The health situation

While in Iraq to deliver the relief goods, committee representatives were received by Vice Minister of Health Shoky, who expressed his gratitude for the work of the committee,

which, he said, unlike many groups that make big promises, is actually doing something important.

Shoky reported that, although cholera is abating due to cooler weather, cases of hepatitis have shown a five-fold increase since July, and typhoid and polio, among other diseases, are spreading rapidly. Due to the lack of vaccines, such contagious diseases cannot be prevented, and due to lack of medicine, they cannot be adequately treated. He said that doctors are being forced to apply triage—something ethically and humanly unacceptable.

The minister stressed that the lack of simple anesthetics means that cesarean sections cannot be performed, leading to maternal and infant deaths. Anesthetics can't be produced in Iraq either, due to the policy of the Sanctions Committee, which claims that Iraq will use the ingredients to fabricate chemical weapons. A similar "reasoning" is used to prevent Iraq from producing DDT, and the result is a proliferation of mosquitoes and malaria.

The milk lift

Organizing against the blockade strangling Iraq has not yet become a popular issue in the nations of Europe and North America. A bill introduced by Texas Democratic Congressman Henry Gonzalez, which calls for an end to the sanctions, has only six sponsors. The issue has been raised in the Canadian, Swiss, British, and European parliaments—only to be effectively shunted aside.

But a movement has been touched off among American dairy farmers which is showing tremendous promise in shifting the apathetic, "me first" mood of many U.S. citizens.

The movement began with 20 farmers in eight states, who, in consultation with Phil Valenti of the Committee to Save the Children in Iraq, decided that they wanted to dramatize the plight of the family dairy farmer in the United States. They decided there was no better way to demonstrate the need to save the farmer, than to provide milk to starving children.

Farmers and farm publications have been spreading the word of the milk lift movement, especially in the Midwest and Northeast. The Nov. 7 edition of the official newspaper of a Midwest Catholic Diocese editorially endorsed the movement, commending the farmers for their action. The premier national publication of the dairy industry, *Hoard's Dairyman*, covered the milk lift in its November 1991 issue.

The dairy farmers' movement received a boost from the Philadelphia branch of the National Association for the Advancement of Colored People, which passed a support resolution on Nov. 16. The group resolved that it "expresses appreciation for the action of those dairy farmers trying to feed starving children, and offers the hand of fellowship and solidarity to the independent family farmers of America."

The milk powder will be the first American-produced powder to be delivered to Iraq, as other relief agencies have purchased milk in Jordan for easier delivery.

Study Team: Embargo against Iraq means 'acute poverty' and death

An International Study Team organized by the Harvard University School of Public Health, Oxford University, and the London School of Economics has provided new evidence on the genocide being imposed on Iraq by continuing U.N.-imposed sanctions. The team, which was composed of 87 physicians, engineers, and other researchers, visited Iraq from Aug. 23 to Sept. 5. On Oct. 22, the team released a report, titled "Health and Welfare in Iraq after the Gulf Crisis."

This is the third and final part in a series of EIR excerpts from the report. (The first two parts appeared in our Nov. 15 and 22 issues.) It includes most of the concluding section of the team's "Income and Economic Survey."

Overview and discussion

6.1. Selective overview of findings. The following are selected conclusions that have a particularly important bearing on the current debate about sanctions.

1) The Iraqi economy is currently paralyzed by the lack of raw materials, spare parts, power supply, infrastructural services, and government revenue. The shortage of public resources has led to the withdrawal of crucial consumer subsidies and the deterioration of many public services. Agricultural activity and production are well below normal. Excess capacity in industry has resulted in large-scale layoffs. "Disguised unemployment" is widespread in the public sector. The demobilization of the army has further exacerbated the general problem of mounting unemployment in the industrial and tertiary sectors. A bloated "informal sector," providing extremely low real earnings, has become the main source of livelihood for millions of persons. The sustainability of this informal sector in the near future is threatened by the general erosion of purchasing power. . . .

6.2. Concluding comments. It is not our brief to defend a particular position in the current debate on economic sanctions against Iraq. However, our enquiry would be incomplete if we failed to take note of the implications of our findings for some important aspects of this debate.

Before entering this discussion, one general point deserves emphasis. The "effects of the sanctions" have often been analyzed in terms of what these sanctions do to aggregate commodity supplies—how far food supplies, or medical

supplies, or the supply of cement fall short of ordinary levels. What really matters, however, is how the sanctions affect the ability of consumers (or producers, in the case of raw materials and intermediate inputs) to acquire the commodities in question. "Effective sanctions" in that sense can be quite different from what sanctions look like on the basis of supply-centered analysis.

For instance, now that the embargo on food imports has been lifted, it is tempting to assume that there is no need to worry about the food situation in Iraq. Indeed, food seems to be readily available from neighboring countries, and in that sense "food supply" is no longer a problem in Iraq. However, as we saw again and again in this report, nutritional deprivation remains endemic, and may even be increasing. Effective sanctions on food remain, due to the crippling effects of general sanctions on economic activity and employment, despite the formal exemption spelt out in Resolutions 687 and the ready availability of food from neighboring countries. . . .

With this background, we offer a few concluding remarks on the issue of the future course of economic sanctions.

First, sustaining the public distribution system in Iraq is clearly the key to famine prevention in the short run. If the public distribution system runs out of supplies or breaks down for some other reason, widespread starvation is almost certain to result. The system works well, and it would be senseless to attempt to supplant it with a parallel distribution system administered by the United Nations or other international bodies, as has been suggested from time to time in public debates. Rather, the crucial need is to ensure that the government of Iraq has the financial means to sustain (or, even better, expand) the existing system of public distribution.

At a more general level, the pervasive involvement of the state in different aspects of the economy in Iraq is a fact that cannot be ignored. Whether one looks at food distribution, or employment generation, or prices and wages, or international trade, the government is the crucial actor. The cooperation of the government in the planning and implementation of relief efforts is essential.

Second, it is rather hard to understand why a narrow limit

should be imposed on Iraq's exports of oil, if—as specified in Resolution 706—the proceeds from oil sales are earmarked for the provision of essential “humanitarian” needs under close U.N. supervision. The government of Iraq has a proven ability, and strong political incentives, to expand public provisioning on a large scale—not only in the domain of food rationing but also in those of health care, education, water supply, sewage, sanitation, and power supply, among others.

Allowing this process to take place would not conflict with the current directives and stated aims of the embargo.

Indeed, paragraph 23 of Resolution 687 clearly empowers the Sanctions Committee (alias Security Council) to authorize “exceptions to the prohibition against the import of commodities and products originating in Iraq” when these are “required to assure adequate financial resources on the part of Iraq to carry out the activities under paragraph 29;” these activities refer not only to unrestricted purchases of food and medicines, but also to imports (under the “accelerated no-objection procedure”) of “materials and supplies for essential civilian needs as identified in the [U.N. Ahtisaari report] and in any further findings of humanitarian need by the committee.”

It may be recalled that both the Ahtisaari report of March 1991 and the Aga Khan report of July 1991 (which can surely be included under what Resolution 687 calls “further finding of humanitarian needs by the [sanctions] committee”) provided lists of materials and supplies for essential civilian needs covering a wide range of commodities. These included food, drugs, vaccines, medical equipment, fertilizers, pesticides, agricultural machinery and spare parts, generators, water treatment equipment, sewage disposal equipment, means of alternative communication, and the inputs required to regenerate essential domestic power supply, fuel production, and telecommunications.

It is, therefore, hard to reconcile the stringent limit of U.S. \$1.6 billion on oil exports imposed by Resolution 706 (of which less than U.S. \$1 billion will be actually available for humanitarian purposes) with the stated principles of the embargo. As was discussed in Section 2.2, this limit falls far short of even the most conservative of all the estimates of Iraq's humanitarian needs contained in recent reports submitted to the Secretary General at the request of the Security Council. . . .

Third, while public provisioning in Iraq can avert famine, epidemics, and other confined catastrophes, it cannot—on its own—usher the economic transformation that is required to eliminate hunger and achieve a significant reduction in poverty. As we saw earlier, the value of food rations at their current levels represents only about 20% of the current value of the pre-crisis food basket of the average Iraqi household. [See *EIR*, Nov. 22, p. 20.] Even an expansion of public distribution much beyond what can be realistically expected in the near future would fail to restore normal food intakes, let

alone bring real wages and incomes back to their pre-crisis levels (about 15 to 20 times as high as current ones).

The elimination of hunger and poverty in Iraq crucially depends on the regeneration of private incomes through economic activity and employment.

At this point, we should remember the pervasive linkages that bind the Iraqi economy with international trade. Imported raw materials and spare parts are crucial inputs in many sectors, from agriculture to most types of manufacturing. The supply of consumer goods, which give money wages their real value, depends overwhelmingly either on the processing of imported products (food, textiles, construction materials, etc.), or on direct imports. Even earnings from domestic labor services in the “informal sector” largely derive from the purchasing power generated in sectors closely linked with international trade. In the absence of international trade, the economy comes to a grinding halt—especially when the effects of sanctions are compounded by war-related destruction.

War and prolonged sanctions have caused such comprehensive damage to the Iraqi economy that it is now impossible to maintain these sanctions in their present form without perpetuating, and perhaps even accentuating, the state of acute poverty in which a large part of the population is now plunged. The debate about sanctions cannot ignore this simple truth.

Perhaps the issue of sanctions goes beyond the simple considerations of this final section.

Much would depend, however, on what one regards as the “humanitarian needs” of the people of Iraq. If their essential needs are deemed to consist only of staple food, as with farm animals, then it may be possible to argue that these needs can be met through ad hoc relief measures sustained by a limited exemption from the ban on oil exports (as proposed in Resolution 706), while the general paralysis of the economy continues to deprive millions of their ordinary means of living. But if the Iraqi people are considered to have an inalienable right to the necessities of life in a broader sense—including not only food but also clean water, health care, shelter, education, clothing, etc.—then it would be hard to reconcile the protection of this right with the continuation of the embargo in its present form. If humanitarian needs are those defined by our basic rights as human beings, they go much beyond what the Iraqi economy can deliver as things stand.

The implementation of the cease-fire resolution, which officially motivates the continuation of sanctions against Iraq, is a serious issue. The safe disposal of Iraq's weapons of mass destruction, demanded by this resolution, is a particularly legitimate concern (as is, indeed, the safe disposal of weapons of mass destruction everywhere). But it would be tragic if this concern unleashed the destructive power of another weapon of mass destruction—the effective withdrawal of food and other necessities from the Iraqi people.

Croatian issue 'puts Europe to the test'

by Umberto Pascali

"I believe that the dire conflict in Yugoslavia is putting Europe to the test. The European Community is now faced with the necessity of translating its often projected aim of common security policy into concrete practice. Europe's politicians will have to demonstrate what significance they attach to the principle of self-determination, democracy, and human rights. And Europe will have to show whether it can take care of its own security." Thus, Alois Mock, the foreign minister of Austria, wrote on Nov. 11 in the *Wall Street Journal*. The minister stressed that "the declarations of independence [of Slovenia and Croatia] on June 25 were based on democratic decisions by the people of those republics, and are a convincing expression of the right to self-determination."

The public intervention by the head of Austrian diplomacy is being viewed by international observers as the beginning of a change of strategy vis-à-vis the ferocious war the Greater Serbians are waging against Croatia. Until now, the policy of the European Community (EC) to seek unanimity, has led to total impotence. At this point, it is possible that Austria, Germany, and other European countries will recognize Croatia and Slovenia even if Great Britain or Holland does not. To understand to what extremes of injustice and indecency the politics of "unanimity" has brought Europe, it is worth analyzing the "sanctions against Yugoslavia" approved by the EC on Nov. 8. The sanctions were imposed against both the aggressor and the victim. The Netherlands Foreign Minister Van den Broek stressed that he equally blamed Serbia and Croatia. In reality, the sanctions hit Slovenia and Croatia the hardest, given that the two republics are by far the larger exporters to the EC.

Carrington, Vance exposed

But the low point of hypocrisy was reached during an emergency foreign policy debate on Yugoslavia in the Canadian Parliament on Nov. 18. There, Foreign Minister Barbara McDougall revealed that she had been convinced by the western "negotiators," Peter Lord Carrington and Cyrus Vance, not to recognize Croatia! Under violent attacks from every party, McDougall refused to recognize Croatia.

"Our government," McDougall said, "continues to receive calls for recognition of those republics which have unilaterally declared independence and know this is a sensitive point. We shall continue to resist such pressures. . . . I have discussed this personally, both with [U.N. mediator]

Cyrus Vance and with [EC mediator] Peter Carrington. Recognition of Croatia and Slovenia at this time would signal the end of the negotiated process and would leave force and violence to settle the issue."

When Member of Parliament Bob Horner asked why Canada does not simply recognize Croatia now, McDougall insisted that the civil war in Yugoslavia would then become a foreign war and that would take away leverage for solving the crisis! The search for "unanimity" has forced western countries to swallow the line of Carrington and Vance that Croatia must be left to the fury of the Yugoslav Army.

The sacrifice of Vukovar

If the mafia-like complicity were to be broken over the next days, no force in the world would be able to stop the process of recognition of these democratic republics, and the credit would go to a large extent to the heroic Danubian town of Vukovar. Its name has become in many nations a household word and a synonym for love for freedom. The town has been under a ferocious siege for three months. About one-third of the whole Yugoslav Army has been deployed against Vukovar. Now the media are saying that Vukovar has surrendered. Up to the moment we go to press, however, there is still resistance. But whatever happens in the next days, a few thousand fighters and civilians were able to block the Serbs and probably prevent the conquest of the whole of Croatia. According to reports from the field, the Croatian forces have started a counterattack in the countryside around Vukovar.

The reality of the genocide is more and more difficult to hide. On Nov. 11, the Archbishop of Zagreb, Cardinal Franjo Kuharic, spoke to the U.S. National Conference of Bishops meeting in Washington. "This war is attempting to destroy all freedom and democracy," he said, "and is striking at the culture as well as history of the Croatian people. . . . This is a war of aggression being waged by the federal Army under the leadership of Serbian generals who are in league with the extremist movement which seeks now to create a Greater Serbia. This war is further fueled by the communist ideology. . . ."

"Many of our Croatian cities and countless more villages are under constant attack by heavy artillery, tanks, missiles, and planes. Many villages have been totally wiped away. . . . A large number of towns and cities are threatened with total annihilation, among them Dubrovnik and Slunj. . . . Vukovar is entirely demolished. . . . More than 200 church buildings, monasteries, and rectories have been completely destroyed or severely damaged. More than 180 parishes in Croatia have been totally obliterated. . . . There are known incidents where older persons refused to leave their homes and were massacred and set on fire in their own dwellings." Cardinal Kuharic concluded: "The greatest step towards bringing this war to an end. . . would be the recognition of a free Croatia and Slovenia where the people voted by a 95% majority in favor of freedom and independence."

Collor sets up Yanomami reserve

by Silvia Palacios

On Nov. 15, the day on which Brazilians commemorate the 1889 overthrow of the Braganza monarchy and the birth of their republic, President Fernando Collor de Mello insulted nationalists by signing a long-awaited decree demarcating the creation of a "Yanomami" Indian reserve. Some 9,000 members of the stone-age Yanomami tribe now have sole habitation rights in an area of 9 million hectares of Amazon land along the border with Venezuela.

With that decree, President Collor submitted to one of the key demands of George Bush's "new world order," the imposition of "limited sovereignty" over specific regions of nations—like Brazil—which possess vast and untapped natural wealth. The problem is made worse by the fact that there also exists a Yanomami tribe on the Venezuelan side of the border, whose territory was demarcated last June by Venezuelan President and "new order" fanatic Carlos Andrés Pérez. This de facto unification of the two sides has created a bi-national territory, whose vast mineral wealth is still unknown.

An Anglo-American project

It is no accident that one of the most aggressive campaigns of the powerful world eco-fascist lobby—headed by the British monarchy and its junior partner in the White House, and represented in Brazil by Environment Secretary José Lutzenberger—is to assure the demarcation of Indian territories, and of the Yanomamis in particular. Actually, the Anglo-American project is an old one, and seeks to use preservation of ethnic groups as a pretext for creating "Indian nations" as separatist battering-rams against existing nation-states. For example, in the deliberations of the U.N. Security Council that followed the cease-fire in Iraq, the "Kurdish question" was used as a maneuver to set the precedent for creating "enclaves," based on "ethnic" or "humanitarian" grounds. In those deliberations, the case of the Brazilian Amazon Indians was referenced.

Since then, the Brazilian Armed Forces have begun to place increasing emphasis on the danger posed to Brazilian sovereignty by the creation of a Yanomami reserve of the sort just decreed by President Collor. They have been joined by a group of civilians. On Nov. 10, Amazonas state governor Gilberto Mestrinho testified before the Commission of Inquiry of the Chamber of Deputies which is studying the potential risk of "internationalization of the Amazon." Mes-

trinho warned that creation of the Yanomami enclave would be the first step toward creating "an area under United Nations' protection" inside Brazil.

Despite the national security arguments presented against the creation of an Indian enclave, President Collor proceeded to announce the decree with Secretary Lutzenberger at his side, stating: "With today's decision, sovereignty remains intact and even reinforced, since we are complying with Article 20 of the Constitution, which includes among the assets of the Union lands traditionally occupied by the Indians."

However, the Brazilian Constitution explicitly demands that a strip of land along the border of at least 150 kilometers is necessary "for the defense of national territory" in those areas that become Indian reserves. In the case of the Yanomamis, Collor violated that requirement by failing to create such a security strip. What he did create was a "continuous" territory, precisely as the eco-fascist lobby, which is organizing the U.N.'s Eco-92 "Earth Summit" scheduled for next year, has been demanding.

Indeed, their demands were backed by blackmail threats. According to the Nov. 16 issue of *O Estado de São Paulo*, President Collor hastened to delimit the Yanomami reserve after Lutzenberger threatened to resign, reportedly with the backing of all the Non-Governmental Organizations accredited at the U.N. The magazine *Veja* reported Nov. 20 that Survival International, a Harvard-spawned advocate of so-called Indian causes, had threatened to boycott Eco-92 if the Yanomami demarcation was not satisfactorily resolved. Finally, just before the presidential decree, the British parliament sent deputy John Battle to Brazil, to tell Collor that the British government was very concerned with the Yanomami situation.

On the side of the British monarchy, World Wide Fund for Nature president and "Indian rights" lobbyist Prince Philip recently sent one of his spokesmen to intercede on Lutzenberger's behalf in a factional battle undertaken by Brazil's Armed Forces. Henner Ehringhaus, one of WWF's three directors, arrived in Brazil on Oct. 22 to deliver a document, entitled "Caring for Planet Earth," to President Collor. The document was distributed by WWF simultaneously in more than 60 countries. A Lutzenberger intimate, Ehringhaus was emphatic that "Professor Lutzenberger is an ambassador, a very popular emissary. The prestige of the Collor government in the opinion of the international public, which highly values the environment, owes much to him."

Behind their supposed humanitarian concern for the Yanomami Indians, who wear no clothing and hunt with bows and arrows, is nothing but the old Nazi view of the human being which the British oligarchy inspired. To them, preservation of the Indians is meant in a literal sense. Thus, the Yanomamis will be the first Indian tribe whose genes will be frozen and archived at the History of Humanity Museum in London, which seeks to catalog blood samples of 500 "peoples facing extinction," according to *O Globo* of July 21.

Baker to Japan: Write more checks

by Kathy Wolfe

Washington sent out the message the week of Nov. 12 that Japan is expected to become the junior partner and piggy bank for George Bush's "new world order." In addition to U.S. Secretary of State James Baker III's nine-day tour of Asia beginning in Tokyo Nov. 11, Bush made a major speech on Japan and Asia policy in New York on Nov. 12, and Gen. Colin Powell, chairman of the U.S. Joint Chiefs of Staff, visited Japan and South Korea Nov. 16-19.

The new Japanese government of Prime Minister Kiichi Miyazawa was noncommittal.

"Your 'checkbook diplomacy,' like our 'dollar diplomacy' earlier, clearly is too narrow," Baker told the Japan Institute for International Affairs (JIIA) in Tokyo on Nov. 11. But his offensive remarks were "certainly *not* a request for Japan to write fewer checks," Japanese banking sources told *EIR*. "The [Bush] administration wants us to take a wider diplomatic role with them, in addition to giving more money to international causes."

In fact, the U.S. wants the Japanese government to form a bailout fund for U.S. banks, Japanese bankers said. Baker wants Japan to hand over some \$3-6 billion to the International Monetary Fund, to buy out U.S. banks' bad debts in Argentina, Brazil, and Mexico. "The IMF is trying to put together a 'Brady bond' plan" for Argentina, said one banker, referring to the scheme by which Treasury Secretary Nicholas Brady refinanced Mexico's debt. "Japan would buy from \$1 to \$2 billion in Argentine 'Brady bonds' and \$3 billion in Brazil bonds." Japan's government Export Import Bank alone, he said, bought over \$6 billion in Mexican Brady Bonds during 1988 and 1989.

The point is that unless Japan devotes its cash to these IMF schemes, there is no way the mega-debtor countries can find enough cash to keep Citibank and the other bankrupt banks afloat. This would give Japan tremendous leverage over Washington, if Tokyo considered the situation properly.

Pressure to join the 'new world order'

Otherwise, the Bush team loudly sang of their love for Japan—if Japan agrees not only to give more money, but to play an expanded role, replacing the collapsing U.S.S.R., as Bush's condominium partner in the new world order. "America's relationship with Japan is our most important bilateral association in the world, bar none," Baker told the JIIA. "I want to leave no doubt that the United States is fully

committed to working with Japan . . . to shape a new order in Asia."

In New York, Bush told an Asia Society dinner on Nov. 12 that U.S.-Japanese relations have never been better. "Yes, we disagree on some important trade issues, but we also recognize a more important fact: Our fates and values have become linked forever," he said. "Japan has become one of our closest and most treasured allies."

Baker repeated the usual demand for Japan to open up its rice, auto, and other domestic markets to U.S. dumping. "Japan will need to make an effort to open its markets to the United States," he told the JIIA. "Probably no country has benefited as much from the postwar GATT trading system as Japan." In private meetings, Baker threatened Japanese Foreign Minister Michio Watanabe that failure to conclude the GATT talks by the end of this year would result in a "serious political problem."

Further, Baker demanded that Japan play a broader role in "promotion of democracy and human rights," the buzzwords for the new world order. He said that Japan's failure to send troops to the Gulf war must be a "watershed," after which Japan must now abandon its traditional postwar pacifism.

He called for Japan to play a greater role in policing the Third World with United Nations troops, and "in building democracy, respect for human rights, stopping the proliferation of weapons of mass destruction, and in facing transnational challenges in areas such as the environment, narcotics, and refugees."

In New York, Bush repeated that the U.S. and Japan should police the world together. "In laying the foundation for peace through our global partnership, we have worked closely with Japan," he said. "We cooperate on development assistance, environmental protection, trade, arms control, refugees, and regional peace."

In meetings with Foreign Minister Watanabe, Baker demanded that Japan start by helping Washington prevent the development of nuclear energy in Korea, under cover of stopping the "threat" of North Korea's nuclear weapons program. "We learned from Iraq," Baker told the JIIA, "that even International Atomic Energy Agency safeguards cannot ensure that a renegade regime will not seek to acquire nuclear weapons. The very real danger of nuclear proliferation on the Korean peninsula, is now the number one security threat in northeast Asia."

Baker, while praising Japan for upgrading its military, was careful to note the real military issue between Japan and the United States: Washington now is dangerously dependent upon Japan for a large percentage of America's most crucial defense technologies, such as new generations of computer chips. Baker demanded a "balanced two-way flow of defense-related technology, an increasingly critical resource in the security system." Japan must share more advanced defense technology, particularly technology for fighter aircraft, a U.S. official said.

The failure of the Baker trip to China

by Michael O. Billington

President Bush canceled his long overdue trip to Asia in the wake of the Thornburgh defeat in the Pennsylvania election and the rapid unravelling of the U.S. economy. Nonetheless, he took the opportunity of a speech to the Asia Society in New York on Nov. 12 to present his Asia policy with all the belligerence of his new world order scheme for a *Pax Americana*, while Secretary of State James Baker III toured Japan, Korea, and China with a list of threats and demands befitting vassal nations.

In his Asia Society speech, Bush was explicit about the intent to use U.S. military strength in the region: "While we must adjust our force structure to reflect post-Cold War realities, we also must protect our interests and allies. In this light, we cannot afford to ignore the important sources of instability in North Korea, in Burma, where socialist despotism holds sway . . . in China and other states that resist the worldwide movement toward political pluralism and that contribute to the proliferation of dangerous weapons."

This was coupled with a barrage of government and press attacks on China, including:

- Leslie Gelb in the New York Times quoted "key Bush administration officials" that the U.S. is considering the "ultimate sanction—a threat to the territorial integrity" of China "if Beijing leaders continue to defy new standards of world behavior on arms sales and human rights." Baker's recent article in *Foreign Affairs* implies that the free trade areas in the south of China could be split off from the economically backward north.

- China was accused by Jack Anderson and others of helping Iran build an "Arab nuclear bomb," a charge which has been raised in regard to Iraq, Algeria, and now Iran. The Chinese support for the nuclear programs in these nations has never been secret.

- David Scheffer of the Carnegie Endowment for International Peace in a *Washington Post* opinion column called on Baker to "drag China kicking and screaming into the new world order," proposing that the U.S. openly support the Taiwan Independence Movement—a provocation against the mainland and Taiwan's government.

Baker thus went to China in an environment of confrontation. The Bush record on supporting human rights in China is less than credible, since he sent his top envoys to wade through the river of blood after Tiananmen to embrace his

"old friend" Deng Xiaoping. What Bush wanted was rather that the Chinese agree to the "new standards of world behavior" by joining in the denial of technology and arms to Third World nations, especially in the Muslim world, and joining in U.S. operations against other Asian countries. If this were achieved, the human rights issues would be glossed over in deference to the lucrative cheap labor concessions provided by the Chinese dictatorship.

However, the effort to force an immediate confrontation with North Korea over the North's nuclear development program was not successful. As reported in last week's *EIR*, the U.S. administration and press have launched a campaign to paint North Korea with the "Iraq" brush. Baker called North Korea's nuclear program, which may or may not be capable of producing a nuclear weapon, the "greatest threat to regional peace." He called for a superpower alliance to solve the "problem." The intent was for China, Japan, and Russia to be co-enforcers of the U.S. demand that no Third World nation be allowed to develop an independent nuclear capacity. But China refused to go along, telling the Japanese Foreign Minister (before Baker arrived in China!) that such bully tactics against small nations were counterproductive.

China generally sent Baker packing without anything. When the time for his departure arrived with no agreements, Baker postponed his plane and extended the talks for five hours, finally calling a press conference to announce what he himself declared to be a less than dramatic breakthrough. But even this weak agreement was essentially overturned in the official Chinese press interpretation of the talks. While Baker claimed that China agreed to abide by the Missile Technology Control Regime, which would mean an end to the sale of at least several types of missiles to Pakistan, Syria, and other nations, the Chinese press reported that China agreed only to "consider" the guidelines, and only in exchange for the lifting of certain U.S. bans on technology transfer to China.

Minor concessions were made on human rights issues, but then it was learned that two leading dissidents who had been approached by the U.S. Embassy for potential meetings with Baker had been detained by the government for the duration of Baker's visit. Baker is quoted saying that this was regrettable. The London *Guardian* said that the trip "came perilously close to humiliation," while the *Daily Telegraph* compared it to the deployment of Lord Macartney to Beijing by King George III in 1793. The lord was "rebuffed magnificently in the form of an imperial decree which said China did not wish to trade with barbarians." The decree ended: "Tremblingly obey, and show no negligence."

It is possible that the China trip was intended to fail, to justify a change of policy towards Asia with China as the "enemy image" to replace the Soviets, as has been proposed by many in the liberal establishment. Whether intended or not, the failure could mark the end of Bush's cozy relationship with Beijing, and could invite a wild swing in the other direction.

War after the Gulf

The following document has been made available to EIR by Bishop Michael Hare-Duke, Episcopalian Bishop of St. Andrews, in Scotland. It was read to open a meeting of the ecumenical body, "Action of the Churches Together in Scotland," called to consider responses in the wake of the Gulf War, which ACTS had strongly opposed. Bishop Hare-Duke was one of the first members of the Committee to Save the Children in Iraq (see article, p. 34). The paper has been slightly shortened.

On Nov. 13-16, Bishop Avak Asadourian, Primate of the Armenian Orthodox Church in Iraq and Prof. Youssef Habbi, Vicar-General of the Chaldean Catholic Church, both resident in Baghdad, visited Scotland, thanks in particular to the efforts of Bishop Hare-Duke. They called upon churches in the West to urge their governments to lift the blockade.

Every war reflects the ideological, social, and technical features of its particular context. The Gulf War was therefore conditioned by the geopolitical developments and the technological advances of 1991. These introduced new features which in their turn raised new questions about both the conduct and morality of war today. There were a large number of novel features in the experience of the Gulf War. In the first half of this paper I will try to list these and then in the second half move to a consideration of what the implications might be.

1) The war was fought against the background of the collapse of the Russian side of the East/West polarity. It was therefore possible for the one remaining superpower to set its aims virtually unchallenged. World opinion provided the only forum for debate and any opposition depended on mobilizing sufficient moral pressure to induce a shift in the U.S. stance. The objectives of the war were more implicit than explicit. They included: a) the reversal of the invasion of Kuwait; b) the securing of oil supplies from the Middle East, particularly for the West; c) the containment/overthrow of Saddam Hussein; d) the curtailment of Iraq's nuclear weapon program. As criticism mounted, the public statement of objectives changed both in content and style.

2) The war grew partly out of the geopolitical strategies adopted by the West which had seen Iraq as a useful counter-

weight to Iran in the balance of power in the Middle East. This in turn was motivated by a desire to keep control of the vital oil reserves in the area.

There still remain unsolved ambiguities in the American ambassador's communications to Saddam Hussein immediately before the invasion of Kuwait. Was she actually encouraging him to take the Northern oil wells as part of a plan to manipulate the price of oil? This is a thesis which was argued in a program shown on Canadian TV and has never been entirely satisfactorily answered. If this were correct the American administration must have assumed that Saddam's aggression would stop short of a full-scale invasion of Kuwait. It may be that this is too outrageous a theory, but whatever interpretation is put on events it seems that some kind of chess game was being played which then got out of hand.

3) The war was fought with massive media coverage, but the reporting included major distortions of the truth. The press briefings by the Coalition commanders gave the impression of a sanitized conflict. The facts which have emerged were of "near apocalyptic results wrought upon the economic infrastructure of what had been, until January 1990, a rather highly urbanized and mechanized society. Now most means of modern life support have been destroyed or rendered tenuous. Iraq has for some time to come been relegated to a pre-industrial age, but with all the disabilities of a post-industrial dependency on an intensive use of energy and technology." (Report to Secretary General of the United Nations by the first fact-finding mission led by Martii Ahtisaari.)

4) The arguments for or against the war were given an unprecedented span of public debate while the ultimatum ran its course. How far was this a realistic window of opportunity for peace-making? How far was it an attempt to gain the moral high ground while the necessary forces were being put in place? During this period much use was made of the just war theory to legitimate or to condemn the approaching military engagement.

Implications

1) The traditional dynamics of war and peace have depended upon the idea of a balance of power at various levels. Contemporary politics operate on a global scale. Events in any one place have implications for the economy and political stability of everywhere else. At the present time there is only one superpower, the U.S.A. This requires a great deal of moral responsibility by that country to avoid any suspicion that it is using its unique political and military muscle to its own advantage even when it operates through the United Nations. Such behavior is uncomfortable for other countries of the developed world, it is intolerable for the developing South who have little indication as to where they can look for support in their claims for justice if they feel themselves threatened by American attitudes.

It is clear that the U.S. is concerned to be seen to be right. Nevertheless the willingness to hear alternative moral arguments seems minimal.

How can justice be built into the world structures in the face of a long track record in human politics of the pursuit of national interests by the power holders and at the expense of others?

It is here that talk of a "new world order" becomes vitally important. It must not be defined, however, simply by the White House, because that would be another form of domination. A new world order must demonstrate by the process of its evolution a new model of participatory power.

2) In the light of events the sale of arms to Iraq requires careful review so that lessons can be learned. Was it the result of an open market economy where people felt that they had an opportunity to achieve large orders with a customer? Or was it a deliberate policy to build up the strength of Iraq in a geopolitical chess game? Western arms traders were undoubtedly Saddam Hussein's armorers, were their governments his paymasters? What should now be the attitude to the arms trade? What would be the economic effects of change in patterns of supply and demand? How can any decisions to change be made to stick?

3) During the operation of Desert Storm western governments felt public opinion must be protected from the facts. The news was distorted to obscure what was actually happening in the destruction of Iraqi society and the consequent suffering of the civilian population. This has now emerged in reports to the Secretary General of the United Nations, first by Ahtisaari and secondly by Sadruddin Aga Khan. If it was important to remain morally clean while the war was on, what does this say about our western responsibility now to the people who continue to suffer? It has not been allowed to become a major issue in world politics or indeed in the media. We are still being shielded from the knowledge of what we did. The political ends of the war are still being pursued by the use of human suffering in Iraq. As long as the sanctions remain unlifted the health and welfare of the entire people of Iraq is at risk through a deterioration of public services such as clean water, through famine due to a lack of imports of food (70% of Iraq's food is normally imported from other countries) and through the breakdown of all health services.

International agencies have begun some emergency programs. There is a curious anomaly in this as the U.N. report notes: "None of us on the Mission team could overlook a glaring paradox: At a time when the international community is beset with disasters of daunting dimensions around the globe, we continue to appeal to the same donors to fund emergency programs in Iraq which the country could pay for itself. With considerable oil reserves in the ground, Iraq should not have to compete for scarce aid funds with the famine-ravaged Horn of Africa, with the cyclone hit Bangladesh.

We saw with our own eyes . . . the raw sewage pouring into the Tigris and Euphrates, the children afflicted by malnutrition . . . conditions are already grave in all the essential sectors assessed and can only worsen in the weeks ahead. We must achieve a breakthrough to avert the looming crisis.

It remains a cardinal humanitarian principle that innocent civilians—and above all the most vulnerable—should not be held hostage through events beyond their control. These already afflicted by war's devastation cannot continue to pay the price of a bitter peace. It is a peace that will also prove to be tenuous if unmet needs breed growing desperation. If new displacements of Iraq's population result from hunger and disease, if relief is again sought across national frontiers, the region's stability will once more be set at risk with unforeseeable consequences. Humanitarian and political interests converge in the aversion of catastrophe.

If there was any justification for international intervention in Iraqi affairs after the invasion of Kuwait the current situation cries out for a continuance of a concern, but led by humanitarian rather than economic interests.

4) How do the media exercise a responsibility for reporting war? The technology for instant communication is available. What criteria should be applied to people who seek to inform the world? Increasingly, as with the BBC World Service television satellites we can tell people what is happening. Where does the responsibility lie for ensuring what is told is the whole of the truth?

5) The Just War theory seems finally to have been exploded. There is no way in which whole populations can be excluded from the effects of modern weapons. The Gulf War was not a nuclear conflict, when these considerations would have been even greater. It was an example of the way in which the delivery of "conventional" weapons can become a means of destroying a whole nation. It would appear that we will never again be able to exercise a discrimination between fighting personnel and civilian population. All, far more than in World War II are in the front line.

Unless we are prepared to say that the idea of waging war on a whole people is unacceptable, we are in danger of losing all sense of humanity. . . .

6) Many people are impressed by the evidence that Iraq might shortly have moved to the point of developing a hydrogen bomb capability. This is produced as a justification for the military intervention. This, however, raises fundamental questions about the control of all arsenals, nuclear, chemical, biological and conventional. If the acquisition of nuclear weapons was the justification for intervention in Iraq, what steps should the U.N. have taken against South Africa, Israel, Pakistan, India or China, as they approach, or have already crossed, the nuclear threshold? Could there be a justification for trying to get a minor member, e.g. Britain, out of the nuclear club?

U.S. strongarming raises protest

An Indian official tries to cut through the lies and distortions about a possible India-Iran nuclear research reactor deal.

The Bush administration's veiled threat to impose technological apartheid against India if the latter goes through with its "proposed sale" of a 10 MW nuclear research reactor to Iran has been received with silence by New Delhi. But from Bombay, Indian Atomic Energy Commission Chairman Dr. P.K. Iyengar ridiculed the American power play.

"Perhaps the western countries do not want us to get into high-technology exports," Iyengar told the *Hindustan Times* of Nov. 19, adding that the Americans had already supplied Iran a 5 MW reactor which is still working. "Perhaps only the white man has the right to supply nuclear reactors. We should confine ourselves to selling garments and leather and iron ore to them," the Atomic Energy Commission chairman stated caustically.

Though news leaks claim negotiations between India and Iran are at an advanced stage and that a deal may be announced in December, both India and Iran have officially denied the report. But it is no secret that leaders in both nations are up in arms over the superpower muscling attempt. On Nov. 17, Iranian President Hashemi Rafsanjani condemned the U.S. for "forcing" other countries not to cooperate with Teheran on nuclear projects, noting the U.S. had threatened both India and China. "America has frankly and boldly announced that the Islamic Republic of Iran has no right to use nuclear technology even for non-military goals."

The report of a proposed sale of an Indian research reactor to Iran—a

reactor "which could make weapons-grade plutonium"—first appeared in the London *Independent*. A day later, the *Washington Post*, citing the *Independent*, puffed the story in the United States. Both papers are regular conduits for the Zionist lobby, which exerts a determining influence in the Bush administration. The news report followed Indian Foreign Minister Madhavsingh Solanki's trip to Teheran, and the signing of five memoranda of understanding between India and Iran while he was there.

The reaction of the U.S. government to the report was swift and predictable. India's ambassador, Abid Hussain, was called into the State Department for a warning on Washington's "deep concern" from Asia hand Edward Djerejian. The Indian envoy was also informed that the matter had been taken up with the U.S. ambassador in New Delhi and Teresita Schaffer, the deputy assistant secretary of state, during her recent visit to New Delhi.

As one news agency reported, U.S. officials have made it clear that if India goes through with the research reactor sale, it could torpedo the transfer of American technology to India.

Meanwhile, State Department spokesman Richard Boucher announced that the U.S. was "urging" all nuclear supplier countries to avoid any form of nuclear cooperation with Iran—even under safeguards—because there is no adequate evidence that Iran is committed to the exclusively peaceful use of nuclear energy. When the Indian Abroad News Ser-

vice reporter pointed out that Iran is a signatory to the 1968 Nuclear Non-Proliferation Treaty, Boucher dismissed it, charging that Iran "cannot be trusted."

In Teheran the campaign to vilify Iran as a clandestine nuclear weapons builder looks a lot like the ploy used earlier to drum up the anti-Iraq hysteria that made the Anglo-American military attack on that country possible. Within days, the Zionist-linked German magazine, *Der Spiegel*, without citing any specific details, accused Iran, Syria, and Libya of trying "to arm themselves in chemical, biological, and atomic areas with war technology made in Germany."

In his interview, Indian Atomic Energy Commission Chairman Iyengar punctured the bubble of lies and distortions floated by the media. If and when a deal to supply a 10 MW reactor is finalized, Iyengar said, the IAEA would be notified, in accordance with established international norms. He added that the Indian offer to Iran is "exactly like the nuclear reactors set up by Argentina in Algeria and Peru and the recent offer it has made to Turkey."

As far as Iran's alleged bomb-making is concerned, Dr. Iyengar pointed to the well-known fact that the plutonium generated during operation of a nuclear reactor, which can be used as fissile material for starting off a chain reaction in a plutonium bomb, has to first be separated out from the waste fuel. This is a process which requires, besides a lot of expertise that Iran does not have, a reprocessing facility. Such a facility cannot be built without the world knowing about it.

Thus to say that India's sale of a nuclear research reactor would provide Iran the capability to make nuclear weapons has no technical credibility; it is a deliberate falsification of fact.

Neo-Nazis find supporters abroad

A link between the skinheads and the former East German Stasi has been found—but there are also ties to Bush's CIA.

Yes, he helped to instigate German neo-Nazis and skinheads for violent attacks on foreigners, boasted Dennis Mahon, a Ku Klux Klan leader recently returned from a tour of Germany, in an interview in mid-November with the daily *Tulsa Tribune* of Oklahoma.

Mahon, the target of an official probe by the chief federal prosecutor of Germany for founding a "terrorist organization," also admitted in the *Tribune* having trained German neo-Nazis in guerrilla warfare and underground operations.

The KKK role adds a new element to the debate on extremism in Germany. So far, certain leads have implicated the KGB, the Stasi (the former East German regime's foreign intelligence), and also the Czechoslovak STP, in phony neo-Nazi incidents. It was known among anti-espionage experts that such "incidents" were coordinated closely with black propaganda claims that the West German state was a successor to the Nazi Third Reich.

The German weekly *Der Spiegel* put some of the facts together in a Nov. 18 report on the Stasi's role:

Some of the first East German contacts to the postwar Nazi groups date from 1951, when a young communist party youth leader named Erich Honecker met with two former leading Hitler Youth officials, trying to win them over for a "national struggle" against the West and the West German state. This was part of the "national revolutionary" campaign, fully coordinated with the Soviet KGB, launched to preempt the consolidation of the West German state

of Chancellor Konrad Adenauer.

Honecker later became the party's top secretary and leader of the East German state. It was his regime that was felled by the peaceful revolution of 1989. He escaped trial in early 1991 in a Soviet military plane, and is still receiving protection from Bush's global partner, Gorbachov.

The "national revolutionary" campaign Honecker helped to launch in 1951 failed, but the Stasi kept close contact with the neo-Nazis in West Germany through the years. Some light on that was shed by two incidents during the 1970s:

- In 1976, East Germany provided refuge to Egon Fischer, a vice chairman of the neo-Nazi NPD party's student group in West Germany, who had been working as a Stasi informant.

- In the late 1970s, the Stasi ran several agents in the neo-Nazi group Wehrsportgruppe Hoffmann. Close East German relations to Syria allowed members of the group to receive combat training in Lebanon.

With the authorization of Stasi vice chairman Gerhard Neiber, details of that neo-Nazi operation were handled by the same Stasi Section 22 that was also handling contacts to leftist Baader-Meinhof gang.

A special operation was launched on Feb. 19, 1983, in which the East Germans gave asylum to Odfried Hepp, who had shortly before escaped arrest by West Berlin police. In his debriefing by Stasi specialists, Hepp provided vital information that helped the Stasi to complete its "Who's Who in the Militant Right-wing Scene of

West Germany," a file containing 5,000 names of neo-Nazis.

Hepp, an accomplice in neo-Nazi bomb attacks on U.S. Army installations in the Rhine-Main region in 1982, was the first to receive a false identity, like the ones that the Stasi later gave to several "wanted" Baader-Meinhof terrorists. Transferred to Damascus, whence he moved to Tunis, Hepp worked as a Stasi informant on Arab terrorist groups. The French DST arrested him in Paris in 1985, extraditing him two years later.

So much for *Der Spiegel's* report. But what happened after the fall of the Honecker regime?

A German news correspondent in Washington, Peter W. Schroeder, who has experience with NATO and other western agencies, wrote this on the post-1989 Stasi in his informative 1990 book, *Europe Without America*: "They made contact to the West German residents of western secret services—preferably the CIA. . . . It has been leaked from the Senate committee for the control of the secret services in Washington that shortly after the fall of the G.D.R. regime of Honecker and already during the interim reign of his successor Egon Krenz, the CIA began reinforcing its espionage staff in Germany with East German spies that had been operating before in the former G.D.R. and in the Federal Republic."

The Bush administration, Schroeder wrote, was provided with an espionage network that could be used to compensate the inevitable loss of allied privileges caused by the unification of Germany.

Now, a most interesting link may be established soon between FBI and CIA backing for the Klan, and the fact that the CIA recruited an established underground network of the same Stasi that had run operations with West German neo-Nazis.

Cisneros clan suffers setback

The "Bronfmans" of Venezuela are destabilized by losing their bid on the state telecommunications company.

Venezuela's powerful Cisneros family, intimates of Henry Kissinger and Rockefeller interests, is said to be shaken up by the recent loss of its bid for CANTV, the state-owned telecommunications monopoly undergoing privatization. It had been assumed that the Cisneroses would get the bid, but when the envelopes were opened Nov. 15, their consortium—which included Bell Atlantic and its Canadian subsidiary—fell far short of the offer made by a consortium made up of the Spanish telephone company, AT&T, GTE, and Banco Mercantil, owned by the wealthy Volmer family interests. The latter group offered \$1.9 million, as opposed to the Cisneroses' \$1.4 million bid for 40% of CANTV stock.

The daily *El Universal* reported on Nov. 16 that when business magnate Gustavo Cisneros realized he had lost the bid, he "turned white" and mechanically went over to congratulate the winners, while repeating that "Venezuela won, Venezuela won."

Given its wealth and power, this was not the result the family had expected. Just a few days before, Gustavo Cisneros had met with President Carlos Andrés Pérez and Bell Atlantic officials, which was taken as a sign that the CANTV deal had been clinched. Some local media and political groups had fiercely opposed the Cisneros bid, warning that if the family won, it would create a private monopoly in the strategically important national telecommunications sector that could have grave national security implications. However, last-minute changes in the concession agreement were thought to have mol-

lified the opposition.

The Cisneroses also put tremendous effort into a high-profile campaign against the Venezuelan Labor Party (PLV), not only because it opposed their CANTV bid, but because it is demanding the lifting of the ban on the book *Narcotráfico, SA*, the Spanish-language version of the best-seller *Dope, Inc.*, which the Cisneroses ordered banned in Venezuela in 1985. Information has recently surfaced confirming allegations made by *Narcotráfico, SA* regarding the family's ties into Cuban exile circles involved in drug trafficking and money laundering. The PLV is asking that the unconstitutional ban on the book be lifted.

Narcotráfico, SA refers to the Cisneroses as the "Bronfmans of Venezuela," because the family's ties to organized crime-linked and drug money-laundering circles are as unsavory as those of their Canadian counterparts. By publicly allying with the Anti-Defamation League of B'nai B'rith (ADL) in the current campaign to slander both the PLV and U.S. political prisoner Lyndon LaRouche—who commissioned the writing of *Dope, Inc.*—the Cisneroses have virtually confirmed the charges made against them by *Narcotráfico, SA* and others.

Using its hireling Congressman Gastón Guisandes as a front, the family has joined with the ADL's Jerkow Institute for Latin America, and circulated pamphlets and put out newspaper ads and other "anonymous" material attacking the PLV and LaRouche. This has gone to such an extreme that,

in his latest ad, Guisandes made the libelous charge that LaRouche is a drug trafficker. With the loss of the CANTV bid, it would appear that not only has the Cisneros slander campaign failed, but the family is now very much on the defensive.

They were certainly hurt by a hard-hitting PLV ad exposing the ADL's filthy history which appeared in two Caracas dailies on Nov. 14, and in the English-language *Daily Journal* the next day. Headlined "The Authentic Connection to Narco-Laundering," the ad referred to the anti-LaRouche pamphlet put out by Guisandes and the Jerkow Institute and explained that since Prohibition, the ADL has been tied to bootleggers and, later, drug-runners. Under the false pretext of defending Jewish concerns, the ad asserted, the ADL attacks as "anti-Semites" anyone who opposes its shady interests. It detailed the ADL's links to gangster Meyer Lansky, fugitive financier Robert Vesco, and his buddy, Colombian drug kingpin Carlos Lehder.

Moreover, the PLV reported that "the ADL serves all intelligence services equally; it is implicated in the scandal of the Israeli spy Jonathan Pollard in the United States, whose information also reached the Soviet KGB. At the same time, Mrs. Mira Lansky Boland, an ADL official (and author of the pamphlet against the PLV), recently admitted that she was employed by the United States CIA." The ad called on Venezuela's attorney general to investigate the links between the ADL and the Cisneros group, to determine whether Venezuelan laws have been violated. *EIR* has also learned that leaders of the local B'nai B'rith chapter, along with those of other Jewish organizations, marched off to meet with editors of the daily *El Nacional* to pressure it into not publishing the PLV ad.

Even fabrications admissible

The judge in Noriega's trial is allowing hearsay, irrelevant testimony, and even illegally seized "evidence."

Drug Enforcement Administration agent Henry Cuervo was on the stand in the Miami trial against Panamanian Gen. Manuel Noriega on Nov. 7. The American DEA agent was testifying about the circumstances under which the U.S. government claims to have obtained a letter reputedly sent to Noriega by admitted drug kingpin Stephen Kalish, a prosecution witness.

The DEA officer said he broke into Noriega's house while U.S. troops were invading Panama in December 1989. He ransacked a file drawer in Noriega's study, and there conveniently lay a Spanish translation of the Kalish letter.

"Did you have a search warrant?" asked defense attorney Frank Rubino. No, admitted Cuervo. Rubino then asked the U.S. law enforcement officer: "Tell us by what authority you entered a home in Panama?"

Presiding federal district Judge William Hoeveler interrupted. The DEA agent need not answer. No matter how the letter was obtained, it was admissible as evidence because Noriega, a foreigner, is not entitled to the protection of the Fourth Amendment of the U.S. Constitution against illegal search and seizures. The judge reminded the courtroom that he had earlier ruled in favor of the prosecution on a Sixth Amendment motion brought by the defense. "The U.S. Constitution does not protect non-citizens."

There was no evidence to show that the Kalish letter was not conveniently planted in Noriega's house for the DEA to find it. For months before the opening of the Noriega trial, cop-

ies of the 16-page letter were widely distributed to the world's media. This reporter was offered a copy by a journalist, who got it from a person who claimed it was "discovered in Kalish's secret safe-deposit box in a Switzerland bank." Earlier this year, an English version of the letter was supposedly found in a safe-deposit box allegedly owned by Noriega's wife in a Panamanian bank. There was no explanation as to how it got there.

Kalish wrote the letter, from behind bars in the United States, while facing drug charges that could have netted him sentences totaling life in prison without parole, plus 285 years in jail. Noriega's attorneys contend Kalish drafted the letter in hopes of improving his value to prosecutors as a witness against Noriega, and thus his plea-bargaining position. The facts support their charges: Because of his testimony against Noriega, Kalish will be out of jail in two years, and he gets to keep some of the \$20 million he made running drugs.

Even assuming that the Panamanian general—whom the U.S. government alleges was a mastermind of a years-long, multimillion-dollar conspiracy to smuggle drugs into the U.S.; who ran the Panamanian Defense Forces, indeed, the entire Panamanian government, and who for years was chief of Panama's intelligence services—was not smart enough to destroy an incriminating document such as the Kalish letter, but kept it around for his enemies to find it, there is no evidence that Noriega ever received the letter. In any case, it significantly contradicts the

testimony presented by other prosecution witnesses against Noriega. Kalish himself admitted on the stand that "not everything in this letter is accurate."

In any case, according to Hoeveler, Noriega is not entitled to the equal protection under the law established by the Constitution, although he was arrested in Panama during an invasion ordered by the President of the U.S., exercising the authority of commander-in-chief of the U.S. Armed Forces granted by the Constitution, and although he is being tried in a U.S. federal court established under the authority of the U.S. Constitution, for allegedly violating laws passed by Congress under the authority of that same U.S. Constitution. The Fourth Amendment states: "The right of the people to be secure in their persons, homes, papers and effects against unreasonable search and seizures, shall not be violated, and no warrants shall issue, but upon probable cause, supported by oath or affirmation, and particularly describing the place to be searched, and the persons or things to be seized."

Besides the letter, the judge allowed Kalish to testify about alleged offenses for which Noriega is not being tried in Miami. Such testimony is normally deemed "irrelevant" and is forbidden by law. However, the judge did rule "irrelevant," testimony by Kalish that former President Ronald Reagan had asked Noriega to help the U.S. Contra operations against Nicaragua's Sandinista government.

Hoeveler has also repeatedly allowed the prosecution witnesses to testify about things about which they have no direct knowledge. That is normally forbidden by laws against hearsay, but, claiming that hearsay testimony is allowed in conspiracy cases, the judge has ruled it admissible in Noriega's trial.

International Intelligence

Dominican groups seek new trial for LaRouche

A coalition of legal and human rights organizations in the Dominican Republic delivered a letter on Nov. 13 to American Ambassador Paul Taylor, calling for a new, impartial trial for U.S. political prisoner Lyndon LaRouche and several of his associates. The letter notes that a number of people in the United States have been imprisoned after "being falsely accused, unjustly condemned, or denied human rights and fundamental freedoms. That leads us to suggest, or recommend, that an investigation be undertaken of the case of Lyndon LaRouche, and that it be reviewed and given special attention, as demanded by international public opinion.

"We request a new, impartial trial, before judges with a high sense of duty, without interference for reasons of state or government."

The letter was signed, on behalf of the 13 groups, by general coordinator Dr. German Miranda Villalona. Among those represented are the Dominican chapter of the American Association of Jurists; the Latin American Council of Churches; the Dominican Human Rights Committee; and the Council for the Defense of Legal Rights.

Dr. Miranda also sent a telegram to President George Bush which read: "As a lawyer and general coordinator of several institutions for the defense of human rights in the Dominican Republic, I call upon you to request an investigation of the charges of persecution against the American politician and economist Lyndon H. LaRouche and of the possible irregularities of the trial against him, which resulted in his being sentenced to 15 years in prison. . . ."

Carlos Lehder gets a new identity

Carlos Lehder, the Medellín Cartel drug kingpin who is serving a sentence of life plus 135 years in prison, with no possibility of parole, testified as a U.S. government

witness against Panama's Gen. Manuel Noriega on Nov. 19, providing what the press described as "the most damaging testimony to date." Although admitting that he had never met Noriega, and never personally paid him a penny, he maintained that Noriega had set up a deal with the Colombian drug traffickers, whereby he would take a cut, in cash, of every drug shipment passed through Panama.

All of Lehder's "knowledge" of this came from conversations with third parties, he testified.

As a result of Lehder's testimony, he may eventually gain freedom, in a deal with the U.S. Justice Department. He has now been transferred from the maximum security Marion federal penitentiary to another prison, and has been given a new identity under the Federal Witness Protection Program. Eight members of his family were brought to the United States by the government, given green cards, and are living under federal protection, at the expense of the U.S. taxpayer.

Bulgaria fears spread of Yugoslav conflict

Bulgarian President Zhelyu Zhelev warned on Nov. 14 that the war in former Yugoslavia could spread to neighboring states, and said that only NATO could keep the country's warring forces apart if international peace efforts failed. "It will not be in the interests of the international community to let the germ of conflict infiltrate Yugoslavia's neighboring countries and spread the infection of bloodshed and fratricide," Zhelev told NATO ministers and ambassadors, according to Reuters.

"What Bulgaria sees as a special cause of concern," he said, "is the tendency to extend the geographical border of hostilities." Bulgaria's western frontier borders former Yugoslavia, mostly alongside Serbian territory. Asked whether NATO should intervene to prevent this, Zhelev said: "It has a military potential which could and might by agreement with the [U.N.] Security Council separate warring groups. I do not

see any other force that can enter the country and force the warring groups to lay down their arms."

The President announced that Bulgaria intended to host an international conference on European regional security next year, and he invited NATO representatives to attend.

Zhelev was the third East European President to visit NATO headquarters and the first to do so since the early November Rome summit of the alliance decided on regular security talks with East European countries.

South Korea rejects 'help' on unification

The South Korean government has decided not to accept U.S. Secretary of State James Baker's proposal for "internationalizing" the issue of the Korean peninsula, the Seoul daily *Choson Ilbo* reported on Nov. 11. The Baker plan, as was explained in the quarterly journal *Foreign Affairs*, involved talks among North and South Korea, the United States, Japan, China, and the Soviet Union.

A high-ranking government official is quoted: "The government has consistently maintained that the internationalization of the Korean peninsula issue is not desirable for either the South-North talks or for stability in northeast Asia. If the major neighboring countries are allowed to interfere in the settlement of the Korean peninsula issue, the South-North question runs the risk of being settled in a way that suits the major neighboring countries' concerns."

The official noted that President Noh Tae Woo's proposal for a Northeast Asia Peace Consultative Conference, advanced at the U.N. General Assembly in 1988, was an economic initiative, and was never aimed at an international conference focusing on political and security issues, such as has been mooted recently.

The newspaper contrasted the situation on the Korean peninsula with that of Germany, where the "two plus four" talks with foreign powers were successful in leading to reunification. "At that time, two Germans had the armies of the four major powers

Briefly

stationed on their territories. Thus, approval from these countries was an absolute prerequisite for reunification. Unlike the case of the two Germanys . . . there is no reason why the four major neighboring countries should interfere in reunification of the Korean peninsula."

The democracy movement surfaces again in China

A group calling itself the Liberal Democratic Party put up posters at Beijing University, denouncing the Chinese Communist Party, on the eve of the arrival of U.S. Secretary of State James Baker on Nov. 15. "The despotic atrocities of Chinese Communist Party authorities have already aroused the hatred of all the Chinese people, including a very large number of honest and conscientious members of the Communist Party," said the poster, copies of which were distributed to some western journalists, according to Reuters.

The poster demanded the release of all political and religious prisoners and an end to torture, and called on Beijing to stop persecuting pro-democracy activists and enter into a dialogue with other political forces "concerning the future destiny of the nation and all the nation's important problems."

Greenpeace 'eco-fascists' are losing revenue

Greenpeace Canadian Executive Director Michael Manolson said that Greenpeace Canada was suffering from financial cuts made at the international level, according to the *Montreal Gazette* on Nov. 11. He said that donations to Greenpeace had actually increased in Canada, but that serious financial problems in the U.S. branch were having effects on other branches worldwide. The U.S. branch is suffering a several-million-dollar shortfall on its \$56 million annual budget, and has closed its Boston and Fort Lauderdale offices. Other radical ecology groups are also suffering.

Christian Simard, executive director of

the Quebec Union for the Conservation of Nature, said that environmentalist groups were suffering from politicians and businessmen who, because of the recession, found more people sympathetic to their anti-environmentalist ideas. He cited a recent speech by Richard Le Hir, vice president of the Quebec Manufacturers Association, who had called certain environmentalists "eco-fascists."

New crisis erupts in Indonesia's East Timor

Indonesia is facing its worst crisis in several years over the annexed region of East Timor, following an incident on Nov. 12, in which Indonesian armed forces shot at people attending a memorial mass for an East Timor youth who had been killed in a demonstration two weeks before. Reports from East Timor are that at least 20 people were killed, and some estimates are higher. Certain observers are saying that Indonesian troops went on a rampage, shooting at random into the streets, but this is not confirmed.

Whatever the exact circumstances of the events, they are providing a pretext for the British and their friends to escalate an international campaign against Indonesia on the East Timor issue. The campaign was signaled some months ago by an editorial in the *Times* of London, demanding that Indonesia be treated regarding East Timor as Iraq was regarding Kuwait. BBC's correspondent said that "people in East Timor are talking about independence from Indonesia more openly than one year ago."

There exists a United Nations resolution, dating from the mid-1970s, denying Indonesian claims over the region. Indonesia, which has annexed East Timor, rejects the resolution and related pressure, claiming that this is a purely internal Indonesian affair.

Indonesian Chief of Staff General Tri expressed regret over the events, and said the government would investigate what happened. He said that the troops had used force against anti-government rioters as a last resort.

● **GORBACHOV** will face trial along with all members of the former Communist Party Politburo, Russian Federation Justice Minister Nikolai Fyodorov said on Nov. 18, in an interview to the German daily *Süddeutsche Zeitung*. "Gorbachov is no longer deciding what policy is made by Russia or the U.S.S.R.," he said. "The Soviet Union is nothing but a phantom now."

● **LITHUANIAN** President Vytautas Landsbergis, during an audience with Pope John Paul II on Nov. 18, invited the pope to visit Lithuania. This was the first papal audience with a Baltic leader in more than 50 years. Landsbergis was on a four-day trip to Italy.

● **RUDOLF AUGSTEIN**, the editor of Germany's *Der Spiegel* magazine, hosted some of his buddies in Washington, D.C. at a reception the second week in November. Guests included Deputy Secretary of State Lawrence Eagleburger, presidential legal counsel John Schmitz, and Henry Kissinger—who boasted that he has been friends with Augstein for 35 years.

● **GUYANA'S** President Desmond Hoyte has announced that he will go ahead with elections on Dec. 16, and defy an "order" from Washington to postpone the election until February to allow time to "clean up" the voter registrar. Jimmy Carter and other foreign "observers" claim that the voting rolls are out of whack. The government has said it has plenty of time to correct whatever errors there may be.

● **ARGENTINE** President Carlos Menem brought his hairdresser with him to the state dinner held for him in Washington on Nov. 13 by President Bush. Menem called Bush "a true brother," and Bush hailed him as a man who has "repeatedly demonstrated a fundamental quality that distinguishes true statesmen from mere placeholders: political courage."

Unwrapping the true story of the 'October Surprise'

by Edward Spannaus

October Surprise: America's Hostages in Iran and the Election of Ronald Reagan

by Gary Sick

Times Books/Random House, New York, 1991
278 pages, hardbound. \$23.00

This book scares people. It drew more attacks before it was released than most books draw after publication. *Newsweek* magazine devoted the lead story in its Nov. 11 issue to a shabby effort to discredit the book; simultaneously the *New Republic* magazine used 14 pages to disparage it in its Nov. 18 issue. As we reported in last week's issue, the Bush/CIA crowd and the Israeli lobby have pulled out all the stops to try to kill the "October Surprise" story.

And no wonder. As Sick, who was the Carter administration's point man on Iran on the National Security Council, says in his introduction, "The deal to delay the release of the hostages may well have been the first act of a drama that was ultimately to conclude with the Iran-Contra Affair." The central allegations, he says, are that this deal involved people from within the government working with the Reagan-Bush campaign to influence the outcome of the 1980 elections. "If true, even in part, they suggest that there was an organized cabal among individuals inside and outside the government of the United States to concoct an alternative and private foreign policy with Israel and Iran without the knowledge or approval of the Carter administration." This was, says Sick, "nothing less than a political coup."

Unlike his critics—who don't hesitate to call the entire

story a "myth" or a "total fabrication" on the flimsiest of pretexts—Sick is very cautious in his approach and very modest about what he has accomplished. "All I have done is just scrape off the covering of the top of the iceberg," Sick said in an interview on National Public Radio on Nov. 12. "There's much, much more."

There definitely is much, more more. As someone who has followed the story of the arms-dealing Hashemi brothers and the hostage crisis for over 10 years, I can attest to that fact. Sick only skims the surface of the deeper policy issues involved, and, out of perhaps an excess of caution, he has declined to use much evidence that is available.

Nevertheless, this is an extremely valuable book. What Sick has accomplished is to sort out the wheat from the chaff, to cut through the flood of false leads and disinformation which has surrounded this subject since 1988. One only has to compare Sick's book to Barbara Honegger's 1989 book on the same subject, to see how much Sick has discarded from the incredibly numerous and often dubious versions of this story that are floating around. Sick has culled out a basic scenario of the events during the 1980 campaign—one which is coherent and plausible. It is by no means the whole story. But it is enough to definitively establish that a deal was made between the Reagan-Bush campaign, the Israelis, and the Iranians, which resulted in the American hostages being held in captivity for an additional two and one-half months.

Sick begins by describing the strategy undertaken by the Republicans in 1980 to protect themselves against a possible release of the hostages before the elections. This strategy, Sick asserts, had two prongs: intelligence and disinformation. The campaign set up various, sometimes competing, networks of informants within the Carter administration to keep them informed of developments around the hostage

crisis. One group was a network of ex-CIA agents, most of whom had been victims of the Carter administration's massive firings of CIA covert operatives under Stansfield Turner. Richard Allen, the campaign's chief foreign policy adviser, organized a broad network of informants, which targeted the Pentagon, the intelligence agencies, the State Department, and the White House. These informants "were providing regular intelligence reports on the most highly classified policies and operations."

The second prong was disinformation. Sick documents how the Reagan-Bush campaign planted false news reports asserting that military equipment was on its way to the Gulf as a last-minute swap for the release of the hostages. Columnist Jack Anderson was used to leak purported Carter administration plans for a military invasion of Iran shortly before the elections.

In the context of discussing the penetration operations set up by the campaign, Sick describes how he himself was drawn into a series of meetings with a former Iranian cabinet minister, arranged through a prominent Washington lawyer. Years later, says Sick, "I learned that this man was working closely with Henry Kissinger." Sick says he has now learned that Kissinger had developed a considerable network of his own informants inside the government who reported to him on the hostage issue and other matters: "A senior official at the Pentagon, for example, recounted several experiences during 1980 when his colleagues in the Defense Department would interrupt a discussion to place a call to Kissinger to inform him of something they had just learned."

Casey and the Hashemis

Nevertheless, it is not Henry Kissinger, but William Casey, around whom Sick builds his account of the October Surprise events. Casey was appointed Reagan's campaign manager on Feb. 26, 1980. A few weeks later, Casey approached the Hashemi brothers, who became his principal liaison to the Iranians with whom Casey was ultimately to conclude the deal to delay the release of the hostages.

Sick picks up the story of Cyrus Hashemi's involvement in the hostage crisis in late 1979, when an unnamed American lawyer approached the State Department offering Hashemi's services to assist the U.S. government in negotiating a resolution to the hostage crisis. Sick states that Cyrus Hashemi became a regular source for the U.S. government for information, with his reports being passed into the State Department by an intermediary. In March 1980, says Sick, Cyrus Hashemi was contacted by Casey, and he and his brother Jamshid agreed to become "double agents," working for the Republicans while still reporting to the Carter administration. Sick describes two events of interest both occurring in March. First, Cyrus's older brother Jamshid reports that he met Donald Gregg in Cyrus's New York offices in March, at which time Gregg was discussing Cyrus's contacts with the U.S. government.

What Sick finds especially interesting about this is that Gregg, a member of the Carter National Security Council staff, had no responsibility for Iran policy or for contacts with Hashemi. Gregg's position was intelligence coordinator, which made him the liaison between the White House and the intelligence community. As Sick describes it, "there was a dimension to his background that was entirely unknown to his colleagues at the White House, and that was his acquaintance with one of the Republican frontrunners, George Bush." Gregg was a longtime CIA officer who had worked with Bush in the Far East, and during 1976 he had been the CIA liaison to the congressional Pike Committee investigating CIA misconduct.

Sick offers no explanation, other than the obvious inference, of why Gregg would have been meeting with Cyrus Hashemi in the spring of 1980.

Secondly, Casey himself made a direct approach to the Hashemis in March. While Jamshid Hashemi was in Washington to meet with his own intelligence contact in the U.S. government, Casey and Casey's longtime associate Roy Furmark visited him at the Mayflower Hotel. Casey then arranged to meet Cyrus Hashemi in New York to discuss the hostage situation. (Jamshid says he was told by his regular intelligence contact to "disregard" the meeting and not to meet Casey again.)

A few days later, according to Jamshid's account as relayed by Sick, Cyrus and Jamshid decided to become "double agents," and proceeded to arrange a series of meetings with highly placed Iranians for both the Carter administration and for Casey.

Sick knows for a fact that Cyrus Hashemi did arrange for a relative of Khomeini, who was close to then-Iranian President Abol Hassan Bani-Sadr, to come to Madrid for a meeting with Carter representatives on July 2, 1980. (*Newsweek* suggests that the "Carter representative" was J. Stanley Pottinger.) Cyrus and Jamshid also arranged for another Madrid meeting later in July between Casey and Mehdi Karrubi, who represented the powerful "shadow government" of the fundamentalist clerics, led by Ayatollah Behesti. At the Casey-Karrubi meeting, also attended by Donald Gregg, Casey told Karrubi that a Republican administration in the White House would be better for Iran. He promised to return frozen Iranian financial assets and military equipment, and to aid Iran with new arms shipments, if Iran would release the hostages as a "gift" to the new Reagan administration rather than to Carter. In early August, Karrubi asked Jamshid to set up a second set of meetings with Casey. At these meetings, the preliminary deal was concluded. Within days, the Hashemis met with an Israeli general and began arms shipments from Israel to Iran.

Meanwhile, the political situation inside Iran was increasingly unstable. President Bani-Sadr found himself excluded from decision-making, and the strength of the radical clerics and the Islamic Republican Party (IRP) increased.

The deal between the Behesti faction and the Reagan-Bush campaign was unknown to Bani-Sadr, who was continuing his efforts to negotiate a settlement with the Carter White House. In September, Sadegh Ghotbzadeh, the acting foreign minister, publicly warned that Reagan and Kissinger were trying to block a solution to the hostage crisis, but his warnings were not heeded—especially, Sick notes, by the Carter administration, which was “blind to the intrigue swirling around it.”

The final deal was concluded in a series of meetings in mid-October in Paris, Sick believes. These meetings included Iranians, Israelis, William Casey, Donald Gregg, and, some say, George Bush. It is around the Paris meetings that the most controversy exists, and it is in connection with these meetings that the disinformation campaign which began in 1980 seems to continue. Obvious discrepancies and falsehoods in some of the stories told by alleged participants (such as Richard Brenneke) have given the nay-sayers wide latitude to attempt to discredit the entire October Surprise theory. Yet, Sick is convinced that the meetings did occur:

“When all the . . . accounts are checked against one another, one fundamental question looms above all others: Did William Casey, without the knowledge of the U.S. government, travel to Paris during the period of Oct. 15-20, 1980, and there meet with Iranian and Israeli representatives to arrange the release of the U.S. hostages to the Reagan-Bush forces in return for promises of military equipment? The answer, it appears, is yes. Everything else is of secondary importance.”

Sick correctly places heavy emphasis on the policy shifts which occurred at this time. In early October, he notes, there had been a flurry of new reports coming in which “had generated a mood of cautious optimism within the Carter administration that its latest offer was being taken seriously and that Iran was moving toward an early resolution of the crisis.” Then, Sick says, for five days, from Oct. 15-20, “everything seemed to stop.” The usual sources and channels dried up, and there were no new pronouncements from Iran.

Suddenly, over the next week, everything began to change. The Carter negotiations collapsed. The Iranian leaders declared themselves uninterested in obtaining military equipment, despite the bitter war with Iraq.

Starting on Oct. 20, says Sick, the participants in the Paris meeting began to reemerge, and a number of other events took place:

- On Oct. 20, William Casey called Richard Allen.
- On Oct. 20, Cyrus Hashemi was back in New York and made calls to plan arms shipments to Iran.
- On Oct. 21, the Iranian government transferred funds to the Israeli purchasing mission in Paris.
- On Oct. 21, arms dealer Hushang Lavi (who had gone to Paris with Cyrus Hashemi) called his lawyer Mitchell Rogovin (more about him below). Rogovin made an entry in his diary referencing Paris and which also said: “48 hours

Iranians agent coming—no release of anyone before election—want to talk to Bush.”

- On Oct. 21, Rogovin also told State Department official Harold Saunders that “the Iranians were not going to make a negotiation with the Carter administration.”

- On Oct. 21, Hashemi convened a meeting in his New York office to organize new arms sales to Iran. According to his “intermediary” to the administration, he also spoke to Speaker of the Iranian Parliament Ali Akbar Hashemi Rafsanjani, who said he was not disposed to release the hostages before Nov. 4.

- On Oct. 21, Prime Minister Rajai said that Iran would not release the hostages to the Carter administration, even for an offer of spare parts in exchange.

- On Oct. 21, Ronald Reagan addressed the hostage issue for the first time in weeks, saying he had “some ideas” as to how to deal with the problem. Reagan refused to elaborate on what the press called his “secret plan.”

- On Oct. 23, President Carter was enraged to learn of an Israeli arms shipment to Iran the previous day, and fired off an urgent message to Prime Minister Menachem Begin implying that Begin had double-crossed him. Still, a second Israeli planeload went to Iran on Oct. 24.

Israelis betrayed Carter

By violating a solemn promise to President Carter that it would send no equipment to Iran, Sick states that the Israeli government “had deliberately, almost contemptuously, turned its back on Jimmy Carter’s administration.”

“For any Israeli government,” writes Sick, “there are few decisions more grave than to risk its relationship with its principal political, military, and financial backer. That risk would scarcely be justified by mere impatience to reopen a channel to the Iranian military. It might be justified, however, if Israel had already decided that its future lay not with the Carter administration but with its likely successor.”

Of course, not all of the above events were known to everybody at the time. The Republicans, particularly Richard Allen, were still worried that the Carter White House might pull off some last-minute stunt. At this point in his account, Sick makes the following fascinating observation: “Not every Republican was focused on the immediate prospects of a hostage release. Former Secretary of State Henry Kissinger told the press that day that there was no reason a Reagan administration could not work with Iran once the hostages were freed. Iran, he said, was a strategic country and the hostility need not be permanent. That, of course, was precisely the nature of the bargain proposed by Casey to the Iranians.”

The above account of the Republican-Iranian-Israeli deal is solely Sick’s account, although necessarily abbreviated; I have added nothing to it. As someone who began investigating Cyrus Hashemi in 1981, and who has delved into this story off and on for years (and who first wrote about the

"October Surprise" in 1983), it is reassuring to find that there is nothing in Sick's careful and well-documented account which is inconsistent with anything I have written about these events. (It's also not a little ironic, since Sick has assiduously avoided drawing directly upon any of my files, or on the material published by *EIR* over the years—probably out of fear of being smeared with the same brush that paints *EIR* and LaRouche associates as "extremists" and worse.)

Nonetheless, it is necessary to note some of the more obvious omissions in Sick's work, and to explicitly draw out what Sick leaves to inference.

Where's Stanley Pottinger?

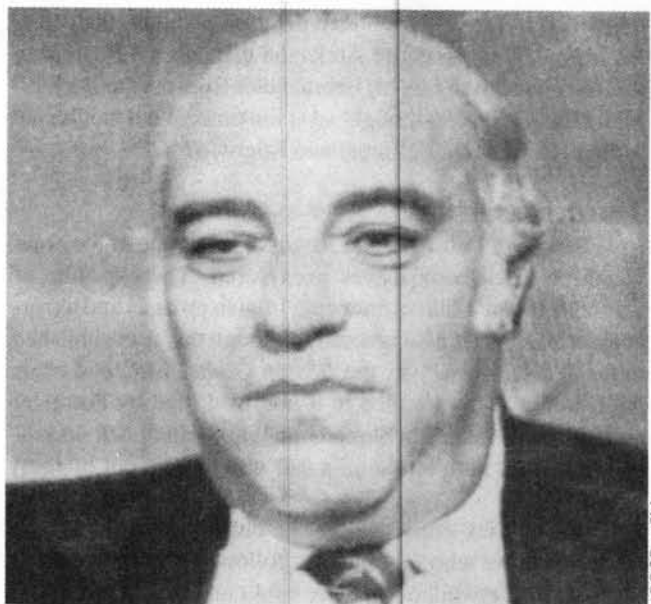
The case of J. Stanley Pottinger is one of the biggest anomalies of the entire "October Surprise" affair, and it is a string which, if pulled, could potentially unravel the entire mystery about what really happened. Pottinger, a Republican and a former Assistant Attorney General in the Nixon and Ford administrations, was Cyrus Hashemi's lawyer and adviser during the period of the hostage crisis. Pottinger is also, incidentally, a close personal friend of George Bush from the days when Bush was director of the CIA.

Pottinger's name appears nowhere in Sick's book, but Pottinger is clearly the "intermediary" between Cyrus Hashemi and the Carter administration. In a footnote, Sick says that the intermediary "spoke to me in a series of interviews in New York, 1989-90, on the condition he not be identified."

One has to conclude that Sick got the short end of that particular deal, for apparently Sick interpreted this agreement to preclude him from mentioning Pottinger's name even when it is a matter of public record. For example, Sick uses the 1984 Hashemi indictment as documentation, but doesn't cite Pottinger's name even though the indictment clearly describes Pottinger as a participant in the conspiracy to violate the arms embargo. For example, Sick mentions the Oct. 21, 1980 meeting in Hashemi's New York offices (also the offices of one of Cyrus's banks, the First Gulf Bank and Trust). The indictment in fact states the following:

"On or about Oct. 21, 1980, defendant *Cyrus Hashemi* and John Stanley Pottinger met at the offices of defendant *First Gulf* and discussed a request by the Iranian government for *Cyrus Hashemi* to procure and export arms to the Islamic Republic of Iran."

A later section of the indictment describes another meeting between Pottinger, Cyrus Hashemi, and another brother, Reza Hashemi, in which John Stanley Pottinger advised them as to how shipping documents could be drawn, so as to conceal the identities of the parties involved and the true destination of the goods. Yet Pottinger was never indicted, even though he engaged in precisely the same conduct as those who were, and he was arguably more culpable than some of those who went to prison. News stories in 1984 reported that Pottinger escaped indictment because the FBI "lost" certain tape recordings of the surveillance of Ha-



Iranian arms broker Jamshid Hashemi, a source on the October Surprise story for nearly a decade.

ABC/Gary Sick

shemi's office on which Pottinger's advice to the Hashemi brothers was overheard. A CIA memorandum recently obtained by *EIR* shows that Pottinger was still under investigation in 1985.

Sick's description of the Hashemi brothers as "double agents" fits Pottinger as well. At the same time Pottinger was acting as Hashemi's intermediary to the Carter administration, he was helping the Hashemis ship military equipment to Iran, in violation of the administration's arms embargo.

Pottinger's uninvestigated role also serves as a paradigm for examining the role of Mitchell Rogovin, the lawyer for the Iranian-Jewish arms dealer Hushang Lavi. Rogovin's publicly identified role (in the Sick book and elsewhere) is limited to Rogovin's faithfully reporting Lavi's contacts to the Carter administration, in a manner paralleling Pottinger's "intermediary" relationship to the Carter State Department on behalf of Cyrus Hashemi.

But there's a lot more to Rogovin too. Rogovin was Special Counsel to the CIA when George Bush was director; his job was to protect the agency with respect to the congressional investigations of CIA misconduct. (Remember Donald Gregg's liaison role to the congressional committee at the same time?) The *National Law Journal* said in 1979 that Rogovin "is credited with having saved the CIA" following the disclosures of illegal CIA spying.

It gets even more interesting when one realizes that Rogovin was acting not only as Lavi's lawyer when he reported to the State Department, but also as General Counsel to the John Anderson presidential campaign. An Evans and Novak column at the end of 1980 complained that Pottinger "has been given the top rating for a sub-cabinet position in the Reagan administration"—even though, they remarked, Pot-

tinger had run for a Republican delegate position pledged to Anderson! Was the entire Anderson campaign a Bush dirty trick designed to siphon off liberal votes from the Democrats? Many Carter backers thought so at the time. What would that further tell us about Pottinger and Rogovin?

The deeper issues

The role of Pottinger and Rogovin is but one of the areas which the Sick book leaves unexplored. The exposure of Cyrus Hashemi's role in financing Iranian protests and terrorism during 1980 is also ignored, although this was published in the *Washington Post*, the *Boston Globe*, *EIR*, and other publications. This resulted in a libel suit filed by Pottinger on Hashemi's behalf in September 1980, which *EIR* continued to litigate until Hashemi's suit was thrown out of court in 1983.

Further, Sick concedes that he chose not to follow the advice of those who told him to "follow the money" and to trace out the network of offshore banks and front companies. This is also unfortunate, for it is here that one finds very suggestive leads concerning Hashemi's intelligence ties. My own researches have proven that Hashemi was backed by much the same group of investors that is behind the Bank of Credit and Commerce International—including Saudi financier Ghaith Pharaon and former Saudi intelligence chief Kamal Adham.

Finally, the deeper policy questions behind the U.S.-Iran relationship are not addressed. Sick does devote a chapter to the Israeli "Doctrine of the Periphery," but he ignores the long-term policy, often called the "Bernard Lewis Plan," of promoting destabilization and fostering Islamic fundamentalism throughout the Middle East. This is where the Zbigniew Brzezinski "arc of crisis" policy of the Carter administration flowed logically into the surreptitious contacts by Casey and Kissinger with the radical Iranian mullahs.

This is why Kissinger and Casey found it so easy to deal with the Beheshti clerical faction—a grouping which was created and controlled for decades by British intelligence. Sick, in his own way, makes it clear that while the Republican grouping tried to play the hostage crisis for their own tactical advantage, they, along with the Israelis, viewed the hostage crisis as an impediment to an improved long-term relationship with the revolutionary Iranian regime. Sick also makes it clear that one of the reasons the Israelis favored the Reagan-Bush team was that they thought the Republicans "wanted to come to terms with Iran."

It is in the continuity of policy between Brzezinski and Kissinger, between the Carter and the Reagan-Bush administrations, that the real truth of the October Surprise is to be found.

Mr. Spannaus, a researcher for the Constitutional Defense Fund, gave a press conference in Washington on Nov. 21, detailing his findings on the October Surprise story.

Books Received

The Memoirs of Count Witte, translated by Sidney Harcave, M.E. Sharpe, Armonk, N.Y., 1990, 885 pages, hardbound, \$39.95

Choosing God, Chosen by God, Conversations with Cardinal Jean-Marie Lustiger, by Dominique Wolton and Jean-Louis Missika, Ignatius Press, San Francisco, 1991, 420 pages, paperback, \$19.95

Henry Clay, Statesman for the Union, by Robert V. Remini, W.W. Norton, New York, 1991, 818 pages, hardbound, \$35

Beowulf, A New Verse Translation, by Frderick Rebsamen, HarperCollins, New York, 1991, 109 pages, hardbound, \$19

Under Fire, An American Story, by Oliver L. North with William Novak, HarperCollins, New York, 1991, 446 pages, hardbound, \$25

The Sampson Option, by Seymour Hersh, Random House, New York, 1991, 354 pages, hardbound, \$23

The Cold War, Fifty Years of Conflict, by William Hyland, Times Books/Random House, New York, 1991, 222 pages, paperback, \$12

Conspiracies, Cover-ups, and Crimes: Political Manipulation and Mind Control in America, by Jonathan Vankin, Paragon House, New York, 1991, 319 pages, hardbound, \$24.95

Little Man, Meyer Lansky and the Gangster Life, by Robert Lacey, Little, Brown and Co., Boston, 1991, 547 pages, hardbound, \$24.95

Soldiers, Statesmen, and Cold War Crises, by Richard K. Betts, Columbia University Press, New York, 1991, 326 pages, hardbound, \$45; paperback, \$16.50

The \$36 Billion Bargain: Strategy and Politics in U.S. Assistance to Israel, by A.F.K. Organski, Columbia University Press, New York, 1990, 315 pages, hardbound, \$32.50; paperback, \$15

Lingering Shadows: Jungians, Freudians, and Anti-Semitism, edited by Aryeh Maidenbaum and Stephen A. Martin, Shambhala Publications, Boston, 1991, 424 pages, hardbound, \$30

Regulating Death: Euthanasia and the Case of the Netherlands, by Carlos F. Gomez, M.D., The Free Press, New York, 1991, 172 pages, hardbound, \$19.95

The hoax of the UNDP's 'human development index'

by Linda de Hoyos

Human Development Report 1991
by U.N. Development Programme
Oxford University Press, New York, 1991
202 pages, hardbound, \$29.95; paperbound,
\$15.95

With great fanfare earlier this year, the United Nations Development Programme (UNDP) published its *Human Development Report 1991* which called for the disbursement of aid to developing countries based on a so-called Human Development Index (HDI), which purports to measure not only economic but also social parameters of "human development." The purpose of the report is to justify the notion of political and environmental conditionalities on aid and loans from the World Bank and the International Monetary Fund as a necessary feature of the "new world order" so zealously espoused by the heavyweights of the Permanent Security Council. For this reason, the report was rightly condemned by various governments of developing countries as an attempt to quash their national sovereignty.

However, the economic assumptions of the report are as ludicrous as its political assumptions.

"The real objective of development is to increase people's development choices," the report opens. The "choices" in this tautology are of course never defined. The idea that scientific and technological progress is required to both enable society to reproduce itself at a higher level, and also to provide the conditions for the fullest realization of each individual's creative capacities, is a notion absent from the report.

For that matter, the idea of economic production doesn't make it into the report either!

By refusing to address the issue of growth in the physical economy of developing nations, the United Nations Development Programme attempts to focus attention on issues of distribution—particularly of social services. The motivation is twofold. First, it is to devise more sophisticated apologias for the doctrine of "technological apartheid"—the blocking by the OECD countries, the International Monetary Fund, and the World Bank of advanced technologies and capital

goods to the underdeveloped countries. Second, with the question of technology transfer removed from the arena, the report's authors attempt to lay the blame for the genocidal looting of the developing countries upon the governments of these countries themselves.

For example, the report states: "An attempt to measure changes in human development over time (between 1970 and 1988) shows that many of the least developed countries in Africa made good progress in human development during 1970-85, even when their per capita GNP [gross national product] growth was low or negative."

Dismantling militaries

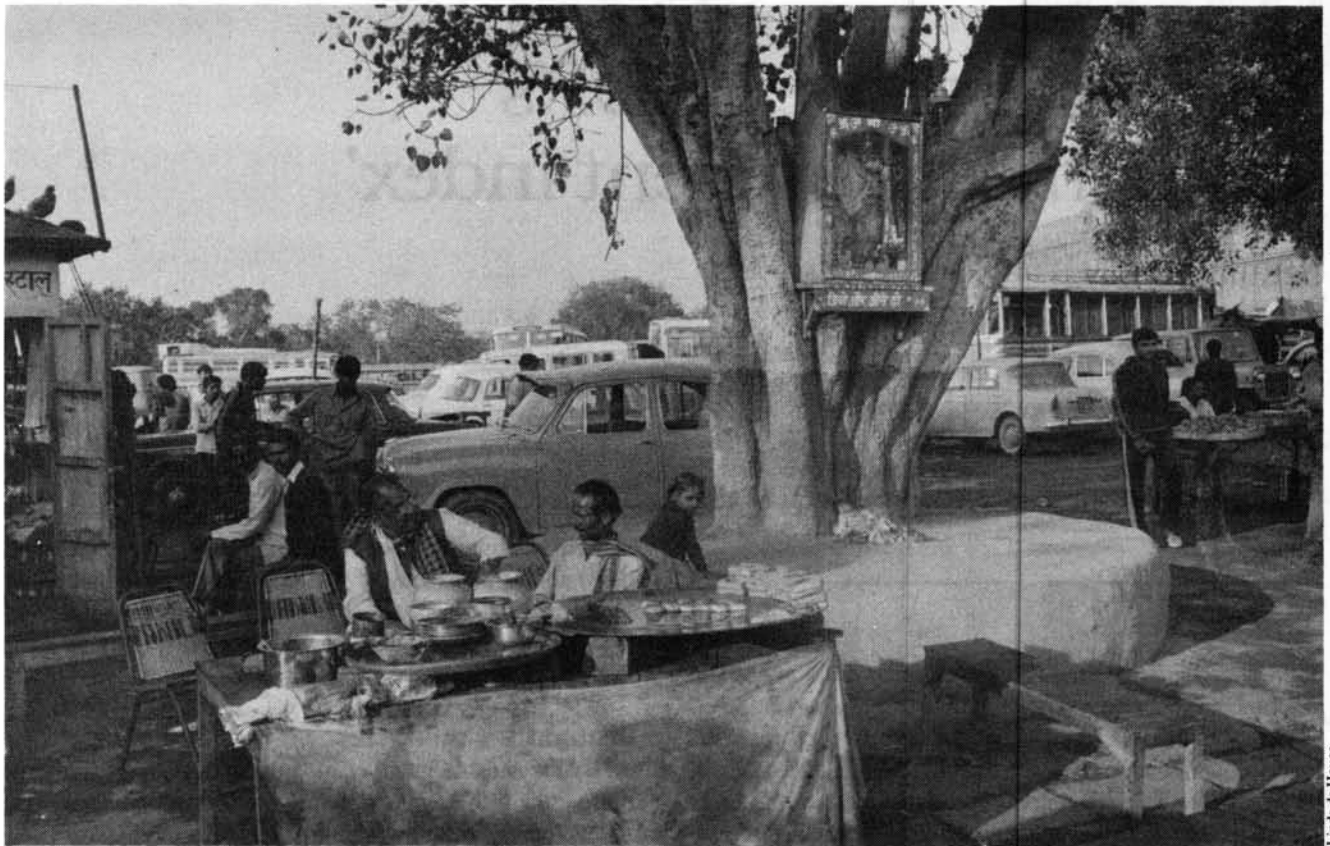
By focusing on its ratios of "human development expenditure," the U.N. report also takes aim at military spending in developing countries. "Few people seem to have noticed the speed with which military spending in developing countries has risen—three times faster than in the industrial countries over the last three decades. . . . Such spending often comes from unrepresentative regimes that invoke spurious threats to national security as a justification for just such spending. In reality, these regimes are usually more interested in using the hardware to suppress their own people."

In order to reduce military expenditure, the U.N. report proposes three measures, all of which advance the imperialist dogmas of George Bush's "new world order" and maintain a strict technological apartheid, especially given the demand from OECD governments to ban dual-use technologies—i.e., those that can be used for civilian purposes as well as military ones:

1) "Reduce military transfers from the North. . . . Concrete proposals should now be made to phase out military bases in the Third World, to convert military aid into economic aid, and to *place collective restraints on shipment of sophisticated arms to developing countries*" (emphasis added).

2) "Develop new methods of conflict resolution"—i.e., apply the methods of the Gulf war universally. "The tragedy in the Gulf demonstrates the need for much more effective methods of resolving Third World conflicts. The U.N. machinery will have to be strengthened for this purpose. . . . More cooperation between the superpowers can greatly facilitate this process."

3) "Bring arms reductions into aid dialogues. . . . If a



Linda de Hoyos

Street vendors in India selling their few, pitiful goods. Mahbub ul Haq's human development index incorporates this disguised unemployment as labor in the "service sector." According to the latest HDI, such employment reached 26.1% of the Third World labor force in 1988, while agricultural employment dropped to 61.2%.

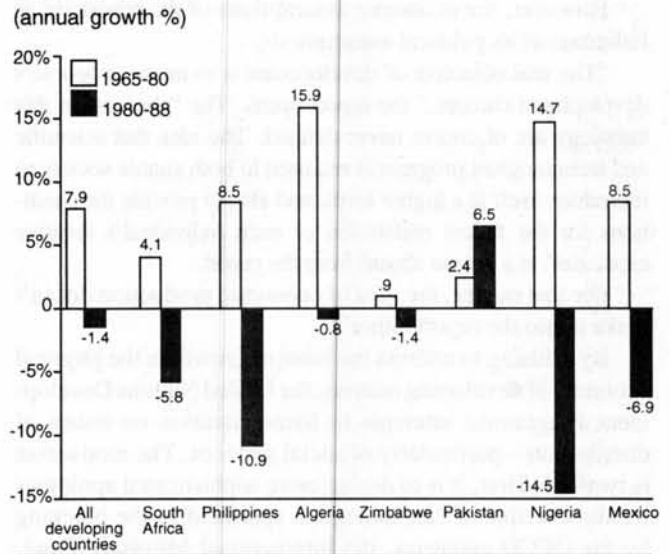
government chooses to spend more on its army than on its people, it cannot be regarded as committed to human development, and this bias should certainly count against it in aid negotiations. . . . The World Bank and the IMF would also need to ensure that their adjustment programs follow much the same principle."

The McNamara strain

The UNDP's demand to constrain military expenditure and dual-use technology transfer follows precisely the views put forward by former World Bank president and U.S. Defense Secretary Robert S. McNamara. In a paper issued in April 1991, McNamara issued a diatribe against the militaries in the developing sector and demanded that measures be taken against them, including: "U.N. Security Council guarantees of territorial integrity; tight control of the proliferation of weapons of mass destruction and the means to deliver them; and the tying of financial aid to developing countries to reductions in military expenditures."

The link between the UNDP report and McNamara's blast is not casual. The project director for the *Human Development Report* was Mahbub ul Haq, former finance minister of Pakistan and a longtime associate of McNamara's. In

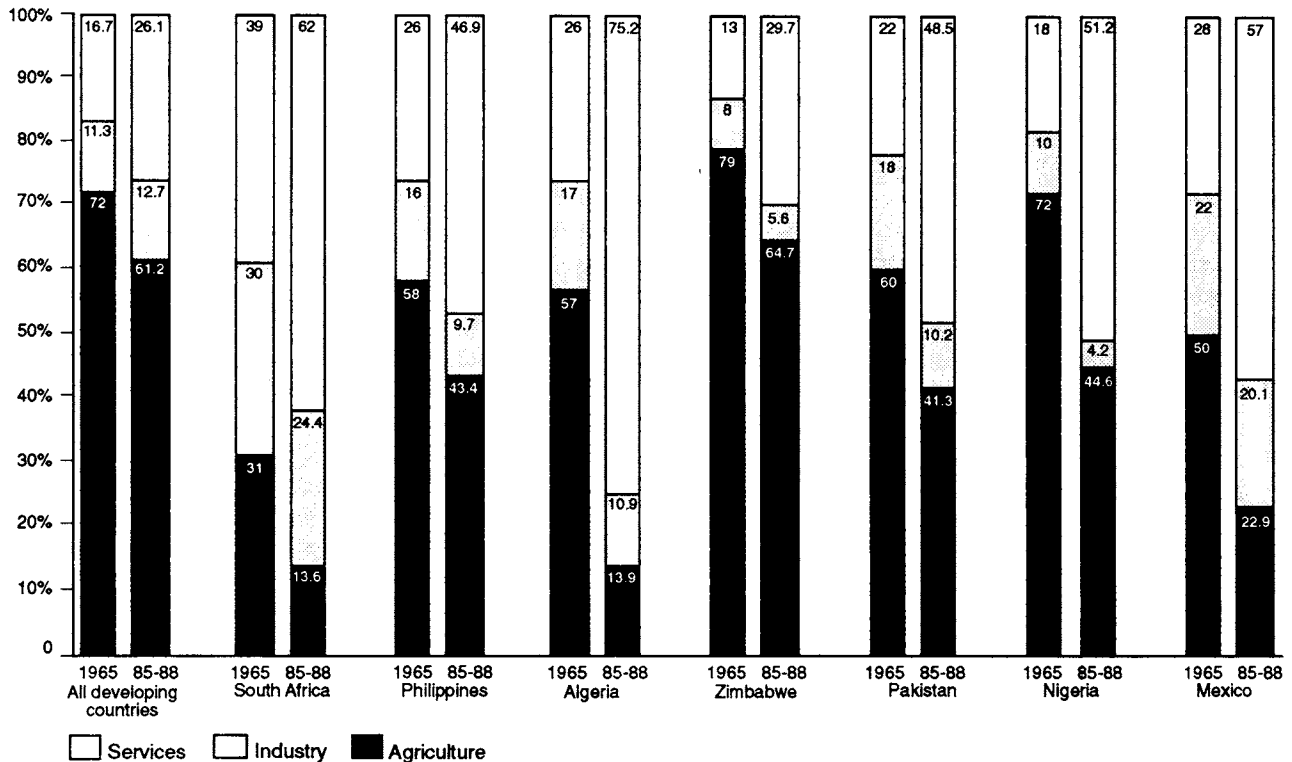
FIGURE 1
Third World domestic investment collapses during 1980's



Source: The World Bank.

FIGURE 2

The contraction of Third World productive economies and growth of the service sector
(percentage of labor force)



Source: United Nations

1971, McNamara, as president of the World Bank, brought in Haq, then planning minister in Pakistan, to serve as the bank's director of policy planning and review section.

Haq's job was to popularize the dogma that McNamara had brought into the World Bank straight from the Institute for Development Studies (IDS) in London, an offshoot of the British Fabian Society. According to this thesis, "social equity"—not economic development as such—should become the primary focus of "development strategy." Under the ideological direction of Gunnar Myrdal and Paul Streeten, the IDS had demanded that the modern industrialized nation be rejected as a model for the development of the Third World, a convenient view that quickly led to the concept of "appropriate technologies"—read "backward"—for Third World countries. Instead of concentration on economic growth and increasing productivity in agriculture and industry, the IDS crowd focused on such parameters as malnutrition, sanitation, education, and social equity to improve the lot of the "poor," without, however, raising them out of poverty.

In a speech in 1971, Haq declared that development goals should be defined as fighting malnutrition, disease, illiteracy,

unemployment, and inequalities: "Consumption planning should move to the center of the stage, production planning should be geared to it." In 1972, at the height of the Maoist Cultural Revolution in the People's Republic of China, World Bank official Haq declared that the P.R.C. was a model for developing countries:

"The developing countries have no choice but to turn inward, in much the same way as China did 23 years ago, and to adopt a different style of life, seeking a consumption pattern more consistent with their own poverty—pots and pans and bicycles and simple consumption habits—without being seduced by the lifestyles of the rich. . . ."

"Capital should not be concentrated in a small modern sector, enjoying high productivity and savings, but spread thinly over a wide segment of the economy—through public works programs if necessary and even at the risk of lowering the average productivity of labor and lowering the future rate of growth."

Thanks in large part to McNamara as president of the World Bank and his policy reviewer Haq, this anti-development dogma was imposed as the ideology of the IMF, the World

Bank, and many development planners in Third World countries. The result was, as Haq himself had predicted, economic stagnation and then collapse of Third World economies.

Growing poverty results

Figure 1 shows the degree to which actual economic growth in the developing sector has been constricted since 1965. Despite their poverty, from 1965 through 1980, underdeveloped countries were able to make a surplus which could then be plowed back into the economy, as shown by the annual growth rate of gross domestic investment. In the last 10 years, however, the economies of the underdeveloped countries overall have been contracting with a -1.4% annual growth rate for gross domestic investment. For a country like Nigeria, the contraction is acute—from a 14.7% annual growth rate of gross domestic investment in 1965-80, to a -14.5% rate in 1988.

The commensurate growth in employment in the service sector (see Figure 2) gives the lie to the assumptions behind Haq's "human development index."

For all developing countries, the percentage of the labor force employed in agriculture decreased from 72.1% in 1965 to 61.2% in 1988. This decline should represent an increase in agricultural productivity. However, for the most part, the labor thereby freed from the land did not go to industry, but into the "service sector," which rose from employing 16.7% of the labor force in 1965 to 26.1% of the labor force in 1988. This "service sector" is, in reality, disguised unemployment. A street vendor sitting on the sidewalk with his 12 cucumbers to sell for the day is hardly productively employed, but is counted as a "sales laborer" of the services sector.

In the case of Nigeria, the labor force distribution shows that the country has been deindustrialized since 1965! Industry employed 10% of the labor force in 1965 and today employs only 4.2% , while services have leapt from 18% in 1965 to 51.2% in 1988. This collapse of productive employment also helps account for the 75% decrease in per capita income suffered by Nigeria since 1980.

Or take the case of Haq's own nation of Pakistan, where he served as finance minister during the 1980s under Martial Law Administrator Zia ul-Haq. Pakistan unfortunately scores very low on the Human Development Index, ranking 120 among 160 countries, placing it in the "low Human Development Group." Yet, employment in the services sector has jumped from 22% of the labor force in 1965, to 49% in 1988. "Services" employ nearly half the labor force; yet, Pakistan's infant mortality rate is 106 out of every 1,000 babies born, with an under-five mortality rate of 162. Its adult literacy rate is a paltry 31% . The mean years of schooling for the adults over 25 years of age is 1.7 years. The 50% of the labor force involved in services is not delivering medical services or education to the population (although a look at the growth of heroin addiction in Pakistan through the 1980s might indicate they are delivering drugs!).

As the Pakistani daily *The Muslim* indicated in November 1988, "The failure of the Plan [the Sixth Five-Year Plan chalked out by Mahbub ul Haq] in the social sector has been stunning. Instead of the promised literacy rate of 48% by 1988, the nominal literacy rate has just crossed 30% and effective literacy may be just above the 10% he had spoken of earlier. And public health facilities have improved marginally, while thousands of doctors remain unemployed. For all this, the debt burden of the country, external as well as internal, has increased enormously, and domestic loans have been obtained at a high interest rate of 15% ."

In short, Mahbub ul Haq's Human Development Index is just another gimmick cooked up to convince governments of developing countries that they must forgo the "niceties" of science and technology, and the development of their nations. Without that development—through immediate technology transfer, infrastructure development, and debt moratoria as defined in the Schiller Institute's proposal for a "true Fourth Development Decade" (see *EIR*, Sept. 27), all chatter of "human development" is a cruel and genocidal hoax.

Does Mahbub ul Haq lie?

In 1988, when Benazir Bhutto became prime minister of Pakistan, Mahbub ul Haq, on his way out as finance minister in the previous caretaker government, reported that he had not signed any memorandum with the International Monetary Fund. Later, it was revealed that the IMF had provided Pakistan with a standby credit arrangement, and that a memorandum had been signed. Upon being exposed, Haq, known in Pakistan as "Mr. Pie in the Sky," said there was no conditionality attached to the IMF credit of \$1 billion. As *The Muslim* reported on Oct. 3, 1988: "The experts expressed their surprise over the Finance Minister Mahbub ul Haq's recent reported claim in which he said the IMF-IBRD [International Bank for Reconstruction and Development—the World Bank] meeting assured Pakistan a credit of \$1 billion without any conditionalities. It would be a great miracle of the century which Dr. Haq alone could perform."

In fact, conditionalities had been imposed and they were: a rise in the rate of utility services, reduction in the subsidy to agriculture, increase in irrigation charges, liberalization of import policy, and disinvestment of public sector units—hardly measures that would enhance Pakistan's "Human Development Index."

Myth of Milken as 'outsider' inside trader is shattered

by Harley Schlanger

Den of Thieves

by James B. Stewart

Simon and Schuster, New York, 1991

493 pages, hardbound, \$24.95

The recent temper tantrums of the seemingly ubiquitous lawyer and self-promoter Alan Dershowitz against the success of James Stewart's book, *Den of Thieves*, should be instructive for those trying to make sense out of Wall Street during the 1980s, the so-called Decade of Greed.

As regular readers of *EIR* are aware, Lyndon LaRouche identified the Anti-Defamation League (ADL) as a critical component of the money-laundering operations which have enabled the illegal drug trade to flourish in the United States since the 1970s. This was confirmed by the vicious reaction of the ADL to the publication in 1978 of *Dope, Inc.*, a study commissioned by LaRouche, which exposed how drug traffickers utilize the money-laundering apparatus originally devised by the gangster Meyer Lansky, which today includes top money center banks and Wall Street investment firms, to "wash" their profits and invest them "cleanly."

The ADL decreed that LaRouche is anti-Semitic, arguing that whenever he charges bankers or financiers with engaging in corrupt activity—such as drug-money laundering—he really means "Jewish bankers," and is attacking the Jewish religion. By making this absurd argument, the ADL was acting both to divert attention away from investigations of organized criminal involvement by ADL-linked bankers, lawyers and financiers in drug trafficking, and to attempt to destroy the influence of LaRouche and his organization.

To further the latter objective, the ADL poured money and personnel into the "Get LaRouche" task force, working with the FBI, the Justice Department, admitted perjurer Oliver North, NBC News, and others, to railroad LaRouche to prison, hoping to silence him.

Why Dershowitz is flailing

When Stewart's book *Den of Thieves*, which details the story of the insider trading scandal centered around Michael

Milken, received a favorable review from the *New York Times*, Dershowitz exploded. Dershowitz, who recently was hired by Milken to appeal for a sentence reduction for the jailed former junk bond king, purchased an ad in the *New York Times* to denounce the book and the review as "anti-Semitic." He accused the reviewer of being part of a "cabal" which is attacking Milken and other Jewish men on Wall Street, motivated, he claims, by anti-Semitism.

While this scurrilous attack has no merit, as will be clear to anyone who reads Stewart's book, it is noteworthy that Dershowitz has chosen this line of attack to defend Milken. Precisely as the ADL employs this method against LaRouche and his associates, Dershowitz is hoping to win sympathy for Milken by portraying him as a victim.

This is in keeping with Milken's own view of himself, as shaped by the public relations firm Robinson, Lake, which received more than \$150,000 a month from Drexel Burnham to improve his public image while the Securities and Exchange Commission (SEC) and the U.S. Attorney were closing in on him. Milken said he was the victim of "a shadow trial of systematic leaks and innuendo based upon false accusations. . . . When the truth is substituted for false accusations, I am confident that I and my colleagues will be fully vindicated."

Thanks to this thoroughly researched and well-written book by Stewart, the front-page editor of the *Wall Street Journal*, the truth is out—and it is not what Milken or Dershowitz want the public to hear.

Crime and corruption on Wall Street

From the beginning, Stewart leaves no doubt that Milken and the other three involved in the insider trading scams he focuses on—Ivan Boesky, Martin Siegel and Dennis Levine—were engaged in systematic fraud that undermined the national economy.

In the Prologue, he writes, "Even now, it is hard to grasp the magnitude and the scope of the crime that unfolded, beginning in the mid-1970s, in the nation's markets and financial institutions. It dwarfs any comparable financial crime, from the Great Train Robbery to the stock manipulation schemes that gave rise to the nation's securities laws in the first place. The magnitude of the illegal gains was so large

as to be incomprehensible to most layman.”

While documenting in detail the dirty operations run by Milken, et. al., he does not exclude placing blame on the system which spawned them. “Financial crime was commonplace on Wall Street in the eighties. . . . The code of silence that allowed crime to take root and flourish on Wall Street, even within some of the richest and most respected institutions, continues to protect many of the guilty.”

Stewart takes the reader on a fascinating journey through the 1980s on Wall Street. Along the way, one discovers the bizarre world of the arbitrageurs, inhabited by strange characters like Boesky, who told graduates at the University of California’s commencement in May 1986, “Greed is all right. . . . I think greed is healthy. You can be greedy and still feel good about yourself.” For the “arbs,” who usually make money on the thinnest of margins, the highest return on investments comes from advance knowledge of which stocks are being targeted for takeovers.

Though this is illegal, Boesky made a fortune from a network of informants, which included Martin Siegel of Kidder Peabody, and later Drexel. For example, from the inside information provided by Siegel about the takeover battle for Getty Oil, Boesky made \$50 million. For tips like this, Boesky paid off Siegel with briefcases full of cash, handed off at drop sites near phone booths and in building lobbies.

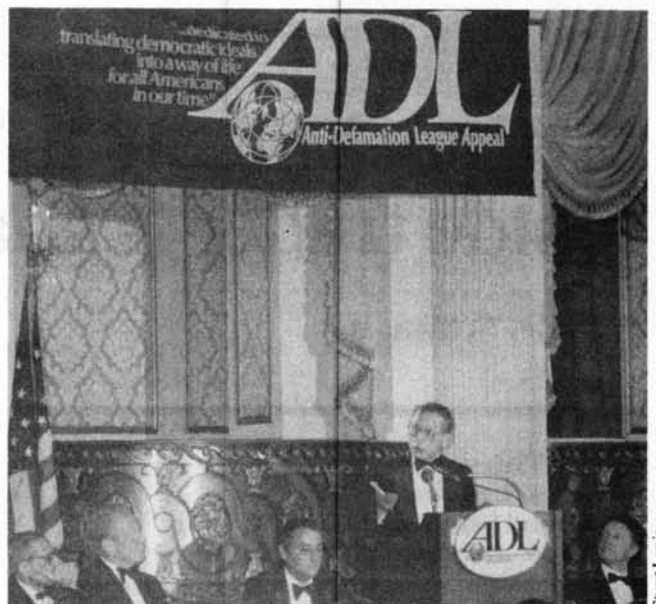
Protection rackets and hookers

Often, the vignettes offered by Stewart of Wall Street in the 1980s are suggestive of gangsters during the Roaring Twenties in Chicago. For example, he provides insight into the symbiotic relationship of the two lawyers who dominate the takeover game, Joseph Flom of Skadden, Arps (a firm with many important links to the ADL, which includes former ADL chairman Kenneth Bialkin, among its lawyers) and Martin Lipton of Wachtell, Lipton. If a corporation wished to protect itself from a hostile takeover, it was mandatory to have either Flom or Lipton on retainer, for a substantial fee. Stewart characterized hiring their firms as “more like an insurance policy.”

Among the more colorful characters around Milken was Donny Engel, a controversial figure within Drexel, but one who was indispensable to Milken in finding new clients. His profile of an “ideal raider-client” who could be armed with funds by Milken was someone who was “short, unhappily married, and insecure.” Engel, who was known around Drexel as “the Prince of Schlock” and the “house pimp,” once explained to new Drexel banking associates how to generate new business by saying, “Corporate America likes women. Find a hooker and you’ll find a client.”

Or take the statement by Milken, as reported by his chief trader in his Beverly Hills, California office, Warren Trepp, who bragged about the “muscle” he had through liberal use of high-yield (junk bond) funding:

“We’re going to tee up [for takeovers—HS] GM, Ford,



The late Nathan Perlmutter addressing an ADL dinner. The Anti-Defamation League was founded to defend organized crime gangsters, by slandering their opponents as “anti-Semitic.” This is the tack taken by Michael Milken’s attorney Alan Dershowitz against Den of Thieves.

and IBM, and make them cringe.”

Milken clearly believed that he was invincible. By 1986, when he achieved the height of his powers, able to raise over \$3 billion in a week through junk bond sales, he told the *Washington Post*, “The force in this country buying high-yield securities has overpowered all regulation.”

It seemed there was no stopping Milken. When he teamed up with Kohlberg, Kravis and Roberts to take over Beatrice Foods in the largest deal up to that time, it “established KKR as the premier leveraged buyout force in the country, a name to be feared.” However, as the deals got bigger, the illegal actions grew. Stewart says that Beatrice was “a deal shot through with illegal and questionable behavior.”

This illegality escalated further, as Milken brought Boesky in on takeovers. Their collaborative efforts, says Stewart, “were practically a catalogue of securities crimes, starting with insider trading, and including false public disclosures, tax fraud, and market manipulation, as well as a slew of more technical crimes. What was breathtaking about the scheme . . . was how the crimes meshed to achieve ends more ambitious than anything even contemplated by the drafters of the securities laws. The crimes were mere way stations toward outcomes, such as hostile takeovers, that were, on their face, perfectly legal.”

Using this cover of legality, the hostile takeovers provided the biggest paydays yet. In the takeover of Storer Broadcasting, Kidder Peabody received \$7 million in fees for Siegel’s work, while Drexel raked in \$50 million. In addition, Milken gained equity interests in the future KKR-led Storer, which he then placed into partnerships for himself,

his family and others in his department, without the knowledge of KKR, or the chief operating officer of Drexel.

In 1986, Milken's high-yield department received \$700 million from Drexel, of which Milken gave \$150 million to others in bonuses, keeping \$550 million for himself!

The fall of Milken

But this was not enough for Milken. In the Beatrice deal, he convinced KKR to issue Beatrice warrants to entice Drexel clients to buy more junk bonds. (A warrant gives the bearer the right to buy Beatrice stock at a low price.) When KKR issued the warrants, Stewart says that Milken did not offer them to clients, but kept them for Drexel, "lodging the bulk of them in his and his family's partnerships." Purchased for 25¢ each, they represented the right ultimately to acquire over 22% of Beatrice—worth more than \$650 million!

He engaged in many other breaches of the law, often at the expense of Drexel's clients, often with the ever-pliable Boesky. In another of these scams which fleeced unsuspecting Drexel clients, Milken bought back securities from Drexel clients at low prices, which he could do because many of the securities he dealt in were unlisted, so their holders did not know their true value. He then sold them to Boesky for a slight profit. Boesky would then resell them to Drexel at a higher price; then Drexel would resell them to their clients at still higher prices!

Milken also arranged trades for Boesky which generated artificial tax losses for him, enabling him to cheat the taxpayers.

Stewart reports that when then-U.S. Attorney for New York Rudolph Giuliani appointed Bruce Baird, who had previously headed the narcotics division and the criminal division in the New York office, to head the securities fraud division, Baird was "struck by the similarities between the insider-trading investigations and the mafia cases he'd worked on. Like organized crime, the Wall Street suspects prized silence and loyalty over any duty to tell the truth."

On Sept. 17, 1986, with pressure building from ongoing investigations, Boesky turned himself in, becoming an undercover agent for the Department of Justice. After intensive interrogation, the prosecutors soon came to realize that Boesky was not a major player: "Boesky was second tier. He'd depended on Milken and Drexel."

Armed with leads provided by Boesky, the Feds closed in on Milken. On March 30, 1989, Milken was indicted on 98 counts. Much of the remainder of Stewart's narrative focuses on the steady march to trial. The only suspense is whether Milken will hold out for his day in court, and whether Drexel could survive without him.

Drexel fell first. On Feb. 13, 1990, the firm, which had been the most powerful force throughout the 1980s, filed for bankruptcy protection; one week later, Milken pleaded guilty to six felonies. He entered the federal prison in Pleasanton, California in March 1991, to begin serving his 10-year term.

Milken's real crimes

Stewart reports that Milken is unrepentant, telling friends "he no longer believes he did anything wrong." After reaching this conclusion (it is unlikely that he ever believed otherwise), Milken hired Dershowitz to fight for a reduction of his sentence.

The only weakness in Stewart's book is that he fails to draw the conclusions of the actions of Milken and his allies. Stewart does accomplish what he set out to do, as he defined it in his Prologue: "In an era that purported to glorify free-market capitalism, this story shows how the nation's financial markets were in fact corrupted from within, subverted for criminal purposes." Yet, he does not go far enough, especially since it is likely that Dershowitz and other apologists for Milken are likely to sustain an offensive for his exoneration.

For example, among the most loyal of his apologists are the editors of the *Wall Street Journal*. In an editorial on Nov. 5, 1991, they sounded the trumpets to call the faithful into battle, to resurrect the go-go eighties. Expressing concern about the sluggish showing of the "Bush recovery," they say that "Americans miss Ronald Reagan's '80s. . . . The fact remains that the 1980s made a deep imprint on the lives of most Americans. People felt they were benefiting—or would have the opportunity to benefit and better themselves."

This mythology could have been put to rest by extending this otherwise meritorious volume. The myth of the Reagan years as an era of "democratization of capital," as the time when the "playing field was leveled" so that the "outsiders," i.e., the raiders backed by Milken, could challenge the "entrenched interests" of corporate America, creating "new industries," and other similar clichés, must be demolished.

Billions of dollars in fees were made illegally by Milken and his ilk, as they bilked the shareholders who trusted them and the U.S. government through tax fraud. They have taken pension funds from reliable, long-term investments, risking them on hostile takeovers while skimming cash off the top. They saddled U.S. corporations with hundreds of billions of dollars in new, largely uncollectible debt, which led to a collapse in investment in R&D, new plant and equipment, and repair of the old physical plant. This put hundreds of thousands, if not millions of people out of work, and virtually shut down many older American industrial towns.

The chief benefactors of the "Milken revolution," the "new entrepreneurs" who are lionized by fawning *Wall Street Journal* editorialists and Chicago school ideologues, are a sleazy bunch of speculators, many of whom, like Meshulam Riklis, Victor Posner, and Carl Lindner, have close ties to the remnants of the organized crime networks of Meyer Lansky and Kid Cann, which were protected by the Anti-Defamation League. They have made billions, at the expense of the American people.

It is therefore not surprising that Alan Dershowitz would borrow the "anti-Semitism defense" from the ADL in his quest to rehabilitate Michael Milken.

LaRouche in '92 campaign files for matching funds

by H. Graham Lowry

With the reverberations of the Nov. 15 stock market crash still ringing in George Bush's ears, Lyndon LaRouche's presidential campaign filed for federal matching funds on Nov. 18. If Bush had any real power of imagination, he might now hear the strains of "The World Turned Upside Down," the tune played by the British Army on surrendering to George Washington at Yorktown.

As one of LaRouche's campaign posters reads, he is the only political opponent whom Bush feared enough to put in prison. LaRouche is running for President from the Federal Detention Center in Rochester, Minnesota, where he is serving a 15-year sentence as the victim of what legal experts around the world have described as the biggest frameup of the 20th century. Now, in meeting the test of the Federal Election Commission (FEC) to qualify as a presidential candidate with demonstrable national support, LaRouche's voice will be widely heard, as the only candidate with effective solutions to the worst economic crisis of this century.

Prior to LaRouche's filing, only two candidates had qualified for federal matching funds. To receive the funds, the FEC requires that the candidate raise \$5,000 in each of 20 states, in amounts of \$250 or less from each contributor. LaRouche's Democratic primary campaign committee, Democrats for Economic Recovery—LaRouche in '92, has already met the requirement in 22 states, and has raised \$6,000 or more in 20 of them. Nationwide, more than 1,000 supporters, from 45 states plus Puerto Rico and the District of Columbia, have contributed roughly \$250,000 to the campaign so far.

National campaign spokesman Debra Freeman said, when LaRouche's filing was submitted, "In the past, the FEC has used frivolous bureaucratic techniques, investigations, and outright harassment to slow down the process of certi-

fying different campaigns for matching funds. . . . We hope that the FEC will not use such politically motivated tactics this time around."

Campaign blitz of 7 million leaflets

Beginning Nov. 21, the LaRouche campaign set off a political shockwave across the United States, in a simultaneous mobilization of thousands of supporters to distribute 7 million leaflets over a four-day span. Headlined "We Are Going to Save the People and the Nation!" LaRouche's campaign statement outlines the measures required for real economic recovery.

"Number one," LaRouche says, "what we are going to have to do—and you have to have a President who understands it, which no Democratic candidate except myself does—is to declare a national emergency. . . . We are going to nationalize the Federal Reserve, and establish in fact a U.S. National Bank of the type we had under George Washington, and under Presidents James Monroe and John Quincy Adams. This bank is going to issue—with the backing of a Congress terrified by the impact of the depression—credit for massive water projects, massive power development projects, production and distribution, massive transportation improvements, and the general fostering of capital-intensive, power-intensive investment in scientific and technological progress in production by agriculture, by mining, and by industry generally.

"We are going to organize the biggest recovery operation in history, not because we have big egos, but because we have big needs, we have a big U.S. economy in shambles to save, a lot of unemployed and immiserated people, a lot of debts to pay which we cannot at present pay, and responsibilities as a world power to get this planet in order.

“Now, people who aren’t willing to do that, who aren’t willing to bite that bullet, just aren’t in the world of reality.”

LaRouche’s growing influence

While George Bush floats off in a world he claims has entered “a new era of prosperity,” the power of LaRouche’s unique competence and accurate assessments, especially concerning the economic crisis, continues to grow. Responding to the 120-point plunge in the New York stock market Nov. 15, LaRouche recalled in a campaign statement, “I forecast the October 1987 stock market collapse in the spring of 1987. In 1989, in the spring and early summer, I forecast the probability of another financial crack affecting the stock markets to occur at the beginning of the fourth quarter that year, that is the October-early November period.

“This year, in 1991, in the spring and summer, I forecast that we were looking for, first, another October-November period financial crisis coming out of the banking and real estate problems; and later over the course of the summer, I predicted that we would look for the financial crisis probably in the second half of November, because the Bush administration had the means, and would undoubtedly use them, to try to delay the financial crisis by an additional month—and that is essentially what happened.”

While Bush and his minions resort to desperate interventions and chicanery to maintain the chimera of the Dow Jones index, LaRouche continues to zero in on the reality of the crisis. Commenting on “the Great Mudslide of 1991,” LaRouche said Nov. 19: “Yes, the financial markets are collapsing. When Wall Street stock exchanges collapse—and they may be collapsed by the time you hear this—is not really important. The point is, the nation’s financial system—not its stock market—its financial systems are collapsing; and under those conditions, sooner or later, even the stock exchanges have to take note of that reality.

“But so far, the stock exchanges may be taking note of reality, which is rather unusual for them, but George Bush is clinging to his belief in the recovery. This economy, right now, under George Bush, has less chance of recovery than Dracula does tonight at midnight.”

Rivals offer austerity—and worse

The other declared Democratic presidential candidates, LaRouche observes, have all proposed “worse medicine than the sickness.”

In his mass-distributed campaign leaflet, LaRouche states, “I have watched carefully the general character of the policies, rather than the rhetoric, of a number of people who have followed me in enlisting themselves as candidates for the 1992 Democratic presidential nomination, and potential candidate New York Gov. Mario Cuomo. So far what they are saying is entirely a disaster from the standpoint of reality. They are all going toward one form or another of fascism, a kind of reform of the system presented in sugar-coated rheto-

ric, but which is nothing but fascist austerity to save a bankrupt financial system. None of them has so far grasped what must be done.”

Governor Cuomo recently demonstrated that he could butcher the economy with the best of them. In a now-familiar ritual enacted nearly every week in one state capital or another, Cuomo announced Nov. 19 that New York’s projected deficit for fiscal 1992 has doubled, from \$1.8 billion to \$3.6 billion. The new estimate, based on a continuing collapse in tax revenues, amounts to more than 10% of the state budget. Just three weeks before, Cuomo had unveiled an additional \$689 million deficit in the 1991 budget, with only four months left to run. With Mario at the helm, New York State has lost more than 200,000 jobs over the last 12 months.

Cuomo, who has already ordered a special session of the legislature to deal with the current deficit, announced that he *welcomed* the grim news on the 1992 projection, because it would help him bludgeon the legislature into approving additional budget cuts. “It makes it easier,” Cuomo told a press conference Nov. 19. “It means the stress will be greater, the pain will be greater, the cuts will be worse; but you can’t improve that by doling out the bad news in two steps.”

A political tinderbox

The bad news for Cuomo and his fellow austerity pushers is that the victims are showing signs that they have had enough. Harris Wofford’s stunning upset of Richard Thornburgh in Pennsylvania’s Nov. 5 U.S. Senate race was a clear message to that effect—and an explicit rejection of Bush’s policies as well. The unusually active role of organized labor in determining the outcome also sent a message to the Democratic presidential field, and gave further indication of LaRouche’s electoral potential.

The budget-cutters are on a course of inevitable confrontation with an increasingly hostile electorate. Connecticut Gov. Lowell Weicker, whose austerity measures have provoked the largest political demonstrations in the history of the state, remains on a collision course with the state employee unions, as he demands further wage and benefit cuts—and furloughs those who resist without pay. Union leaders have sued the state to stop the cutbacks and unpaid furloughs, citing state labor laws and court precedents prohibiting the use of such measures as coercive tactics.

On Nov. 20, Weicker announced an additional \$175 million budget deficit, and proposed more furloughs and further cuts in aid.

In California, two state employee unions announced Nov. 7 that they are filing suit to stop Gov. Pete Wilson’s unilateral 5% reduction of wages and benefits, while the largest of them all, the 75,000-member California State Employees Association, announced that it would send out strike ballots in December. The CSEA is seeking authorization for job actions in January if Governor Wilson proceeds with more cuts. Wilson is demanding a cool \$351 million in union givebacks.

Is Bush preparing war on Libya?

by Joseph Brewda

Four days prior to the unexpected release of two British and American hostages in Lebanon on Nov. 18, the U.S. Justice Department suddenly issued indictments against two purported Libyan intelligence officials for the bombing of a Pan American jet over Lockerbie, Scotland in 1988. A total of 270 people, including the plane's passengers and crew as well as 11 people on the ground, were killed. The indictment, for which there is no compelling public evidence, in effect exonerates Syria and Iran, two states which had been previously tied to the incident by investigators from several nations. Prior to mid-November, Libya had not even been publicly considered as a possible subject.

"Syria has taken a bum rap on this," Bush told the press on Nov. 14, when announcing the indictments. He would give no reasons why he could say this, and even the normally compliant media have been skeptical, with the London *Financial Times*, for example, linking the exoneration to a Mideast peace-conference deal. Roughly two weeks earlier the French had issued an arrest warrant for four other Libyans, including Col. Muammar Qaddafi's brother-in-law, for supposedly bombing a French commercial jet over Niger in 1989. Simultaneously, the establishment media have resurfaced the old scare stories that Libya is building a poison gas plant.

A cynical deal?

Only a week before the indictments, diplomats in Beirut were telling the world press that the possibility of a near-term hostage release by the Iranian and Syrian organizations holding the seven remaining western hostages was remote, especially while the Arab-Israeli peace talks were going on. Three days after the indictment, and on the eve of the release, the *Teheran Times* "predicted" the imminent release of Church of England envoy Terry Waite (also known to be a British intelligence official) and an American—who turned out to be Beirut academic Thomas Sutherland. Following their release, U.S. and British spokesmen have predicted that the five remaining hostages will all be released by Christmas, as part of the comprehensive package deal made possible by the Gulf war.

In its response to the indictments, Libyan government TV accused the U.S. of making it a "scapegoat in the deal

to release the western hostages," and termed the charges a "serious lie." The Libyan media have also noted the coincidence of the charges with the collapse of the U.S. stock market and have said the charges are meant to "divert attention" from America's economic ills.

France and the U.S. have no extradition treaty with Libya, and the U.S. and Libya no diplomatic relations at all. Libya has proposed trying the accused before the World Court of Justice in The Hague, but the U.S. has already let be known that it will reject this offered compromise, and is deliberately pushing the crisis.

Part of the context may be the ongoing Bush-initiated Mideast peace talks, which Libya opposes. The talks may lead to a separate Israeli-Syrian peace, with Syria regaining the Israeli-occupied Golan Heights. Earlier, Bush forked over most of Lebanon to Syrian President Hafez al-Assad, and allowed him to exterminate the Lebanese opposition, as his reward for assistance in the Gulf war.

Bombs away

White House spokesman Marlin Fitzwater has already reported that Bush will be "consulting" with British Prime Minister John Major and "other world leaders," to "fashion together a cooperative response." National Security Adviser Brent Scowcroft, it is said, has been detailed to put together a new coalition modeled on that assembled against Iraq.

Unidentified U.S. officials have been quoted in the U.S. media saying that a world embargo of Libyan oil exports and a boycott of commercial air flights to and from Libya are among the moves being considered. Other escalating diplomatic and economic measures, possibly under U.N. Security Council aegis, are reportedly being considered, preparatory to military action. Kidnaping the two alleged terrorists is even being discussed. The newly appointed U.S. Attorney General, William Barr, had earlier issued the legal opinion authorizing the 1989 invasion of Panama in order to bring Gen. Manuel Noriega to trial.

That Bush is contemplating military action, among other extra-legal operations against Libya, is already being indicated. "Hmmm," Bush grunted, and smirked, when asked if military action were being considered, on the day that the indictments were issued. In an address before a U.S. newspaper publishers meeting in Florida on Nov. 19, Bush was more explicit. "We've not ruled any option in or out," he said. "We've been looking at possible responses beyond seeking to bring the accused two to trial." Bush also said that he would ensure that any "prudent decision" he makes on retaliation has the support of the American people. He used identical phraseology prior to the war against Iraq.

Regional observers note that the same sort of language and charges were leveled in 1986 prior to the U.S. bombing raid on Qaddafi's home which killed his adopted daughter. At that time, Ronald Reagan cited alleged Libyan responsibility for a terrorist bombing in Berlin as the justification.

ADL pushes race war, targets nationalism

by Joseph Brewda

"Educated blacks are the worst anti-Semitic group in the U.S.," the speaker claimed, "and blacks overall have been the most anti-Semitic group since slavery." The speaker, Prof. Leonard Dinnerstein, was addressing an international conference convened by the Anti-Defamation League of B'nai B'rith. The conference, held Nov. 3-4 in Montreal, Canada, was devoted to combatting "worldwide anti-Semitism," which the group claimed was resurgent and deadly.

U.S. blacks and the newly emerging nations of eastern Europe were the identified targets.

Dinnerstein's thesis, which was supported by others on the podium and in the audience, was that American blacks learned their anti-Semitism from their slave masters, much as Israeli Prime Minister Yitzhak Shamir said that Poles imbibe their anti-Semitism "with their mother's milk." The founders of the NAACP were anti-Semitic, Dinnerstein claimed, as were such black leaders as Booker T. Washington, Ralph Bunche, and W.E.B. Du Bois.

The upshot of the provocative remarks, as elaborated by other speakers, was that the black-Jewish alliance which has been so important to many Democratic party urban machines, especially in the northeast, was no longer either possible or even desirable. Much attention was paid to Brooklyn, where race riot operatives on both sides provoked the stabbing of a Jew after another Jew had driven over a black boy last summer. The campuses are infested with anti-Semitism, it was said, especially among students from ethnic communities which typically vote Democratic.

Imprisoned Democratic presidential contender Lyndon LaRouche was also denounced from the podium. "I can think of no better reason for the existence of the ADL than stopping LaRouche," ADL vice chairman Joel Sprayreger said.

Doing it for George

Ever since the ADL split with the rest of the American Jewish community in 1982 to absurdly claim that the Nicaraguan Sandinistas were anti-Semitic—at a time when the Reagan-Bush administration was lobbying for increased Nicaraguan Contra funding—questions began to be raised about the nature of the ADL's relationship to the White House. This curiosity increased when several ADL officers began hooking up with the administration's "Project Democracy"—its propaganda and dirty tricks arm. In 1988, ADL

national chairman Abe Foxman reported that the ADL and Bush were "going steady."

"Abe and the rest of the leadership insist on supporting Bush," one incensed ADL activist confided to this writer, "they think he's another Franklin Roosevelt." Minutes earlier, Foxman had leapt to the podium to defend Bush, after Bush was denounced from the floor for his October complaints about the power of the U.S. Zionist lobby. "Anyone can make a mistake," Foxman said, while some in the audience grumbled.

Although both the U.S. establishment and Israeli press claim that there is an increasing conflict, even a showdown, between the Zionist lobby and the Bush administration, such was not in evidence here, and the ADL is unquestionably the most powerful nominally Jewish organization in the United States.

Eastern Europe is the enemy

The other big bugbear for the ADL was the global threat of nationalism, particularly in eastern Europe.

According to speaker after speaker, eastern European nationalism is inherently anti-Semitic. The death of communism means the rise of anti-Semitism, it was claimed. This line goes back to at least 1989, when ADL-linked propagandists began claiming that the Lithuanian nationalists led by President Vytautas Landsbergis, who recently won their independence, are pro-Nazi. The "Nazi-hunting" Office of Special Investigations of the Reagan and Bush Justice departments has also insisted that anti-communism among eastern Europeans is evidence of fascism.

"Fascists are in the rise in Romania," Romanian Chief Rabbi Moshe Rosen told the audience. "Anti-Semitism is obvious and visible throughout the Soviet Union," said Moscow-based professor Mikhail Chlenov. Chlenov's VAAD—the Confederation of Jewish Communities in the U.S.S.R.—signed an agreement with the ADL to combat anti-Semitism in eastern Europe last year. Rosen has worked with the ADL for decades. For both men (and for Bush and Shamir) the solution is *aliyah*—Jewish emigration to Israel.

The anti-nationalist theme had been central to Bush's September address to the United Nations where the President proclaimed the advent of Pax Universalis—an imperial "peace" dependent on suppressing nation-states.

In order to combat this growing dire threat, the ADL has been opening up chapters throughout eastern Europe, Daniel Mariachin reports. Mariachin oversees ADL eastern European operations. Just last week, the ADL opened up an office in strongly Catholic Bratislava, Slovakia—the "belly of the beast"—he said. The problem, Mariachin said, is that the new eastern European governments are not "proactive"—Washington jargon for "preemptive" in dealing with the threat. What's more, he claimed, eastern Europeans have no tradition of democracy. He learned all this, he said, from "my old boss, [Reagan-Bush Secretary of State] Al Haig."

Virginia top court blatantly corrupt

In a naked display of corruption, the Virginia Supreme Court has flouted an order of the U.S. Supreme Court to issue a tax refund to state military and federal retirees. In a second case, the Court—all seven of its members appointees of the Democrat-controlled state legislature—reversed its own 6-1 decision of six months ago and allowed local politicians to float tax-guaranteed bonds which had been *rejected by voters by a 4-1 margin*.

These blatantly political actions by the justices of Virginia's highest court have set the state on its ear. Newspapers, pensioners, and taxpayers are charging that Virginia's politically appointed justices are, in effect, just Democratic Party hacks in black robes.

On Nov. 18, Rochelle Ascher, an associate of Lyndon LaRouche, appealed Virginia Attorney General Mary Sue Terry's political prosecution of her to this same Virginia Supreme Court, which is Ascher's only remaining legal address in the state. The Supreme Court justices are aware that the prosecution of LaRouche's associates has been the bragging piece of Terry's campaign for governor, in flagrant violation of the U.S. Constitution's requirement of a fair and impartial prosecutor. With the Court's willingness to make political decisions at Terry's demand, the fate of Ascher's appeal may have been decided before she filed.

The citizens of Pennsylvania finally got fed up with this kind of corruption, and defeated George Bush's former Attorney General, Richard Thornburgh, in his race for U.S. Senate Nov. 5. It is to be hoped that the people of Virginia will do likewise before an innocent woman is sent to prison.

Political decisions

In 1989, the U.S. Supreme Court ruled in *Michigan v. Davis* that states could not tax federal pensions while exempting state pensions. In March 1991, some 200,000 retired military and federal employees in Virginia brought suit to the Virginia Supreme Court for a \$453 million refund. The court refused.

In June 1991, the U.S. Supreme Court vacated the Virginia Supreme Court's decision and sent the case back with a "warning" to read the U.S. Supreme Court's decision in *Beam v. Georgia*: An unconstitutional tax must be remedied retroactively.

On Nov. 8, the Virginia Court decided 7-0 to ignore the U.S. Supreme Court, and refused to refund the taxes it had been charging the retired soldiers and federal workers.

The Virginia Supreme Court's decision was based on politics, not law. Virginia is now broke, and a \$453 million refund would destroy Terry's campaign for governor, and Gov. Doug Wilder's campaign for President.

Virginia is virtually unique in the United States in not allowing the citizenry to elect its justices; instead, it appoints them through the state legislature. This is compounded by the fact that the Democrats have exercised one-party rule in the state for 100 years.

Two of the current seven Supreme Court justices got their appointments *immediately after helping Mary Sue Terry's malicious political vendetta against the LaRouche movement*. Barbara Keenan was appointed while heading the Appeals Court panel which denied Rochelle Ascher's appeal. Elizabeth Lacy got her appointment after declaring, as State Corporation Commissioner, that loans raised by the LaRouche political movement were "unregistered securities"—unlike those raised by Terry's friends.

FBI documents released in October 1991 show how much the "Get LaRouche" vendetta shapes Terry's demands. The FBI officials stated that Terry was so obsessed with taking credit, "for politically motivated reasons," for the 1986 massive raid on LaRouche-related publishing offices in Leesburg, Virginia, that FBI and Justice Department officials feared a successful prosecution would be jeopardized.

Bowing to political pressure

In 1990, Virginia voters rejected by a 4-1 margin a ballot initiative that would have allowed localities to float bonds to be repaid with future tax revenue. In April 1991, the Virginia Supreme Court in a 6-1 decision, called the attempt to do so by a so-called Northern Virginia Transportation District, a mere "subterfuge."

But on Nov. 8, "After coming under heavy pressure from Attorney General Mary Sue Terry, Gov. L. Douglas Wilder . . . bankers, bond lawyers, and other political hacks and money changers," according to the *Richmond Times-Dispatch*, "the court reversed itself, 4-3."

"The court heard not a scrap of new evidence," the *Times-Dispatch* said. Justice Lacy, Terry's old friend from the LaRouche "securities" case, wrote that no legal debt was created because the localities could just default! Terry announced that she was "very pleased."

The corruption of the Virginia Supreme Court had already been demonstrated in the LaRouche prosecutions. The Virginia Supreme Court refused to remove Judge Clifford Weckstein as the trial judge for LaRouche associates in 1990. The decision was made although Weckstein had been forced to release letters in which he had initiated a correspondence with the Anti-Defamation League of B'nai B'rith about the LaRouche prosecutions—while he was hearing those cases! The Virginia Supreme Court appointed Weckstein to preside over all the LaRouche cases save one. Terry's office has worked openly with the ADL on the LaRouche prosecutions.

Coalition proposes malthusian 'reform'

by Linda Everett

A powerful alliance of unions, major corporations, and education and consumer groups, along with former Presidents Jimmy Carter and Gerald Ford, has unveiled a sweeping proposal for national health care reform. The only problem is, the proposal will deny patients treatment which seems to cost too much.

At a Nov. 12 press conference, representatives of the National Leadership Coalition for Health Care Reform, including coalition president Dr. Henry Simmons, proposed an overhaul of the nation's health care system, and offered a universal health care plan which, coalition representatives said, would begin to control costs immediately by setting overall spending targets, standardizing payment rates, reforming malpractice tort law, and developing national practice guidelines.

Coalition member Walter Williams, chairman and chief executive officer of Bethlehem Steel, complained that various "managed" health care programs and competitive "market place forces" have not controlled costs. He reported that managed care programs at Bethlehem had failed to stop a 26% increase of costs between 1989 and 1990.

The coalition offers what it calls the most comprehensive plan of all, which assures everyone access to health care, through private health insurance or the coalition's "Pro-Health" plan. Pro-Health would assume the acute care portion of Medicaid, the federal program that provides health care for the poor and disabled.

Under this new plan, employers would have two options, generally known as "pay or play"—they would either provide private insurance for their workers, or offer workers Pro-Health and pay a payroll tax of 7%, matched by an employee payment of 1.7% to cover costs.

The proposal is designed to be attractive to coalition corporate members like Chrysler, Ford, W.R. Grace, Weyerhaeuser, Nynex, and major steel, food, utility, and paper businesses; these groups say they have been "devastated" by "cost-shifting"—the practice whereby physicians and hospitals make up losses from uninsured patients by increasing billings to insured patients.

The worst aspect of the proposal is the coalition's willingness to gut health care expenditures, no matter what the cost to human life. The coalition says it will cut health care costs

by more than \$600 billion a year by the end of the decade, by setting an artificial annual cap on health care expenditures for both the private and public sectors. A National Health Review Board would aim to reduce the rate of growth in health care spending by 2% each year, until it matches the rate of growth in the GNP; and that's a tough scenario as, demographically, the American population is aging.

After thus reducing health care outlay, the coalition's plan would keep total health care spending equal to, or less than, GNP growth.

Not much interest in human life

Translated, this means that, while the plan says everybody is guaranteed health care, the only care you're actually allowed under this malthusian medical policy is that which fits the parameters of our collapsing economy.

Presumably, coalition members are well aware that our uninsured citizens also tend to be our sickest citizens; that the fastest-growing age group in this country is that of Americans over 85; and that epidemics like AIDS and untreated tuberculosis are now sweeping the country. Yet the coalition says it can carve out enormous savings by having a National Health Review Board establish annual payment rates for hospitals and doctors for services. These rates will be set at levels calculated to yield overall health care spending *within* the annual expenditure target, and nothing more.

The coalition hopes to save billions by devising uniform claims forms and electronic billing proposals and by cutting out all the alleged waste, in which are included "unnecessary" procedures and "redundant" technology. Organized Delivery Systems will allegedly cut costs by having a single provider deliver a wide variety of services, from outpatient to long-term care. For profits, the private ODS operators "would compete on their ability to manage effectively and efficiently"—as in the disastrous managed care programs, where the focus shifts from medical care to preoccupation with profits.

Dumping the doctors

Perhaps you thought that treatment is based on what can save a patient's life. But the coalition wants to develop the "most efficient national medical practice guidelines," and against those, it wants periodically to reexamine physicians' patterns of practice, before their credentials can be reaffirmed. In that way, physicians who suggest "too costly" ways to save their patients' lives, could be drummed out of the system.

In recent years, hundreds of hospitals and clinics have closed in this country. Fully 40% of the hospitals now in existence are expected to close by the year 2000, while the population grows, and the elderly population grows fastest. We do not now have nearly enough hospital beds to care for the 45 million uninsured Americans. And we have epidemics like AIDS to confront. The coalition's "cap the costs" plans will immeasurably worsen these crises.

Crime bill stalled as election tactic

In a rather contentious committee squabble, the Bush crime bill has stalled, despite calls from Democratic and Republican leaders in both houses to pass the legislation before Congress adjourns for the year. Although crime bills have passed both houses, there has been difficulty in pulling together a conference committee to iron out the differences between the two versions.

One bone of contention has involved a fight over the proportionality of representation of the two parties on the conference committee. Many Republicans also seem content to allow the bill to remain unpassed, in order to underline the crime issue and make the failure to pass crime legislation an election issue against the Democrats in the 1992 election campaign.

Although both versions of the bill contain the essential elements of the original administration proposal—a massive extension of the death penalty to cover 50 federal crimes, curbing death-row appeals to federal courts, and allowing the use of illegally seized evidence in court—Republicans are concerned by stipulations which place a waiting period on handgun purchases, a measure ardently opposed by the National Rifle Association.

Croatia independence resolution bottled up

The House resolution calling for the recognition of Croatia and Slovenia, introduced by Rep. Elton Gallegly (R-Calif.) on Oct. 22 and which now has over 33 cosponsors, is bottled up in the House Foreign Affairs Committee.

Gallegly is convinced that if his

resolution came to the floor, the votes would be there to pass it. But the resolution must first be taken up by the House Foreign Affairs Committee. Committee Chairman Rep. Dante Fascell (D-Fla.), Europe and the Middle East Subcommittee Chairman Lee Hamilton (D-Ind.), and ranking subcommittee member Benjamin Gilman (R-N.Y.) have decided to leave the resolution on the back burner, apparently hoping that it would die a natural death.

There is growing support for the resolution from both conservative Republicans and liberal Democrats, but its passage would mean a head-on collision with the Bush administration, which refuses to recognize the independence of Croatia and Slovenia. It is generally recognized that Secretary of State James Baker III's comments during a trip to the former Yugoslavia, where he expressed the administration's desire to deal with a united Yugoslavia, helped to trigger the ongoing Serbian aggression.

A similar resolution calling for the recognition of Croatia and Slovenia has been introduced in the Senate by Albert Gore (D-Tenn.), with strong backing from Senate Foreign Relations Committee Chairman Claiborne Pell (D-R.I.). The Gore resolution presently has 22 cosponsors. Gore will attempt to get a unanimous consent agreement to bring the bill directly to the floor, thereby avoiding committee action. The Gore resolution also calls for a freezing of Serbian assets in the United States.

Surface transportation bill agreed upon

House and Senate negotiators agreed on Nov. 4 to a Surface Transportation

bill authorizing \$151 billion for highways and mass transit over a six-year period. The figure agreed upon was higher than the \$105 billion proposed by the administration, but a pittance compared to the nation's transportation infrastructure needs. There is also no guarantee that any of these funds will be appropriated and spent.

The legislation will in all likelihood be signed by the President, who had earlier threatened to veto the bill if it contained the proposed 5¢ per gallon gasoline tax which was to help finance the legislation. The tax was removed in conference.

Soviet aid proposal dropped from defense bill

In a defeat for Senate Armed Services Committee Chairman Sen. Sam Nunn (D-Ga.) and his House counterpart, Rep. Les Aspin (D-Wisc.), a proposal to authorize the Defense Department to spend up to \$1 billion to transport and distribute surplus food, medicine, and emergency supplies to the Russian people was rejected after it became clear that President Bush would not work for its passage.

A House-Senate conference committee meeting on Nov. 13 to reconcile the different versions of the defense bill, shelved the proposal when it met with strong objections from both Republican and Democratic legislators. The legislators expressed concern at giving aid to a "former enemy" at a time of mounting needs at home. Senate Minority Leader Robert Dole (R-Kan.) labeled the measure "a golden parachute for communist airmen."

Both the administration and the Democrats were wary of being in the forefront of a major foreign aid pack-

age in the wake of a growing mood of domestic discontent over the depression. Even Democrats who believe that there will be a "peace dividend" from the major defense cuts now being implemented were not especially excited at seeing the "dividend" being spent in humanitarian aid to the Soviet Union.

Nunn attacked the "short-sightedness" of the decision, saying that lawmakers may run into more trouble for having opposed the aid if a hungry, desperate Soviet Union plunged into civil war and Soviet authorities lost effective control over their nearly 30,000 nuclear weapons. Aspin and Nunn plan to reintroduce the measure as a separate piece of legislation.

Democrats propose campaign financing cap

House Democratic leaders proposed Nov. 12 to put a cap on congressional campaign spending and to provide some public financing for congressional campaigns.

In May, the Senate had passed similar legislation, which included spending limits and public financing, and which banned political action committee contributions. President Bush has said that he would veto the Senate legislation, and Republicans have also voiced concern over the most recent proposal by House Democrats. There has been a public outcry over the influence of "special interest groups" in Washington, which provide the majority of the financing for the election campaigns of U.S. legislators, and some Democrats are attempting to use this to assert greater government control.

The growth of the movement for imposing term-limits on congressional posts, a campaign heavily backed

by the Republican Party, has also created a new sense of urgency for reforming the campaign financing process. House Speaker Thomas Foley (D-Wash.), one of the authors of the campaign spending measure, narrowly avoided being ousted by a term-limit campaign in his own state in the Nov. 5 election.

The Democratic proposal would set voluntary spending limits of \$600,000 in an election and would allow candidates to collect up to \$200,000 in public matching funds based on the amount of small contributions they collect. The measure would also limit the amount candidates can receive from political action committees to \$200,000, and would cap individual contributions at \$200.

House banking bill still in limbo

The House banking bill, now shorn of the deregulation measures wanted by the Bush administration, is having rough going even after the more controversial items were eliminated. Similarly, jittery congressmen are balking on agreeing to an additional \$80 billion for a thrift cleanup bill, which they are afraid will not meet with the approval of constituents who are angered by the already high cost of the savings and loan bailout.

The House Banking Committee made its third attempt on Nov. 19 to draft new banking legislation, after the two previous bills were defeated on the House floor. Whether or not legislators will be content to vote for a bill which does little more than pump more money into the Federal Deposit Insurance Corp. remains to be seen. The proposed alternatives range between giving the Resolution Trust

Corp. \$25 billion, and giving the RTC "permanent and indefinite funding."

This conflict has created tension between the administration, which is intent on getting the additional funding, and Republican congressmen who will have to pay the political price if they agree to the new funding. President Bush urged Senate Banking Committee Chairman Donald Riegle (D-Mich.) to complete the banking legislation the same day.

House Democrats understand that the situation is placing the President in a bind. "I would like to see a tough political debate in an election year on how we are going to pay for all this," said Rep. Jim Slattery (D-Kan.). "The President of the United States has a moral obligation to tell the American people how he's going to solve the problem."

Senate extends unemployment benefits

On Nov. 15, the Senate passed 97-2 up to 20 weeks of additional unemployment benefits in the hardest-hit states for those whose 26 weeks of regular benefits have run out. On Nov. 14, the House had passed the extension on a 396-40 vote. President Bush said he will sign this extension, even though he had rejected two earlier versions saying they would cost too much.

The fight within the Senate raged over how to divide the \$5.3 billion, since the bill provided funds for as little as six weeks extra payments in state's where official statistics showed there was a smaller percentage of unemployed. The benefits will run for as many weeks as the percentage of unemployment in each state. Thus, if a state has officially 7% unemployment, extended benefits will run for seven weeks.

National News

FEC bias covers for 'cult awareness' cult

The Federal Election Commission, keeping with a pattern of protecting the political enemies of Democratic presidential candidate Lyndon H. LaRouche, closed a Motion Under Review file on Oct. 23 which was opened in response to a complaint filed against John Overington and the Cult Awareness Network (CAN).

The complaint was filed in July 1991 by Bruce Director, a supporter of LaRouche's candidacy. In the complaint, Director stated that the circulation by Overington and CAN of a hate brochure from the "LaRouche Victims Support Group" to state legislators and media throughout the country was intended to have a negative influence on LaRouche's presidential campaign. The brochure, which says that LaRouche is a threat because of "incursions into the legitimate political arena," is filled with malicious lies attacking LaRouche.

Since neither CAN nor Overington have registered with the FEC, but are actively intervening in a federal election campaign, Director demanded the FEC take action against the two for violations of federal election law. Overington and CAN claimed that because the brochure did not identify LaRouche as a candidate, it was not intended to influence a federal election.

Don't resuscitate in hospitals, says journal

It's not worth the effort to try to resuscitate heart attack victims in emergency rooms, according to a new Brown University study reported in the Nov. 14 *New England Journal of Medicine*. The report claims that if emergency medical teams on the scene do not revive such victims there and then, it is a virtual certainty that such efforts later at the hospitals will fail. The journal has been a leading advocate of euthanasia policies.

Dr. Richard Kerber, head of the American Heart Association's emergency cardiac care committee, said the study "strongly suggests that there is not much point in bringing a pa-

tient to the hospital who's had an adequate and full attempt at resuscitation in the field." Such efforts, he argued, "are costly."

Kerber did not point out that many such victims receive inadequate care at most hospitals, particularly elderly victims who require stringent monitoring and precision treatment if they are to have a chance at survival. Every year, 350,000 Americans collapse with cardiac arrests.

In some cities where ambulance teams have the latest training and equipment, as many as 30% of such patients are revived on the scene. Most ambulance services won't provide defibrillators because they cost \$5-7,000 apiece.

Budget deal in works so Cuomo can run?

A deal is reportedly under way over the New York State budget to facilitate Mario Cuomo's presidential run. New York is facing a \$689 million budget deficit for this year, and a projected \$2 billion deficit next year. This means that Cuomo has to call a special session of the legislature to ram through deep budget cuts, since the state's fiscal year ends on March 31, and must formulate next year's budget by that date, a bitter process that took until June to resolve for the current fiscal year.

To free Cuomo from debilitating budget battles, gurus on Wall Street have proposed that the legislature combine this year's deficit with next year's, and adopt a 15-18 month budget sometime within the next few weeks, and make more "gradual" cuts.

Many state legislators support the idea so as to minimize damage to their own reelection chances. Republicans favor the so-called plan because it relies on a spending freeze for most state agencies, and particularly targets big cuts in social services and Medicaid, thus hitting the poor the hardest.

Cuomo, speaking to a group of more than 200 executives of major U.S. corporations at a forum sponsored by *Fortune* magazine Nov. 16, said his economic growth plan involves a 10% business investment tax credit on spending on new equipment. However, Cuomo made clear that his plan involves austerity and taking money away from the entitlement programs of Social Se-

curity, Medicare, and the farm support program, the *Washington Post* reported.

NBC ordered to slant 'Black Monday' coverage

NBC News was ordered to play down its news reports of the Oct. 19, 1987 stock market crash, according to former NBC News president Lawrence Grossman.

Grossman said in a speech in November that chairman John F. Welch of General Electric, the owner of NBC, angrily complained to Grossman that NBC News reports "were making things worse," and that the network should avoid using "depressing phrases" like "Black Monday." Grossman said Welch told him that such coverage "would only serve to make people even more frightened about investing and lower the stock values even further."

Grossman denied giving in to Welch's complaint.

Doctors begin strike in Brooklyn

More than 300 senior staff doctors went on strike Nov. 12 at the Woodhull Medical and Mental Health Center in Brooklyn, New York. Although strikes by interns and residents have occurred frequently in the past, this is the first strike ever in U.S. history by attending senior physicians.

The strike is not against the hospital, but against Medical Associates of Woodhull Professional Corp., a private firm that New York City has contracted to hire and administer the medical staff at the hospital. As in all such plans where private firms contract to run city services, the main emphasis is cost-cutting.

The major issues are salaries, quality of care, and understaffing. The physicians, who are members of the Doctors Council union, have been working without a contract since June, and have been offered a 1.2% salary increase by Medical Associates. These doctors receive \$65,000 per year, despite long and harrowing hours in a city hospital that is typically overwhelmed with pa-

tients and underfunded. Twelve doctors have been laid off in the last three months, 15 have resigned, and 50 more are slated to be terminated by the end of the year.

Heroin and cocaine use is up, statistics show

Statistics that indicate that heroin and cocaine use is up "could undermine George Bush's claim of progress" in the administration's supposed war against drugs, the Nov. 17 *Washington Post* reported.

Federal health officials will report shortly that cocaine-related visits to hospital emergency rooms has risen by 15% during the first three months of the year. Heroin-related hospital emergencies also rose 13% from the final three months of 1990 compared to the first three months of this year.

"This is a disturbing trend . . . it's a real jump," said Adele Harrell, senior research analyst at the Urban Institute. Rep. Charles Rangel (D-N.Y.) told the *Washington Post* that the new figures belie "ridiculous" claims by the administration of progress in the war on drugs.

Bush administration targets labor leaders

Bush administration officials have been caught red-handed in Michigan attempting to dredge up "any derogatory information" on leaders of union locals in the state of Michigan. Such gestapo-style fishing expeditions are blatantly political and almost certainly unconstitutional.

In one case, the U.S. Labor Department office in Detroit took out an ad in a statewide police newsletter asking police for such derogatory information. The practice continued until Saline, Michigan Police Chief James Douglas met with Ian Burg of the Labor Department. When Burg refused to supply Douglas with any specific information on who was being investigated or why, Chief Douglas refused to cooperate and instead wrote a letter to U.S. Rep. William Ford (D-Mich.) asking him to investigate whether these practices were "unconstitu-

tional."

Representative Ford, chairman of the House Education and Labor Committee told the *Detroit Free Press*: "In this country, we don't let anybody in authority go out and snoop around on you or me just because they want to go out and snoop around."

Bush administration officials lamely deny that this is the policy of the administration. But some officials, claiming that Department of Labor regulations are so vague, are not denying that the practice may be widespread. Assistant Secretary of Labor Robert Guttman openly admitted, "I can't tell you that this isn't happening in other parts of the country."

Satanism investigated within Mormon Church

Glenn L. Pace, a member of the three-man episcopate that rules the Church of Jesus Christ of Latter Day Saints, has made public an internal investigation which detailed 60 instances in which Mormons reported that, as children, they had witnessed human sacrifices and suffered "satanic abuse." The ritualized abuse reported occurred in Utah, Idaho, California, Mexico, and other locations, according to the Nov. 10 *Richmond Times-Dispatch*.

Pace, in the internal memorandum dated July 19 and released in November, wrote that he is personally convinced that at least 800 church-affiliated Satanists are practicing occult rituals and devil worship in the Salt Lake Valley, and that many of them pose as devout Mormon leaders. They include Mormon bishops, a state president, patriarchs, temple workers, members of the church's Young Women's and Young Men's groups, as well as members of the Mormon Tabernacle Choir.

"Not only do some of the perpetrators represent a cross-section of the Mormon culture, but sometimes the abuse has taken place in our own meetinghouses," Pace wrote.

Pace's report says that he asked victims to identify the Satanists only by their church rank. Don LeFevre, a spokesman for the church which has 8 million members, stated that he did not know whether Pace reported his findings to law enforcement officials.

Briefly

● **WILLIAM BARR**, at his confirmation hearings for U.S. Attorney General Nov. 13, stated that he has already appointed a recently retired federal judge to conduct an in-house probe of allegations of government misconduct in the bankrupting of Inslaw, a Washington, D.C.-based computer software firm.

● **THE WHITE HOUSE** cleared Ronald Roskens, head of the U.S. Agency for International Development, of charges of receiving illegal gratuities, including from a company linked to President Bush's former oil firm, Zapata, the Nov. 13 *Washington Post* reported. The Inspector General of AID had referred the case to the Justice Department for prosecution.

● **PATRICK BUCHANAN** may decide to challenge George Bush in the Republican primaries, the Nov. 14 *Washington Times* reported. Former U.S. Rep. Chuck Douglas (N.H.) told the paper: "George Bush is beatable here."

● **THE CONVICTION** of former national security adviser Adm. John Poindexter was overturned because his testimony to Congress may have tainted his prosecution, a federal appeals court ruled Nov. 15. He had been convicted of lying to Congress, destroying official documents, and obstruction of an investigation in the Iran-Contra scandal.

● **NEW REPUBLIC'S** new editor Andrew Sullivan is a self-admitted "British Roman Catholic homosexual," the Nov. 12 *International Herald Tribune* reported. Sullivan claims he wants to use his "homosexuality and Catholicism" to make the *New Republic* the "best magazine writing on religion in the country."

● **LOUISIANA** voters elected Edwin Edwards governor in the Nov. 16 election. Edwards beat David Duke, a radical environmentalist and former Klansman who had much the same program as George Bush, by a 60-40% margin.

The new foreign minister

The post of a minister without portfolio is not extraordinary by any means, but a foreign minister without a nation is another story entirely. That seems to be the situation of Eduard Shevardnadze, former foreign minister of the Soviet Union, and now foreign minister of the former Soviet Union.

The news of Shevardnadze's appointment at first appeared to have startled Russian President Boris Yeltsin, since it was done without consultation with the Russian, Ukrainian, or other republics of the former superpower; nonetheless, it was hardly a bone of contention, since the U.S.S.R. is now little more than a legal fiction.

Despite every effort by George Bush and the Major government in Britain to prop up the fiction that the Soviet Union still exists as a sovereign national entity, its days are numbered. Indicative of the actual political reality is the fact that the top leadership of the Soviet Communist Party—members of its Politburo—are now being investigated for possible criminal charges in connection with the failed August coup. While this investigation will not touch Shevardnadze, it certainly does not exempt his so-called boss, Mikhail Gorbachov.

In fact, Shevardnadze's position is no more strange than that of his old buddy Gorbachov who is the first world's President of a stateless empire.

Nobody knows quite what to call the former Union. In one article appearing in the weekly *Literaturnaya Gazeta*, the author ironically referred to the former Soviet Union as the S.B.N. The initials stand for Strana Bez Nazvaniya—the Country Without a Name—as described on the wall of a huge bathhouse in Moscow where notices are posted. Perhaps it would have been more correct to reverse the order and refer to the Soviet Union as the Name Without a Country.

All the news from Moscow is that the "Soviet" republics have dissolved, effectively, the Soviet Union. They now have a federation of some nations—not all of them—which were formerly republics of the Soviet Union. They're getting ready to dump the corpse of what used to be the Soviet Union officially, as soon as they elect a new President and constitute a new

arrangement for a governing body which would be a coordinating agency among a group of sovereign republics, chiefly Russia, Belorussia, Ukraine, and Kazakhstan.

So much for George Bush's attempt to negotiate with a phantom—a non-existent nation.

The timing of Shevardnadze's resumption of the office he quit a year ago is of interest, since it comes just as he lost in his year-long bid to become United Nations Secretary General. This was an attempt by the Anglo-American/Soviet condominium of the past, to openly assert its aim to establish a one-world police state government, run by the superpowers.

On Sept. 27, 1988, Shevardnadze had called for the establishment of a United Nations-run global police state, in a speech to the U.N. General Assembly. Key to this was the establishment of a global environmental police force. At that time he said: "The permanent members of the Security Council should set an example in strengthening the authority of the United Nations, enhancing its role, and expanding and enriching its peacemaking functions. We shall enhance the role of the United Nations even more by concerted efforts to combat the threats to our environment."

It seems pretty clear now that Shevardnadze's "political break" with Mikhail Gorbachov one year ago, was cosmetic rather than principled. One can certainly breathe a sigh of relief now, at the way things turned out. Dangerous as things still are, they would have been far worse if the Soviet Union had not been sundered, and had Shevardnadze assumed the top United Nations post.

Perhaps there is a lesson to be learned here by George Bush and the Bush Democrats, who are trying to turn the United States into a former superpower, by denying the reality of the deepening economic depression, and refusing to reverse the policies which have led to the economic collapse.

Bush is clinging to the illusion that there is an economic recovery with the same obsessiveness with which he refuses to acknowledge the impotence of his ally Mikhail Gorbachov.

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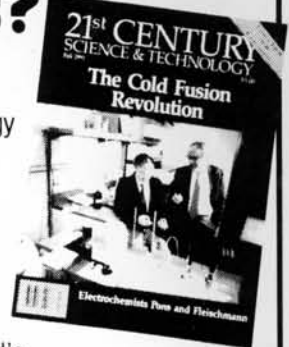
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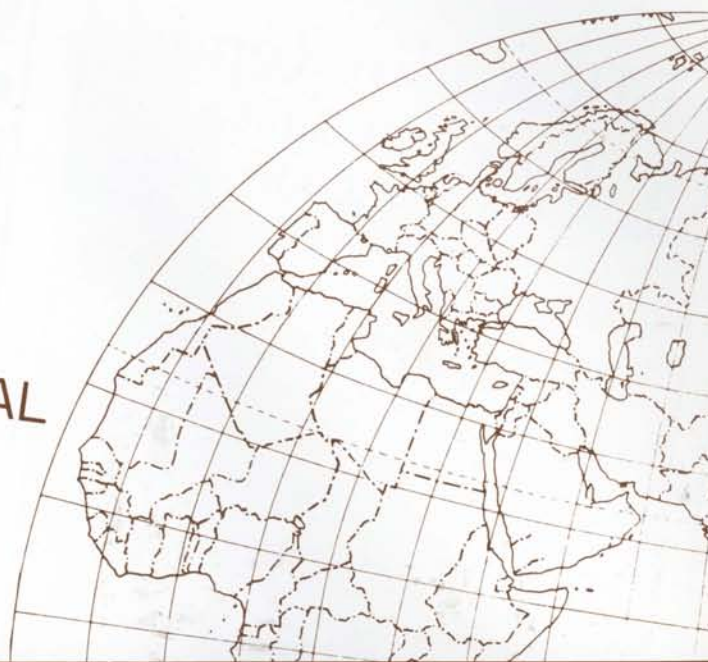
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