

EIR

Executive Intelligence Review

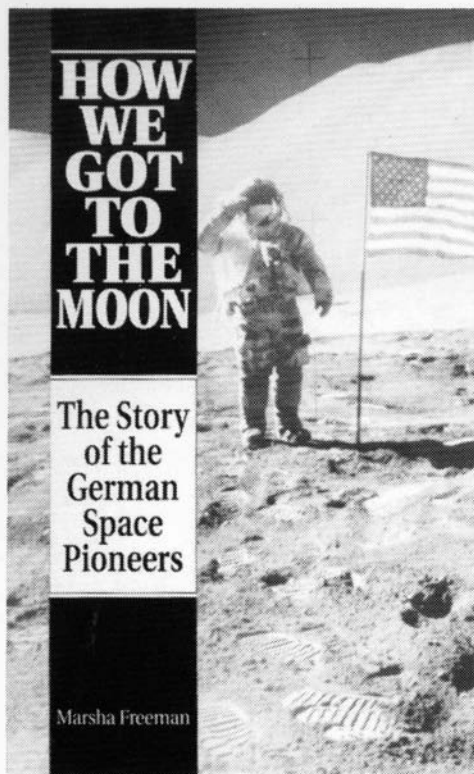
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Reveal British hand in failed Nigerian coup
India: next target of Kissinger and Sachs
Why Newt can't see the welfare problem

**Is the World Bank plotting
civil war in Palestine?**





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The Story of the German Space Pioneers

by Marsha Freeman

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Contents

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- Chapter II: The Battle of the Formulae
- Chapter III: From Theory to
Experimentation
- Chapter IV: Peenemünde: A Scientific
Mobilization
- Chapter V: How the A-4 Rocket
Became the V-2
- Chapter VI: Coming to America:
Operation Paperclip
- Chapter VII: The Space Age Begins!
- Chapter VIII: Willy Ley Rallies the
Nation for Space
- Chapter IX: Wernher von Braun: The
Columbus of Space
- Chapter X: Krafft Ehrlicke: The
Extraterrestrial Imperative
- Epilogue

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European Headquarters: Executive Intelligence Review Nachrichtenagentur GmbH, Postfach 2308, D-65013 Wiesbaden, Otto von Guericke Ring 3, D-65205 Wiesbaden, Federal Republic of Germany
Tel: (6122) 9160. Executive Directors: Anno Hellenbroich, Michael Liebig

In Denmark: EIR, Post Box 2613, 2100 Copenhagen ØE, Tel. 35-43 60 40

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From the Editor

At an important seminar in Washington, D.C. on March 29, *EIR* founding editor Lyndon LaRouche hammered home the point that the world financial system is not merely “collapsed,” but rapidly verging on “disintegration.”

The hope for turning the tide of destruction and generating a new, worldwide recovery rests on an overlooked historical fact. There are not two systems which have dominated the past centuries of European history, LaRouche said, there are actually three. The third system began in France in 1461 when King Louis XI, influenced by the Council of Florence and the Brotherhood of the Common Life, introduced the first modern nation-state. Later, the United States was founded as the fulfillment of that concept: specifically, by those leading Americans who had been influenced by Leibniz’s proposal that the function of the state is *to ensure the happiness* of all its citizens.

This issue highlights facets of the world strategic picture which cry out for a revival of those principles:

- A year and a half since the PLO-Israel Oslo peace accords, optimism has given way to frustration and bitterness among vast numbers of Jordanians and Palestinians. The World Bank, and related international agencies fronting for the British oligarchy, are not only sabotaging efforts at development, but are pursuing a course of action which can have no other practical outcome than the outbreak of civil war among a divided Palestinian population. See *Feature*.

- If the Nigerian government investigation confirms the involvement of General Obasanjo and Gen. Shehu Yar’dua in the failed military takeover attempt of March 1, it will be clear that the London-based designers of the coup had intended to use them as the transition team to install a docile pro-International Monetary Fund government. See *International*.

- The Mexican rescue package is already falling apart, as we warned (see p. 4). LaRouche observed on March 29: “The President of the United States did the right thing in taking a position of having the United States stand side by side, so to speak, with the President of Mexico in saying ‘we’re going to try to defend this country from being looted by the vultures of London’ . . . but the package that was actually proposed . . . was no good.”

Nora Hamerman

EIRContents

Interviews

- 12 Tatyana Koryagina**
An Academician of the Russian Academy of Natural Sciences, Dr. Koryagina is the general director of the Independent Economic Agency SEPPA (Socioeconomic Programs, Prognoses, and Alternatives).
- 29 Dr. Fahed Fanek**
Dr. Fanek is a member of the Arab Thought Forum and a syndicated columnist in Jordan.
- 31 Hon. Freih Abu Middain**
The minister of justice of the Palestinian National Authority evaluates the state of the peace process.
- 40 Grigori L. Bondarevsky**
A member of the Russian Academy of Sciences' Institute of Social-Political Studies, Professor Bondarevsky was recently elected to the Russian Academy of Social Sciences.

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Departments

- 15 Report from Bonn**
Some progress on derivatives.
- 16 Northern Flank**
Only austerity offered in Finland.
- 17 Report from Rio**
Cardoso's reforms meet resistance.
- 47 Andean Report**
Fujimori defends the nation-state.
- 64 Editorial**
Let's talk about reality, please.

Books

- 50 Why Newt can't see the welfare problem**
The Tragedy of American Compassion, by Marvin Olasky.
- 53 Gaia worship, the 'Great Game,' and a religion of empire**
Younghusband: The Last Great Imperial Adventurer, by Patrick French.
- 55 The 'Africa syndrome'**
The Hot Zone, by Richard Preston;
The Coming Plague: Newly Emerging Diseases in a World Out of Balance, by Laurie Garrett.

Economics

- 4 Reality is popping Wall Street's bubble**
Six of Wall Street's top investment banks are now getting a "negative" rating, as international analysts describe the mood in New York as "beyond panic."
- 6 Barings collapse claims Bank of England victim**
- 7 Kissinger, Sachs ready to lead India to the slaughter**
- 9 Currency Rates**
- 10 India's economic reforms bend with the political winds**
- 12 Russia's liberal economic reformers created the 'Great Criminal Revolution'**
An interview with Tatyana Koryagina.
- 18 Business Briefs**

Corrections: In the March 31, 1995 issue, the cover photo caption failed to identify the two masked Zapatista leaders in the front row. They are, from the left, "Subcommander Marcos" and "Commander Ramona."

In the same issue, on p. 24, under the item 8, "Amnesty International," the Portuguese government targeted was that of the late Antonio (not Joao) Salazar.

In the March 24, 1995 issue, on p. 15, Viktor Chernomyrdin should have been identified as the Russian prime minister, rather than as the foreign minister.

Feature



A family at their home in Gaza, 1993. The optimism sparked by the peace agreements signed in September 1993 was based on the hope of real economic development, but this has not been forthcoming.

20 Is the World Bank preparing civil war in Palestine?

Muriel Mirak-Weissbach reports from a recent visit to Gaza, that the economic situation among the Palestinians has deteriorated markedly since the signing of the peace accords, due to sabotage and profiteering by international agencies.

23 Samieh Samarra: Our wealth is our people

From a conversation with the head of Palestine Radio and Television in Gaza.

24 Freij Ahmed el Khairy: Peace requires courage

The director of the Palestinian National Authority's Regional Civil Affairs Committee describes the problems facing the new regime.

27 How the World Bank sabotages development

29 What is standing in the way of peace?

An interview with Dr. Fahed Fanek.

31 The peace process is going to hell

An interview with Hon. Freih Abu Middain.

International

32 British role exposed in Nigerian coup attempt

Uwe Friesecke analyzes the two most likely scenarios behind the failed coup against Gen. Sani Abacha, Nigeria's head of state.

34 Burundi: countdown to catastrophe

35 London, Bush-leaguers target Clinton's Korea peace plan

37 How Russia might exit from a Dark Age in the 21st century

From a Schiller Institute seminar in Germany, a discussion between Prof. Yuri Kobishchanov of the Africa Institute in Moscow, and Lyndon LaRouche.

40 The strategic and economic importance of Eurasian integration

An interview with Grigori L. Bondarevsky.

45 Algerian opposition meets in London

48 International Intelligence

National

58 U.S. urged to lead global bankruptcy reorganization

Lyndon LaRouche, addressing a Washington, D.C. conference on March 29, evoked the image of Shakespeare's Hamlet in calling for a mass constituency movement to help President Clinton overcome the potential tragedy of the world financial system's breakdown.

60 White House announces 1995 anti-drug plan

Dr. Lee Brown, director of the White House Office of National Drug Control Policy, takes on the advocates of the Conservative Revolution, in congressional hearings.

61 Eye on Washington

Barry bucks Conservative Revolution.

62 National News

Reality is popping Wall Street's bubble

by John Hoefle

The outlook for Wall Street is "negative," according to the credit-rating agency Standard and Poor's. On March 28, S&P dropped its outlook to "negative" from "stable" for six of Wall Street's top investment banks, Bear Stearns, CS First Boston, Goldman Sachs, Morgan Stanley, PaineWebber, and Salomon. Retaining its "negative" outlook was a seventh Wall Street firm, Lehman Brothers, which was downgraded by S&P last September. On March 21, Moody's Investors Services, another credit-rating agency, had downgraded Lehman's long-term senior debt to BAA1 from A3, triggering a sell-off in the firm's stock.

"Turbulent conditions continue to plague the global capital and currency markets, exposing most of these firms to trading results that could further aggravate" their problems, since "core earnings for some firms may prove insufficient to absorb potential trading losses," S&P said. "We worry about the tendency of market turbulence to feed upon itself," S&P Managing Director Mark Bachman told analysts. "This is a dynamic that poses a direct threat to most of these firms. . . . Until we have a more stable market environment, we don't feel comforted by what we see."

The S&P action confirms the report given to *EIR* by a senior European banker who had just returned from extensive client meetings with numbers of top fund-managers, banks, and Wall Street firms.

"The major Wall Street houses are in the worst possible situation," the banker advised. "I have never seen a situation such as I just saw. Last September, when I was in New York, the mood was simple panic. Today it is beyond panic. These seasoned investment managers have gotten every major shift of global markets wrong in the past six months. They are utterly bewildered. But more to the point, I heard again and again in private discussion three names: J.P. Morgan, Bank-

ers Trust, Goldman Sachs. They are rumored by market insiders to each have suffered huge losses. They are losing their corporate clients, who used to pay them hefty fees to buy derivatives. After the derivatives disasters of the past months, these corporations are refusing to buy, and this is hurting these banks' business badly. To compensate, they are reportedly being more risky than ever in their own proprietary trading in markets, making mistakes and compounding losses. There is widespread talk in the New York markets that no one would be surprised to see one or even all three firms go 'belly up.' "

Losses in the trillions

"World markets are heading toward a long-term negative phase," wrote Munich-based investment manager Jens Ehrhardt in the March 28 issue of the German daily *Die Welt*, under the headline "Many Signs for a Market Crash—Preconditions as Bad as 1929."

Ehrhardt noted that "the stock market decline in Japan, from 40,000 to now below 16,000 points, means that investors have lost more than \$3 trillion. . . . Last year's crash of the century on international bond markets has wiped out another \$3 trillion." Furthermore, he added, "the decline in worldwide real estate markets in recent years has reached a multiple of this." On top of that, he said, overall stock prices on the New York Stock Exchange have fallen by 30% in one year, despite the record highs reported by the 30 stocks of the Dow Jones Industrial Average.

The Germans have reason to be worried. A few weeks ago, Deutsche Bank, one of Germany's big three banks, reported losses of \$18 million in derivatives trading in France, and it is rumored to have lost an order of magnitude more than that. On March 14, Deutsche Bank's stock fell

heavily on the Frankfurt DAX stock exchange. Deutsche Bank, which reported profits of \$2 billion in 1994, compared to \$2.9 billion in 1993, is not alone when it comes to derivatives losses. Germany's Metallgesellschaft reported \$1.3 billion in derivatives losses in 1993, and the German firm Balsam lost \$400 million in derivatives last June.

Hans Tietmeyer, the chairman of the Bundesbank (the German central bank) responded to these rumors in an address to a gathering of the Saar banking association in Saarbrücken, with what he termed an "unmistakable warning." Freedom and responsibility go together, Tietmeyer said, and "whoever wants to realize potential gains must also be prepared to realize potential losses. He who wants to neglect this principle will have to learn a lesson . . . that can be bitter." In the event of a Barings Bank-style crisis in Germany, the central bank chief warned, "the central bank cannot and will definitely not be available with generous liquidity as a life-saver." Any attempt by investors to compensate for their losses by passing the risks on to third parties, will not be tolerated, he warned.

In France, the banking crisis escalated, when the government announced on March 27 that it was pouring a \$200 million emergency loan into the state-owned Banque Société Marseillaise de Crédit. The bailout of Marseillaise Bank follows on the heels of the emergency \$20 billion loan the government gave to Crédit Lyonnais, the largest bank in Europe and one of the world's 15 largest banks.

The problems at Crédit Lyonnais, which lost \$2.4 billion in 1994, are actually much worse than has been admitted, but are being covered up until after the presidential elections. Meanwhile, European press reports indicate that the collapse of French real estate values of between 40% and 50% over the last couple of years, have led to some \$40 billion in unreported losses at French banks.

Observers expect more emergency support actions for other financial institutions, as the French government tries to head off a chain reaction which could take down the whole state-owned banking sector.

In Japan, banking problems have led to the merger, announced by the Bank of Japan (central bank) on March 28, of the Mitsubishi Bank and the Bank of Tokyo. The merger, which will combine Japan's third- and tenth-largest commercial banks, will create the largest bank in the world, with assets of more than \$800 billion. The new bank will be more than three times the size of Citicorp, and larger than Citicorp and Crédit Lyonnais combined.

The Bombay Stock Exchange, India's largest, was closed for three days beginning on March 22, due to the failure of broker R.S. Jhaveri to pay \$5.4 million for shares he had purchased.

Growing resistance

Meanwhile, the \$51 billion rescue package arranged for Mexico by the U.S. government and international financial

institutions, is already falling apart. The commercial banks have withdrawn their \$3 billion in promised financing, leaving \$48 billion to cover \$63 billion in payments due this year. Furthermore, thanks to default clauses in other debt agreements, should Mexico default on any payment this year, another \$60 billion would become payable immediately, leaving the country with just \$48 billion to cover \$123 billion in payments due.

More than 1 million people have lost their jobs, and over 1,200 companies have shut their doors in Mexico over the last four months, while purchasing power has dropped by 25%, according to the Mexican Labor Federation. With interest rates of over 80% on government bonds, and credit card rates as high as 170%, those losses are escalating, and pressure to reject the austerity measures imposed by the International Monetary Fund are rising.

"It must be stressed that Mexico's economic troubles are neither the origin, nor the cause of the crisis we are currently undergoing, but merely the isolated symptoms of a problem that is affecting the whole world," wrote Gil Gil Massa, a Mexican Embassy official in the Dominican Republic, in an open letter in the March 22 Dominican daily *El Nuevo Diario*. The Mexican crisis was the "detonator for other explosive charges beyond our borders," he wrote, "but the gunpowder was not Mexican." The real explosive, he stressed, was global financial speculation, and what happened in Mexico, foreshadows events to come globally.

In Argentina, where the Inter-Press Service reports that some 30,000 companies have closed since the Dec. 20 devaluation of the Mexican peso, opposition is also growing.

"Human Beings Come Before Usury," was the headline of an article by Carlos González, political secretary to former Argentine President Arturo Frondizi, in the March 17 Argentine weekly *El Informador*. "The foreign debt is unpayable, not only for Argentina but for all of Ibero-America."

Global crisis

"There is a global financial crisis; the entire system is coming down," Lyndon LaRouche observed in an interview with the weekly "EIR Talks" radio show on March 28. "Argentina's going down the tubes; Chile is a different case, but it's also in trouble. Brazil is on the edge. Italy is contracting, collapsing. Spain is disintegrating financially; the government may fall soon. France: The Crédit Lyonnais problem is *bigger* than the Barings problem, and nobody knows where the bottom is. . . . In London, by May perhaps, [Prime Minister] John Major will be out of government, totally as a result of this combination of events, including the Barings event. The empty suit of clothes called John Major is simply going to be sent to the cleaners, shall we say."

The ability of the international financiers to sustain their speculative bubble is ending, LaRouche warned. The bubble is too big, and the world economy too depleted.

Barings collapse claims Bank of England victim

by Mark Burdman

Mere mortals are usually not allowed to know what is going on behind the hallowed doors of the Bank of England. But now that the bank has become significantly discredited by its handling of the end-February collapse of Barings Bank, the sacred cow is no longer so sacred, and some of the more salacious realities are being publicly revealed.

On March 21, Deputy Gov. Rupert Pennant-Rae, former chief editor of the London *Economist*, announced that he was resigning. He claimed that he wanted to prevent the bank's prestige from being hurt by his misdeeds. On March 19, the tabloid *Sunday Mirror* had revealed that Pennant-Rae had been conducting a torrid extramarital affair—so torrid that some of the more impassioned “exchanges” had been conducted on the carpet of the private dressing-room of bank Gov. Eddie George. Pennant-Rae's sexual exploits had become so notorious, that he was nicknamed “The Bonk of England.”

His partner was reportedly an Irish-American financial journalist from the U.S. state of Virginia named Mary Ellen Synon. She is now speaking to journalists, because she claims that the arrogant Brit had made all sorts of romantic promises to her, and then crudely turned her aside. Synon told a radio interviewer, in comments widely reported by the British press on March 22: “If you are going to dump, don't dump a financial journalist if you are deputy governor of the Bank of England. That's dumb. . . . Nothing would be angrier than an Irish-American financial journalist who has been badly treated.”

However, the reality is that Pennant-Rae is the first high-level victim of the Barings collapse. He is the convenient sacrificial lamb, to protect Eddie George and the establishment bigshots who make bank policy, as well as the British government itself. It is typical of the establishment to use a “sex scandal,” to divert attention from the real horror. With Barings, the scandal was not the ineptitude of the Bank of England in having allowed the bank to collapse, but rather George et al.'s promotion of the radical free-market insanities typified by the exploding international trade in derivatives. Barings Singapore trader Nick Leeson, whose transactions were the immediate cause of its downfall, was simply being faithful, not just to the policy of the Barings directors, but to the policy of the Bank of England itself.

On the day Pennant-Rae resigned, Prime Minister John Major's 10 Downing Street claimed it was “speculation” that he had been forced to leave because of the mishandling of

the Barings affair. However, Bank of England head of supervision Brian Quinn admitted to a European Parliament hearing on derivatives on March 21 that there had been “a rather severe and dramatic breakdown in control systems” that had been responsible for the collapse of Barings.

Quinn would undoubtedly love to deflect attention onto Pennant-Rae, since he himself is an unrepentant derivatives-trading addict; he advised the hearing that the destabilizing effects of derivatives should not be exaggerated, especially as “every bank leverages its capital.” Back in June 1994, when the Bank of England was asked for a response to Lyndon LaRouche's “Ninth Forecast” that the global financial system was entering a phase of disintegration, the bank's information department dispatched an “urgent fax” containing a May 1994 speech by Quinn lavishly praising derivatives.

‘Whom the gods would destroy . . .’

LaRouche had begun his Ninth Forecast by saying, of George, “Whom the gods would destroy, they first make mad.” As if to prove LaRouche's assertion, George was quoted in the London *Observer* on July 24: “One has to be careful, because one can sound complacent, and we are not. We now have an expert team monitoring derivatives, who are even better every time they go in to see a firm. What they are reporting back from the active players on the market, is very reassuring. These people know what they are doing, whether it's at director level or the chaps on the desk.”

The circumstances of Pennant-Rae's resignation can only further damage the Bank of England's reputation. The March 22 London *Guardian* ran a front-page story, “Chief's Affair Rocks Bank,” noting that the resignation is a new blow to an institution “already battered by the Barings collapse and a shaky pound sterling.”

The *Guardian* wryly commented that what has been revealed is “another chapter in the ill-fated ‘back to basics’ campaign” begun by Major in 1993. In early March, Robert Hughes resigned from Major's cabinet over his extramarital affair, the fifth to leave because of “marital infidelity” since the cabinet was formed in 1992.

Pennant-Rae's degeneracy is nothing new. On March 3, 1989, *EIR* published “The London *Economist*: a Magazine By, and For, the ‘Satanist Personality,’ ” which reported on a Feb. 4, 1989 Pennant-Rae interview with *El País*, in which he defended an *Economist* editorial advocating drug legalization in the United States. He told the Spanish daily that the *Economist* justified legalization on “pragmatic and utilitarian” grounds. He reiterated his pro-drug views in a Feb. 23 discussion with *EIR*. But Pennant-Rae was spouting views that were being openly sanctioned by the British monarchy. Earlier, on Feb. 3, 1989, *EIR* had exposed the fact that Her Majesty Queen Elizabeth II had just knighted *Economist* chairman Sir Evelyn Rothschild, with full knowledge that his magazine was advocating drug legalization.

Kissinger, Sachs ready to lead India to the slaughter

by Ramtanu Maitra and Susan Maitra

Since the election results for the state assemblies in Maharashtra and Gujarat were announced, and the annual budget for Fiscal Year 1995-96 was presented to Parliament on March 15, India has been inundated by visitors from the West, promoting India's "success" with economic reform.

In order to curry favor with the Indian political authorities and businessmen, some of these visitors put on a new garb, a painted smile, and changed their lingo completely. The most noticeable behavioral change was that of two outrightly anti-India individuals—Harvard Prof. Jeffrey Sachs and former U.S. Secretary of State Henry Kissinger. During their recent visit, both Sachs and Kissinger were eager to prove their "friendliness" to India over the years, and particularly their goodwill toward the present government. In the process, both resorted to lying.

Kissinger served as U.S. national security adviser and secretary of state in the 1970s. It was Kissinger's "Pakistan tilt" in the early-1970s that led to the slaughter of millions in Bangladesh (née East Pakistan) and eventually dismembered Pakistan. It is no secret that through this period, Kissinger actively shaped and personally fueled a strong anti-Indira Gandhi bias and, hence, an anti-India bent in U.S. policy. His role in the subcontinent more broadly has been that of an assassin, as was documented in former Pakistan Prime Minister Zulfikar Ali Bhutto's memoirs written from jail prior to being hanged by the tin-pot dictator Gen. Zia ul-Haq. Just prior to the chain of events that led to his hanging, Kissinger personally assured Bhutto that he would "make a horrible example" of him should Bhutto dare to pursue nuclear technology for his nation. Kissinger's role in annihilating almost the entire family of Sheikh Mujibur Rehman, the founding President of Bangladesh and a close friend of Mrs. Gandhi, on India's Independence Day in 1975, has been acknowledged by a former colleague of Kissinger in the National Security Council as yet another example of Kissingerian thuggery.

However, India best remembers Kissinger, not for hurling filthy abuse at Mrs. Gandhi, but for his relentless campaign against India for being a "Soviet lackey." Kissinger's initiative, with the help of Pakistan, to bring about a strategic alliance between the United States and Mao's China, was

seen in India as much as an anti-India policy as it was anti-Soviet Union.

But one thing about Henry Kissinger that cannot be denied, beside his shameless love for money, is that he is endowed with thicker skin than even a rhinoceros. As a guest of the Tatas, Indian industrialists based in Bombay, Kissinger did not even stutter when he told newsmen that "in 1962, I lauded India's role as a non-aligned nation." But, then, lying is Kissinger's second nature, and since he is now on the scent of making money in India, he is willing to say anything to please the Indians. Kissinger even got a meeting with Prime Minister P. V. Narasimha Rao, thanks to the liaison carried out by former U.S. ambassador to India and now the Japan-expert at the Center for Strategic and International Studies at Georgetown University, William Clark.

Soros's boy

Another such pretender who was recently in town attending an international conference hosted by the London *Financial Times*, is Prof. Jeffrey Sachs, the wrecker of the economy of Russia (among other nations). Sachs was in India earlier, in August 1994, promoting a fast-track economic reform in the style of Russia. At that time he had presented an eight-point charter, which went like this:

- trade reforms, including bringing duties on consumer goods to as low as 10%;
- capital flows which allow multinationals to hold 100% equity without cumbersome permission;
- financial market reforms, including de-nationalization of banks;
- tax reforms, including a total shift to the value-added system and dismantling of all internal trade barriers;
- changing labor laws to allow "hire and fire";
- privatizing state-owned enterprises where, among others, workers and the public are shareholders, too;
- attracting huge infrastructure development projects, even if they come saddled with conditionalities and counter-guarantees;
- shifting the government to the job it is uniquely qualified to fulfill: providing primary health care and primary education.



Harvard Prof. Jeffrey Sachs, who helped destroy the Russia economy, is now befriending India in order to do the same thing there.

When Sachs presented this charter, he was literally laughed off the podium by Indian industrialists and others. The Confederation of Indian Industries (CII), a chamber of commerce for the engineering industries in particular, where Sachs spoke, witnessed one industrialist after another standing up and saying that Sachs was out of his mind.

But, in March 1995, the same Sachs was paraded around by the *Financial Times*, but it was supposedly a “different” Sachs, one eager to kiss and make up. He told the Indians that the process of reforms adopted in India was unique and achieved by most democratic means. “It has been managed in so wide a country, so diverse, and so democratically. It can then be done anywhere,” Sachs said. When people pointed out that the Rao government, because of the political difficulties encountered already vis-à-vis economic reforms and for its own reasons, did not adopt his eight-point charter, Sachs had no difficulty in saying that “India was on the right track.” India may even get on the fast-track adopting his eight-point charter if the report turns out to be true that Indian Finance Minister Dr. Manmohan Singh has taken a liking to Professor Sachs and had invited him for a private lunch.

Showing the Kissingerian lineage, Sachs, the protégé of the Hungarian-American investment banker George Soros (another recently acquired “friend” of India), reversed what he had said earlier. This time around he expressed concern over the proposed social spending in the last annual budget and said that it would put pressure on the nationalized banks.

Drug money-launderers

Along with Sachs and Kissinger came a host of others including an old “friend of India,” Stephen Solarz. No longer

a U.S. congressman and stripped of official political power in the United States, Solarz, who had tried earlier unsuccessfully to land himself the job of U.S. ambassador to India, was in New Delhi promoting India’s commercial interests in Central Asia. But while making money is surely on his mind, like the rest of the gang, Solarz has lost out in India following his now-famous statement—which identifies his British geopolitical and Cold War lineage—that an independent Kashmir is an option that could be looked into by India. A Cold War pawn, hooked into the Anti-Defamation League-Mossad-British geopolitical games, Solarz is now probably looking for money and payoffs.

The *Financial Times* conference also introduced to India the Eagle Star holdings, a drug money-laundering outfit whose activities have been well documented in the book *Dope, Inc.*, a publication of *EIR*. Eagle Star runs the Bronfman family operation from the top, through its control of English Properties, and English Properties’ control of the Trizec Corp. of the Bronfmans. The Bronfmans are already in India hawking their whiskeys, and Eagle Star is now being introduced.

Two other companies which moved in around the same time are Kleinwort Benson and the American International Group (AIG), both known for their drug-money-related activities. Kleinwort Benson’s wholly-owned subsidiary Sharps Pixley Ward jointly runs the Hongkong gold market with the Hongkong and Shanghai Bank, a crucial support operation for the Far East drug traffic.

The inundation of India by these unsavory characters was preceded by statements issued far and wide that the Indian economic reforms are going to be more “sustainable” than those of China, provided India opens its door wider to let fresh investors into unopened sectors. However, there is little doubt that those statements are mere ruses. The purpose of such deployment of international stars at this point in time is an attempt to use high-powered flattery to force open the door for western investors to invest in such lucrative money-making areas as insurance and banking, among other sub-sectors, in India. In order to make this point, individuals such as Sachs and Kissinger had no compunction in lying through their teeth, saying exactly the opposite of what they believe and had said earlier.

Financial ‘cold war’

Behind this game lies a clear strategy. The first part hinges on the observation among some in the West that their leverage against China is dropping fast and sure. Hongkong, an intervention point as well as a cash cow, will soon become a part of China. This may provide China with a significant financial capability. At the same time, efforts to drag Washington into confrontation with Beijing have not worked so far, and if the Clinton administration continues to pursue its confrontation with the British colonial policymakers, the looting of China may have to be given up altogether. The

Russian scene is also changing, as the Chechen intervention by Moscow suggests, and it is unlikely the Soros-Sachs combination will get control over Russia soon for further pillaging, notwithstanding the power of the International Monetary Fund to help the combination.

In this context, the building up of India, through empty rhetoric and drug-money capital, could be expected to ignite apprehension in Beijing and may work out as a leverage to blackmail China. China's paranoia about Tibet, and India's harboring of the Dalai Lama, a plaything of the geopoliticians of the British kind, can be well exploited through making "friendly" overtures toward India.

Why India?

India, now a prime target, is quite accessible as of this moment. On one hand, India must be pitted against China strategically, and identified as a "saner nation" than China and a place where the so-called western values are better understood and appreciated.

But, behind this "grand strategy" lie serious apprehensions. Recent electoral outcomes indicate that the century-plus-old Congress Party is eroding away like the old Ozymandias, and there is little hope that life can be pumped back into its limpid self. The withering away of the Congress Party is wrought with dangers for these "well-wishers of India." To begin with, there is a definite indication that one-party rule in Delhi could very well be a thing of the past for the next 10-15 years. It is understood that a coalition government cannot, in the Indian context where the population is highly politicized, push through such policies as bank nationalization or full convertibility of the currency.

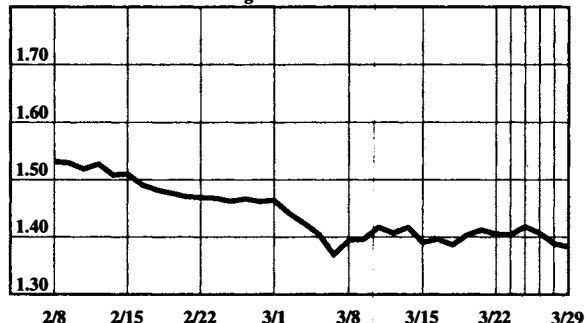
These "well-wishers of India" are also afraid that, since the "ill effects" of the economic reforms have been used successfully as campaign material by the opposition parties, defeat of the Congress Party in the 1996 general elections, a likely occurrence, could mean a setback for the economic reforms, particularly the money-laundering opportunities emanating out of further reforms. As an example, they have seen that in the state of Maharashtra, the Congress' heavy promotion of further reform in the state resulted in the ousting of the party from the seat of power for the first time in the state assembly since independence.

This means that deregulation of the insurance companies, full convertibility of the Indian currency, denationalization of the banks, allowing the electronic wire transfer of drug-money from offshore banking areas to buy off Indian companies, and similar opening up of India to international financial looting, may get derailed along with the Congress Party. This fear has created a sense of exigency—it's now or never. While this galaxy of visitors recognize that the Rao government cannot possibly deliver those plum aspects of future economic reform without conceding to its own certain burial in the coming elections, the greed is too overwhelming and brooks no reason.

Currency Rates

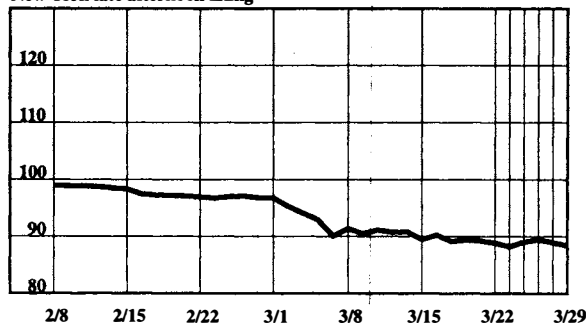
The dollar in deutschemarks

New York late afternoon fixing



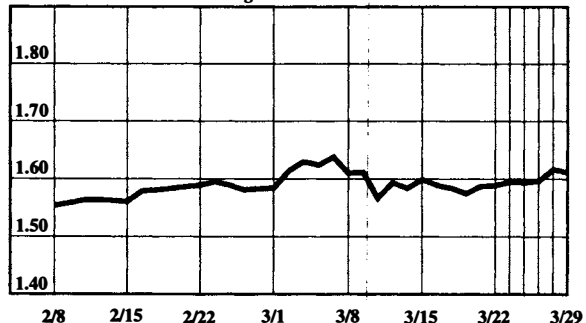
The dollar in yen

New York late afternoon fixing



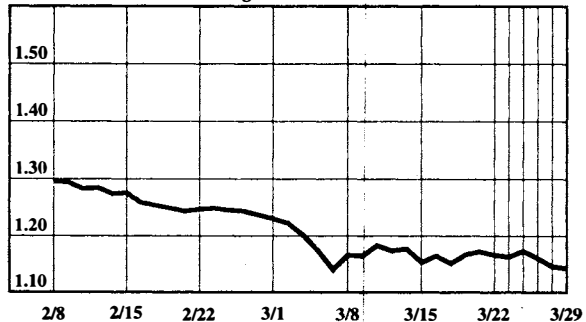
The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



India's economic reforms bend with the political winds

by Ramtanu Maitra and Susan Maitra

The annual budget for Fiscal Year 1995-96 presented by Finance Minister Manmohan Singh has been widely acknowledged in New Delhi as a belated attempt by the ruling Congress Party to rebuild the old poor-and-minorities consensus that has kept the center party in power historically, with an eye toward the 1996 parliamentary elections. As a result, the often-debated future agenda of the economic reforms program (including currency convertibility, new labor laws, and financial sector restructuring) has been put on the back burner for the time being.

The March 15 budget presentation took place in an environment in which the government of P. V. Narasimha Rao had no choice but to accept the reality that the Congress Party has lost significantly in elections nationwide and in such major Indian states as Maharashtra, Gujarat, Uttar Pradesh, and Bihar. While there is an ongoing debate as to why precisely the ruling party is continuing to lose ground, there is a genuine concern among the powers-that-be that the Congress Party has come to be known as anti-Muslim and anti-poor. Although no senior Congress Party leader has openly admitted that the party is considered anti-Muslim by the Muslims—who were a major faction in the consensus of earlier days—Congress Party spokesman V. N. Gadgil made it clear following the budget presentation that the party can no longer be considered anti-poor.

Losing ground

Over the last six months, the ruling party has lost control over state assemblies in Andhra Pradesh, Karnataka, Maharashtra, and Gujarat in statewide elections. There is no question that the defeats, following earlier defeats in Uttar Pradesh in 1994 and Bihar in 1991, have created a great deal of uneasiness among the party leaders at every level of the party hierarchy. Some of them criticize Prime Minister Rao's inept administration, while others point to the "adverse impact" of the economic reforms process, with which the Rao government is commonly associated, on the majority of the people. It is evident that the new budget is considered a curative measure to deal with the latter problem.

On the face of it, the budget is weak. There is no clear directive to resolve any of the major problems that are holding back growth of the Indian economy. The measures undertaken to "help the poor," and which earned the budget the reputation as pro-poor, are more cosmetic than substantial. While subsidies were not disturbed, and in fact the subsidy to the fertilizer sector has been given a hike despite protests from the free-traders, the budgets of the much-needed science and technology and infrastructure sectors were not given the boost they badly need.

The Economic Survey for Fiscal Year 1994-95, prepared by the Ministry of Finance and issued traditionally a few days before the budget is presented, however, led one to believe that the finance minister would use the budget to give a directional change. The survey pointed out that industrial growth would almost double in 1994-95, from 4.1% in 1993-94. The survey also pointed out that the infrastructure sector, hit by an acute resource crunch and having failed to attract enough private and foreign investments, has failed to gain from the ongoing economic reforms. The crippling shortage of funds has pushed down the growth rate in the coal (a major ingredient for power generation), railway (another major ingredient for enhancing power generation), civil aviation, and road sub-sectors. Although growth in the power sector is not considered low, it is significantly less than what is required at this juncture to sustain an 8-10% industrial growth rate in the coming years and make a visible dent in unemployment. The government was expected to tinker with the tariff structure to lure more investment into the power sector. However, no such indication was given in the budget.

A weak budget

Although the budget has been labelled as one that would slow down inflation, which is currently running at a rate of 11%, the fiscal deficit will remain quite high, at 5.5%. Much more important, however, is the government's decision to continue lowering capital expenditure vis-à-vis total government expenditure. According to one calculation, during the period 1980-85, the ratio of capital expenditure to total gov-

ernment expenditure was 37%. This fell during 1985-90 to 33%. By 1992-93, it had shrunk further to 25%, and was 24% in 1994-95. The 1995-96 budget indicates that the ratio will shrink further, to 21%.

What this means is that the money allotted to the public sector enterprises in the power, telecommunications, petroleum, and other infrastructure sectors is either finding its way elsewhere or not getting spent under the self-imposed diktat of containing inflation through reduction of the fiscal deficit. The reforms have failed to curb inflation, but have certainly slowed down the infrastructure growth rate to a dangerous level.

Danger signals

As one economic writer pointed out recently, the investment rate of 20% in India is way below that of all newly industrializing countries. These countries average 30-40%. The writer suggests that India will have to reach this rate of investment to ensure a sustained rate of growth of national income of 8 to 10%, which ostensibly the Finance Ministry seeks to achieve quickly. According to the annual government survey, the growth of the gross domestic product (GDP) estimated for 1994-95 will be about 5.3%.

While many of the survey's recommendations were given a go-by in the latest budget, the warning about a high fiscal deficit was heeded and it shows through in certain cases. However, the political exigencies of the ruling party have kept the other features, commonly associated with economic reforms, in the background in the latest budget.

But despite the cautionary measures undertaken in the budget, there is little to cheer up Congress Party leaders. Prime Minister Rao, who is also the Congress Party president, is under personal attack from a significant number of middle- and top-level Congress leaders. Some of these leaders have even gone on record to express their displeasure openly with Rao's leadership vis-à-vis the party as well as the government. It is still not clear whether the attack on the Rao government by these leaders is a fallout of the disagreement over how the party affairs are conducted, and the adverse outcomes in the recent state assembly elections, or the economic policies adopted by the government, which, when all is said and done, are an extension of the economic policy foundation laid down by the late Rajiv Gandhi administration in the mid-1980s.

Political exigencies

Among the top dissident leaders, former minister of Human Resource Development Arjun Singh, a political powerhouse from the state of Madhya Pradesh, stands out. Former Uttar Pradesh Chief Minister and senior Congress Party member N.D. Tiwari's recent decision to quit the all-powerful membership in the Congress Working Committee (CWC) (but remain in the party as an ordinary member) is an indication that the dissidents are alive and well. However, neither

Arjun Singh nor Tiwari attributed their differences with the prime minister to anything beyond party matters. Their views, expressed through open letters to the Congress president, accuse the prime minister of having failed to stem the erosion of the party's popularity, and in addition, accuse the Rao government of adopting an economic policy which projects the party as anti-poor. Arjun Singh, incidentally, has endorsed the latest budget.

Perhaps the most articulate voice against the functioning of the Rao government is former Science and Technology Minister P.R. Kumarmangalam, who had earlier resigned from the government and is currently spearheading a group of younger party members with the purpose of rebuilding the party. While making clear that his campaign is not targeted against "any individual," Kumarmangalam claims that the new economic policies initiated by the Rao regime have led to "distortion and corruption." And, he told media recently, in the guise of reforms, "a grand strategy to balkanize and disintegrate the country" has been unveiled.

Though it is difficult to surmise how many senior Congress members would subscribe to Kumarmangalam's thesis, there is, however, no doubt that the party is in deep trouble. Most of the trouble the Congress Party, still by far the largest national party, faces, is not simply related to widespread corrupt practices, of which a large number of party members are accused. The bigger problem is the party's inability to change and adapt itself to post-Cold War, albeit post-ideological, politics. The political growth of the backward and scheduled castes and scheduled tribes, exemplified in the assembly elections in Uttar Pradesh and Bihar, and its ability to garner support from the minority Muslims, who constitute 15-20% of the population as a whole, has been an eye-opener to all but the Congress leaders. This new political alliance was earlier the backbone of the consensus built by pre-independence Congress Party stalwarts and which allowed the Congress Party to remain in power almost uninterrupted since independence in 1947. Increasingly denied this vote, and in fact pitted against it, the Congress Party leaders fear that the party is being increasingly identified as an upper caste Hindu party—a problem that the other national party, the Bharatiya Janata Party (BJP), is also encountering.

Neither Congress Party leaders nor the party cadres so far have shown any genuine intent to look at this significant development which emerges out of the majority's search for social justice. Instead, Congress Party leaders are still pursuing the old politics, denying the emerging realities, and embracing the illusion that nothing has changed.

The crux of the matter, which the Congress Party leaders have failed to tune themselves to, is that a new political process has emerged. Under this new process, the political leadership in many states is slowly slipping into the hands of the majority represented by backward castes, scheduled castes, and scheduled tribes, and in alliance with the Muslim minority community.

Russia's liberal economic reformers created the 'Great Criminal Revolution'

Dr. Tatyana Koryagina, Academician of the Russian Academy of Natural Sciences, is the General Director of the Independent Economic Agency SEPPA (Socioeconomic Programs, Prognoses, and Alternatives) and a member of the board of directors of the United Nations Institute for Social Development in Geneva. In the late 1980s, she served on a state commission on economic reform in the Soviet Union and she was a member of the Russian parliament. In January 1992, she warned that the policies then being imposed in the name of reform—lifting price controls while the economy was still under control of state suppliers enjoying a monopoly—would lead to “a tidal wave of crime” in Russia.

Karl-Michael Vitt interviewed Dr. Koryagina on Feb. 23, 1995, in Moscow. Konstantin Cheremnykh translated from Russian.

EIR: What is your present occupation?

Koryagina: I am a scientist. I still work at the Macroeconomics Research Institute of the Russian government. It is practically without financing now, and my colleagues have been thrown into misery. Still, our group has founded our own private institution, the Independent Economic Agency, which is elaborating alternative programs and conducting prognostic research. The agency is also just trying to survive. The only difference for me is that in our agency I am surviving as a director.

EIR: After three years of the reforms started by Yegor Gaidar, what can you say about their results?

Koryagina: We are experiencing a profound crisis. I must emphasize that this is a systemic crisis, affecting all spheres of the economy and social life. But I was pessimistic about the free trade transformation of our economy already in 1990, when I first saw the so-called 500 Days Project prepared for Gorbachov by Yavlinsky, Shatalin, and others. In my opinion, Gaidar's policy was just a mild version of that project.

EIR: Today many people are suffering from crime. In your

opinion, is Gaidar responsible for it, and was he helping to develop these structures?

Koryagina: I should say that I was one of the first economists to investigate the so-called “shadow economy.” Already in the late 1980s, when the concept of the cooperative movement, of the private sector of industry, was widely discussed, we warned that if property reform were not conducted under a strict and clear law system, without government support for legitimate business, and if this were not conceptually outlined, we would get a mafia state and a criminalized economy.

I made such a forecast in July 1988, at an expanded meeting of the Council of Ministers, addressing Soviet Prime Minister Nikolai Ryzhkov. For me it was clear that liberalization of economy is always fraught with the risk of criminalization, so I said that a legislative basis should be developed before the economic reform was started.

But if we look at the 500 Days program, as well as what Gaidar did in practice, we see that criminalization was not prevented at all. It was speeded up. The Russians didn't even notice how the laws concerning drug use were changed, and even the deputies of the Russian Supreme Soviet did not realize that they were creating a paradise for the drug trade. And criminal businessmen prosecuted by the law were intentionally turned into victims or even heroes in the mass media.

So, both the lack of a legislative basis and the intention to create, the quicker the better, “a new layer of proprietors,” without regard for the source of the capital, led to the sort of situation we now have to deal with in Chechnya. And when Gaidar and his pals start to criticize this corruption, they seem to have forgotten that they were, personally, in both the spiritual and the administrative aspects, the fathers of the so-called Great Criminal Revolution.

The most terrible thing is that the present economic system involves a great part of the population in criminal activity. For a businessman there is no other way, except to go broke. All the rules and regulations are structured so that they kill legitimate economic activity and support

criminal deal-making. The taxes strangle production. There are certain privileges only for foreigners.

Any Russian businessman who worked on the Soviet or now the Russian market knows that, besides official payments, he also has to pay the so-called black cash. He has to pay additional, unregistered sums for storing goods, for purchasing offices, for keeping the freight from being stolen en route. I don't know of a single company satisfied with its conditions of existence. So, one of the major results of this way of economic reform is that nowadays we have no fair business in Russia at all. Our economy is part black, under mafia control, and part so-called gray, or half-criminal.

EIR: But what do you think of western governments that insist on fostering free market reforms in Russia? Are they maybe just stupid, or what can be the reason?

Koryagina: I'm sure the reason is not always the same. Based on my experience of discussion with western politicians and scientists, I have to say they only very superficially understand what had been and what is now going on here. Most common is their absolute, total lack of understanding of the essence of the Soviet economy, the system that worked for many years. They take it as something merely negative, as its principles did not coincide with western standards. Some prominent western professors, after talking to us for two hours, exclaimed, "But how is it possible that you still exist, after all?" That's what I call total lack of understanding.

But, of course, that is only one side of the problem. It is clear now that there had been, and there are now, too, real and intentional efforts to undermine our economy and our country, too. After the fall of the U.S.S.R., the same destructive processes are being fostered in Russia.

You see, I grew up already in the period when Stalin was criticized, and so I always hated the word "conspiracy." Still, in 1988, when I was studying the consumer market, I had to use the word "conspiracy." For these International Monetary Fund [IMF] people were clever enough to foresee the consequences of the destruction of the whole financing system and the consumer market in our country. They were clever enough to understand what we were explaining to them, when we were objecting to Yavlinsky, Shatalin, and Gaidar, claiming that their incompetence was close to treason, and that they were betraying not only state interests, but their own conscience as scientists. I knew all these people well enough to realize that some ominous game was being played by them—a game that was to bring material profit to them personally, and nothing good for the productive economy.

EIR: The Bush-Thatcher policy in eastern Europe was obviously aimed at crushing the economy in this region by means of "shock therapy." Do you think there is a possibility now

that Russia itself, independently, not looking back at Harvard University, can find the solution to this situation?

Koryagina: No doubt. And of course, the Harvard specialists can't help us at all. We can speak with John Galbraith and some other scientists who are not as well known as Jeffrey Sachs, but who have a better reputation in economic science. As for the Harvard school of Sachs and others, in the scientific circles they are commonly regarded as representatives of what I would call the false monetarist school.

EIR: But the Russian crisis is not an isolated event in the world economy. We are facing a global economic depression. The American economist Lyndon LaRouche wants to have an ordinary bankruptcy of this IMF system, in order to reach the possibility of creating a new credit mechanism, to improve the physical economy. For example, for Eurasia that would mean the development of infrastructure, of waterways, high-speed railroads, communications, energy management, and so on, to create a bridge between the two most densely populated areas—Europe and China—with Russia in the middle. What do you think of such a solution to the crisis, a solution which would be in the tradition of Count Sergei Witte, professors Mendeleev and Vernadsky, as well as in the tradition of the original American System?

Koryagina: In my view, modern problems of economy cannot be solved conceptually with the same methods as in the 19th century, when our brilliant Russian intellectuals worked. Though I admit that the main danger for the world economic situation, the danger of a supercrisis, is coming from the same source as it was at the beginning of our century. It is coming from a hypertrophy of fictitious capital in economy, producing an immense load of derivatives, which causes an increasing gap between the real ratios of production efficiency, its physical productivity, and monetary value.

I am sure that only those countries will avoid getting into a collapse in the next century, which escape from the world banking system, to hide into, so-to-speak, capsules, contracting world economic ties only in some selected necessary spheres, and thus surviving in this global supercrisis which will really come very soon.

Unfortunately, I didn't know anything of LaRouche in the late 1980s. Still, in my interviews of that period, that was my and my colleagues' intellectual response to Yavlinsky, Shatalin, and Yasin. I gave interviews to Spanish, Japanese, and also American journalists (the Americans were surprised that I didn't follow Yavlinsky and the others), and said that if [Russian President Boris] Yeltsin followed these initiatives (and I didn't quite expect he would), he would draw Russia and all the neighboring countries into the same deadly funnel, the same whirlpool into which the whole world community is marching.

As for the projects, their fate depends on what basic economic principles will be chosen in the nearest future.

So, if the developed countries return to the gold standard, it will be clear for any thinking economist that we are returning to physical economy, and then, on this basis, global infrastructure projects can be carried out; if not, any project will fail, all of them will be a sort of Garden of Semiramis.

EIR: You know about the financial crisis in Mexico that made even [IMF Managing Director Michel] Camdessus speak of a systemic crisis; and more and more people are speaking of a global financial collapse, though in February 1994, when LaRouche was warning of the incipient crisis, these people were too careless to listen to him. Now, what is your advice to the governments of the world? How should they react to the crisis, to your opinion?

LaRouche's proposal is that several strong states, like Germany and the United States and Japan, can declare the global financial system bankrupt. President Clinton can do this, based upon Article I of the U.S. Constitution. Would you advise Clinton to do this, in order to implement the original American, Hamiltonian system? If he did this, Russia would also have a chance to change its parameters. Last year, during his visit to Bonn, President Clinton expressed his will to help to stabilize eastern Europe. So, what would you advise him to do to achieve this objective? What should he start with?

Koryagina: I would divide my advice to the western politicians into two parts. The first aspect concerns the ability of western governments to avoid the coming superdepression. It seems to me that the crisis is already inevitable, and one can't prevent its coming. Now the governments should be thinking about how to behave in the situation of the supercrisis.

As the crisis itself is linked with mistreatment of the interests of a group of countries, and the interests of their citizens, in the framework of the world financial mechanism, the first thing to do, I suppose, is to evaluate the degree and the velocity of a given country's involvement in this global mechanism. My opinion is that only countries that choose the path of rational isolationism will successfully survive. Its essence should be a system of very carefully planned measures to protect national productive economies, so that fictitious capital, speculative money cannot suppress the producers and impose its own conditionalities.

Any production has a purpose of satisfying some of people's needs; production exists for the sake of the consumer. The producer must feel that the intervention of the global financial institutions destroys the national economy of Russia, of the United States, and also of Japan, as my colleagues have told me. So, if you want to retreat from the edge of the abyss, it means you must be aware of the interests of your national economy, and in order to protect it you have to get rid of the network of global financial structures, and act as an isolationist. When some countries start behaving like this, it will be like a cold shower for other countries,

for those politicians and governments unlucky enough to be ruling countries in such a difficult period.

The second issue deals with the crucial question in economic science—the principal question of the interpretation of production and distribution. The 20th century has proved that a civilized country must have an immense reserve of goods and services to provide the whole population with a certain set of economic benefits. And this need will lead to an increase of the role of the state in regulating the economy and property. Private property will be largely transformed into stockholding property, while a significant part of the property will be state-owned, so that it could provide a financial basis for the state to survive. Politicians who realize these essential factors will win.

In the late 1980s, I was one of the first economists to speak of developing the private economy in this country, and I'm quite sure that the niche of small production, e.g., farming, should be filled with private initiative. But I never held that electric power generation or railroads or museums should be privatized.

I am sure that the 21st century will be a time of large corporations, transnational alliances, and companies in which the state property of many countries will comprise a large part, and will represent the interests of these countries.

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Some progress on derivatives

Finally, a few politicians are beginning to take notice of the meltdown of the international financial system.

In September 1993, at a time when U.S. Rep. Henry Gonzalez (D-Tex.) began to put the high risk involved in speculative money dealings on the House Banking Committee agenda, this writer tried to talk to German Social Democrats, who were gathering for their national party convention in Wiesbaden, about the danger of derivatives—with little success.

Ingrid Matthäus-Maier, for example, the official Social Democratic Party (SPD) financial and budget policy spokeswoman, said that she did not think the time had come to deal with the derivatives issue. She seemed uninterested in the Gonzalez initiative. Other SPDers gave the same impression. Generally, the opposition SPD, which should have used the volatility of the financial system to challenge incumbent Chancellor Helmut Kohl's alleged economic "success story" during the 1994 elections, did no such thing. No initiative against speculation, no proposal that went beyond calls for some budget cuts here and there. This is how the situation looked until March 1995.

The collapse of Barings Bank has changed the picture significantly. Now, the Social Democrats have launched a "grand motion" that calls for a plenary session of the parliament to discuss the problem of derivatives and other speculation.

The motion is signed by, among others, the same Ingrid Matthäus-Maier who ignored the problem 18 months ago, and by party chairman Rudolf Scharping. It explicitly refers to the Barings case as one that dramatically underlines the urgency of political action.

The motion, which was presented

in Bonn on March 19, voices profound doubt concerning statements such as that of Finance Minister Theodor Waigel, that Germany's banks, industry, and public sector entities are safe from Barings-style collapse, that "nothing like that could ever happen here." It states that the insolvencies at the Metallgesellschaft group and the Balsam group that were linked to losses in derivatives, document quite the contrary of what Waigel has said.

In the form of 20 questions, the motion recommends that the government tell what it currently knows about the problem, what actions it plans in order to monitor and contain the risk of derivatives, and what options it sees for making reports on "money at risk" mandatory in banking, industry, and public sector institutions.

As an aide to the SPD in the parliament told this writer, the initiative is aimed at getting a "first overview" of the problem, and it is expected that in late April or early May, the parliament will bring up the issue in a plenary session.

Until then, the financial policy committee passed a resolution on March 20 that calls for upgraded monitoring of the derivatives role in speculative deals, and for debate on the fine-tuning of controls and reserve requirements.

Also on March 20, the Federal Accounting Office (BRH) made it known that it is considering an official probe into public sector involvement in derivatives, after it had received alarming information that not only banks and industrial enterprises, but also municipalities, states, and the federal government have already become deeply engaged in derivatives.

The federal Ministry of Finance admits it is involved in derivatives, but it is trying to play down the issue, explaining that it does so "only for concrete credit projects and only to minimize the interest burden." The BRH intends to convene a special session, to examine the extent of public sector involvement.

The BRH is alarmed over the attitude of several state governments that have informed the supervisory agency that they have derivatives engagements, indeed, but that these are below the level of the state government of Schleswig-Holstein, which is financing 50% of its new borrowings through derivatives transactions.

While there is some transparency on the scope of the exposure on the federal and state levels, the scope of municipal derivatives dealings is murky. In light of the recent Orange County, California disaster in the United States, the BRH wants to look more closely into municipal exposure. It is this area of financial policy that has been neglected by the experts, and "some very bad surprises" can be expected, the aide to the SPD parliamentary group said.

However, most politicians who have finally begun to make the risk of derivatives a public issue, will still not go farther than to suggest that regulations be imposed on the so-called "excesses," and leave the derivatives market as such untouched. So far, while the debate is just beginning, Edgar Meister, a member of the central bank board, has been the only senior banking official to call for harsher measures. In an interview in the weekly *Wirtschaftswoche* on March 17, Meister endorsed "any kind of proposal to restrict purely speculative transactions." He added that one "should not concentrate on excesses, but rather on the causes which are still in the political and economic domain."

Only austerity offered in Finland

The supposedly "strong" Finnish mark may be one of the next catastrophes in the global financial collapse.

European countries have in the recent period come into focus as potential currency catastrophes. Following the Mexican crisis, Italy, Spain, and Sweden have been pointed out as the next most likely candidates. But even seemingly strong currencies, such as the Belgian franc and the Finnish mark, if analyzed from a physical-economic perspective, could not be considered "strong." What we have is rather a crisis of the whole system, as International Monetary Fund Managing Director Michel Camdessus stressed, when he mentioned that 10 countries could follow Mexico.

In this light, the status of the Finnish economy has a broader interest, as was highlighted in parliamentary elections on March 19. The political establishment there has implemented a senseless austerity policy since the depression hit Finland in 1991. During the last four years, the center-conservative coalition government has increased taxes from 36% to 48% for the average industrial wage earner—an increase of 33%. For the white-collar worker, the increase was from 47% to 56%. At the same time, official unemployment rose to 20%, from below 5%. Unemployment has stabilized at this historically high level, and is oscillating between 18 and 20%.

More and more people are losing their unemployment benefits, and they have had to depend on what for years was unthinkable for a Nordic country: the soup kitchen. This category has been labelled the "new poor."

These are the concrete results of a depression-ridden economy, which

for three years, between 1991 and 1994, reduced its Gross National Product by 13%, while consumption fell by more than 20% (the private sector 15% and the public sector 5%). Public consumption fell despite the increase in taxes.

The Finnish electorate has, in other words, been put through a rough period since 1991, and more is to come. No party in its election propaganda promised more austerity, but no matter what they backed—left, center, or right—the voter had only one option: more austerity. It is not surprising that voter turnout was just above 70%, the lowest since World War II.

In this election to a new parliament, the voters indicated clearly that they don't buy the senseless austerity. However, no one in Finland has any idea of what else to offer except austerity, to please the so-called international investors. Tellingly enough, the party which won the election, the social democrats, promised the harshest austerity. So, the part of the Finnish electorate which actually went to the polls rejected the center-conservative coalition because of its austerity policy and, as a vote of protest, chose even harsher austerity.

In the recent currency turmoil after the Mexican crisis, the Finnish currency has maintained its value, while the Swedish kroner has fallen against both the German and Finnish mark by almost 20%. The different performance of the Swedish kroner compared to the Finnish mark cannot be explained by differences in the economic situation. In physical-econom-

ic terms, the Swedish and the Finnish economies are very similar and have developed in a similar manner over the last years.

Both countries depend heavily on a raw materials-based export industry which, in the wake of last year's devaluations of both currencies, has increased exports. For both economies, the export industry is booming, making good profits and even, to some extent, boosting investment in new capacities and re-hiring people, while the domestic economies of both countries are still in a depression with high unemployment—15% in Sweden and 18-20% in Finland. The depressive state of the domestic economies is partly explained by the austerity policy in both countries, though the Finnish austerity program is much harsher.

The debt situation for both countries is also very similar. The state debt to GNP ratio is slightly higher for Sweden (over 80%) than for Finland (70%), but it is increasing for both.

It all boils down to the fact that the only difference between the Swedish and Finnish economic and political situation is that the Finnish political establishment proved during the last election that they will, at whatever cost, continue the austerity policy. They got their approval from the international speculators during the last phase of international currency turmoil; the Finnish currency is not falling.

The lesson which the Finnish voters will learn, and some of them already have, is that there is no end to the blackmail of monetarist shock therapy. The Finns are not alone in this experience; the people in the Baltic states, along with the Russians and the Poles, have also experienced it. The depression in Finland has been of the same depth as that in the eastern European countries.

Cardoso's reforms meet resistance

The government is foolishly trying to emulate Newt Gingrich's Conservative Revolution.

In its obsession with "reinventing the Brazilian state" and reducing it to its "minimal expression," the government of President Fernando Henrique Cardoso is proposing to carry out a series of reforms of the country's pension and educational systems.

The winds of the "Conservative Revolution" seem to have blown in from the Congress of the United States. The Brazilian President has just sent a fascist package to Congress, which would deliver a mortal blow to many of the population's hard-won benefits. What particularly stands out is the proposed reform of the pension system, as well as changes in public education, which sooner or later would result in both systems' privatization.

What demonstrates the brutal character of the government's actions, under the rubric of "cost-benefit" analysis, is the plan to eliminate the possibility of early retirement, for which people qualify after a certain number of years worked, replacing it with an obligatory cutoff age of between 60 and 65—currently the average life expectancy of Brazilians. In other words, you work until you die. And if anyone wants a retirement with all of the benefits guaranteed under the law, his only recourse will be the privatized pension systems.

The proposed reform of the pension system, an institution created over half a century ago by then-President Getulio Vargas and inspired by the social doctrine of the Catholic Church, did not emerge from the supposed originality of modern sociology; rather, it is a replica of the reforms

imposed in Chile by Gen. Augusto Pinochet, whose mentors were the gurus of the Chicago School of economics. One of these, quack economist Milton Friedman, is a central figure in the Conservative Revolution who loudly demands drug legalization.

Given the insane policies predominating in the U.S. Congress, it's not surprising that one of the primary architects of these and other reforms related to the administration of the Brazilian state is Administration Minister Luis Carlos Bresser Pereira, a technocrat who has sought the advice of American economist David Osborne, an expert in social engineering.

Brazilians aren't swallowing these reforms, however. In a survey commissioned by the government, 78% of those interviewed rejected changes in the pension system.

Aside from killing retirees, Bresser has another obsession—using administrative means to dismantle the Armed Forces. He delayed payment of the already miserably low military salaries and publicly charged that low wages of active duty military personnel were due to the large number of reserve officers.

The delay in paying wages provoked a heated response. On March 20, the Army, Navy, and Air Force clubs published an ad in the national press accusing the government of "disloyalty, lack of social sensitivity, manipulation, and injustice." The ad charged that Bresser's action "is sadistic proof for military personnel trapped between inability to pay their bills and the regulation which autho-

rizes punishment for those who fail to meet their financial obligations."

The ad's final paragraph is key: "Although we have been insisting that sacrifice is necessary, shared by all, once again the government has singled out the military and civil servants for punishment even while it grants enormous increases to government officials. Insensitive economists, unenlightened bureaucrats, blind politicians, and extemporaneous revanchists must be ecstatic with this maneuver which they applaud."

The attempt to reform the pension system demonstrates the depths to which the government of President Cardoso has fallen; there are daily expressions of dissatisfaction with his government, including from the Catholic Church; military protests have been especially harsh.

An article in the March 22 daily *Correio Braziliense* reported that the Eastern Military Command, based in Rio de Janeiro, views with great concern the unrest among active duty and reserve officers over the delay in payment of wages. A few days earlier, 60 officers, almost all of them in the reserves, transformed what was to have been a fraternal luncheon into a protest rally. Similar events took place at the Army Non-Commissioned Officers and Sergeants Club, and at a private residence, at which active-duty officers from all three service branches were present.

Col. Fri Maia Gonçalves, coordinator of the Mixed Commission of the Army, Navy, and Air Force clubs, reported that an increasing number of officers are leaving active duty in the Army because they are "exhausted by the lack of any hope for improvement" in their lives, and immediately join the organized groups of reserve officers. According to Colonel Gonçalves, there are between 12 and 14 such groups.

Business Briefs

Finance

Taiwan removes taxes on derivatives

Taiwan will "remove business taxes on derivatives trading as part of its effort to expand its monetary market," CNA news agency reported on March 3. The move comes as the international financial system is disintegrating, led by the collapse of the derivatives bubble.

This will "help boost derivative trading here . . . and attract foreign institutions to set up branches in Taipei, which will in turn help expand Taiwan's financial market and improve its prospects of becoming a regional financial hub in the Asia-Pacific," said Vice Finance Minister Li Chung-ying. He added that Taiwan "cannot avoid derivatives trading even though such dealings are risky." Taiwan is also planning to drastically drop transaction taxes on corporate bonds and taxes on new insurance programs.

The Kuomintang business management committee has also pulled together a group of banks and sent a delegation to London to consider buying Barings. They include the Core Pacific, Rurentex, and China Trust groups.

Infrastructure

EU okays funding for private projects

The European Union finance ministers finally approved a plan to co-fund private-initiative infrastructure projects out of the regular EU budget, at a meeting in Brussels on March 20. The projects will complement the public infrastructure development planned in the Trans-European Nets (TEN) program.

The funding issue has been debated by the EU since the Corfu summit last spring, because of the finance ministers' refusal, on grounds of "private sector" preferences, to release funds from the budget for any projects.

The Essen EU summit in December 1994 agreed to a plan that the European Investment Bank would co-fund projects, but otherwise issued a statement of intent that regular budget-

ary funding would be discussed during the course of 1995. The Brussels decision, which involves, for the time being, a volume of Ecu 2.35 billion for the next four years, means that the TEN program will be slightly accelerated.

The Austrian government welcomed the decision as "going in the direction of Austria's views." Johannes Ditz, EU envoy of the Austrian government, said in Brussels on March 20 that his government now sees good prospects for the realization of the Lower Inntal high-speed rail project between Innsbruck and Germany, via Kufstein, and will apply for EU co-funding. The rail project is the extension northward of the already envisioned Alps rail tunnel through the Brenner pass, which will connect Italy with northern Europe.

Economic Policy

Put human beings before usury, says Frondizi aide

"Human Beings Come Before Usury," was the headline of an article by Carlos González, political secretary to former Argentine President Arturo Frondizi, in the March 17 weekly *El Informador*. González charged that an "excess of arrogance on the part of Argentina's economic leadership further complicated the situation and exposed the fragility of the model applied. . . . Reality continues to be the same: The foreign debt is unpayable, not only for Argentina but for all of Ibero-America."

González quoted economist John Kenneth Galbraith warning that conditionalities imposed on countries by the International Monetary Fund (IMF) are very dangerous, and noted how Argentina's foreign debt grew from \$4 billion in 1976 to almost \$100 billion today. "Are there not reasons for questioning Argentina's leaders?" he asked.

González addressed a conference of the International Caucus of Labor Committees and Schiller Institute in Northern Virginia on Feb. 20 (see *EIR*, March 3, p. 44). President Frondizi has taken a prominent role in the international effort to exonerate Lyndon LaRouche.

Africa

Optical fiber network planned by AT&T

AT&T is seeking investors for a planned project that will encircle Africa with a \$1.9 billion optical fiber information highway.

William Carter, the president of AT&T Submarine Systems, said that "Africa One," a 33,600-kilometer fiber-optic cable which will provide the backbone for communications with, and within, the continent, would create a sophisticated telecommunications infrastructure that would boost Africa's economy.

The plan would have "landing points" in 41 African countries, as well as Italy and Saudi Arabia. Africa currently has 2% of the world's telephone lines, but 12% of the population. The project could be completed by 1999.

Turkey

IMF austerity leads to outbreak of unrest

The application of International Monetary Fund (IMF) austerity programs, which has been backed by Turkish Prime Minister Tansu Ciller, has led to the outbreak of social unrest in Turkey. Ciller was installed as prime minister with the backing of her mentor, former British Prime Minister Margaret Thatcher.

A recent provocation against the Alawite community in Istanbul led to riots which have resulted in 15 deaths so far, and on March 14, violent protests spread to Ankara, the capital. The Alawites are members of the Shiite Islamic grouping, and have been under repeated attack by the Saudi-funded Sunni Refah party.

"Economic factors lie behind all these dangerous events," economist Selami Sengul told the press.

Turkey's economy shrank by over 5% last year and per-capita income fell by about \$800 to around \$2,100. Over 600,000 people lost their jobs in 1994, and more layoffs are expected due to government privatization policies. Turkey has also lost close to \$10 billion because of the U.N. sanctions on Iraq.

The economic collapse led to a Refah candidate becoming mayor of Istanbul last year, something previously considered a political impossibility. Escalating conflict between the Alawites and Sunni Islamic fundamentalists, and national tensions resulting from the British-sponsored Kurdish rebellion, are also increasing the danger of a coup, according to Ankara sources. In fact, Thatcher associate and former U.S. Undersecretary of Defense Richard Perle has been among those demanding a coup to deal with these problems. The situation is not unrelated to developments in neighboring Azerbaijan and Chechnya. The former Azeri regime of Elcibey was armed and funded by Turkey. Chechens have also received Turkish arms, particularly from the Pan-Turk party of Gen. Arpsalan Turkes, who has been pushing for a showdown with the Kurds.

Health

New cholera agent 0139 has been decoded

Microbiologists in the Netherlands have decoded the secret of the new cholera agent 0139, which has caused thousands of deaths since 1992, especially in India.

Frits Mool and his colleagues at the National Institute for Health in Bilthoven have found that the cholera agent 01, which was the only infectious one before the emergence of 0139, got some genes from one of the many harmless other related agents. This process of conjugation is common among monocellulars, because this enables them to react more rapidly to changes in environment.

The new genes are responsible for the set-up of sugar molecules on the cell coating of the bacteria. The human immune system uses the sugar molecules for recognition, in order to differentiate between harmless and dangerous bacteria. This especially made the new cholera agent 0139 dangerous: Its inside is as dangerous as the cholera agent 01, but its outside characteristics look to the immune system like those of the harmless related agents. This highly aggressive masked agent

therefore at first didn't provoke any immune response. Only now, after some years, have the immune systems of people in India started to react.

Debt

Cadillac Fairview files new plan

The Canadian real estate holding company Cadillac Fairview, which was sold by the Bronfmans to about 40 U.S. pension funds in a 1987 leveraged buyout, filed a new plan for bankruptcy reorganization in an Ontario court, the March 21 *Wall Street Journal* reported. The plan will be at the expense of subordinated bondholders.

The new plan allows senior debt holders to choose between a cash payout of 93.5% of the debt held, or a stock payout in the newly reorganized company equal to 104% of the debt held. Subordinated debt holders, which are mostly vulture funds that bought Cadillac Fairview debt for about 20¢ on the dollar, will get 10% of the stock of the new company, which would be equal to about 6.5% of the face value of the debt, meaning the vulture funds would lose about half their original investment.

According to *Barron's*, the vulture funds were originally attracted to Cadillac Fairview to "play the turnaround in North American commercial real estate in the afterglow of the North American Free Trade Agreement."

Cadillac Fairview was forced into bankruptcy by Whitehall Street Real Estate, one of the vulture funds run by Goldman Sachs. The other vulture funds are screaming that Whitehall is attempting to squeeze them out and come up with sole control. Leading the opposition to Whitehall is Blackstone Partners, Peter Peterson's operation.

Some of the vulture and pension funds (there are 7 or 8 left) are reportedly so angered by Whitehall's behavior, that they are shifting their brokerage business from Goldman to other investment banks. The California Public Employees Retirement System is reportedly shifting *all* its brokerage business away from Goldman Sachs.

Briefly

● **MANUFACTURING** in the United States is becoming more import-dependent, Jack Hervey, a researcher at the Federal Reserve Bank of Chicago, reports in a recent study. In 1960, the U.S. exported 8% of its manufacturing output; today it is 24%. But the import share of total manufactured goods rose from 6% to 28%.

● **SINGAPORE'S** cable TV company, Singapore CableVision, signed a deal with Rupert Murdoch's Star TV satellite network on March 22 for eight channels. Star's CEO Gary Davey called it "a landmark process for the whole region."

● **THE ITALIAN** banking system is experiencing a growth in bad loans. In December, bad loans increased by 2.6% overall, the Banca d'Italia reported, whereas loans increased by 2.4%. At the same time, employment in larger companies (more than 500 workers) dropped by 5.6% in December 1994 compared to December 1993, the biggest drop in history.

● **THAILAND** has had a 300% increase in its population infected with the human immunodeficiency virus (the virus which causes AIDS) since 1991, researcher Luc Montagnier said in Bangkok on March 22. The estimates are 750,000 infected, up from 250,000 in 1991. The nation's population is about 60 million.

● **LAND O'LAKES**, a U.S.-based cartel company, has set up a phone recording informing callers that it has no bulk butter for export and does "not know of another U.S. source." The recording was set up due to the volume of inquiries, especially for Russia and eastern Europe, where there is a butter shortage.

● **OBSERVATIONS** from the Hubble Space Telescope have led scientists to believe that Mars is cooler, clearer, and drier than when the Viking spacecraft visited the red planet in the mid-1970s. "Being able to predict the weather will be critical prior to human exploration of the planet," NASA said.

Is the World Bank preparing civil war in Palestine?

by Muriel Mirak-Weissbach

The peace agreements signed between the Palestine Liberation Organization (PLO) and Israel in September 1993 and between Israel and Jordan in December 1994 were hailed as milestones on the road to peace, in a region which has known little other than war over the last five decades. The optimism engendered by the agreement resulted from the fact that the political settlement was premised on a commitment on all sides to real economic development, whose shared benefits would lay the basis for defining new relations among the adversarial populations. The economic annexes to the Oslo accords, echoed by the Jordanian-Israeli treaty a year later, promised vast infrastructure projects, especially for the creation of new sources of water, which would revolutionize the economies of the states in the Middle East.

Now, a year and a half have passed since the Oslo accords were announced. Instead of peace, prosperity, and the perspective of a flourishing future, there is soaring unemployment and collapsing living standards. Optimism has given way to frustration and bitterness among vast layers of the Jordanian and Palestinian populations. Unless the directionality of economic policy is radically shifted toward implementation of the development projects envisioned in the accords, the entire process will be fatally jeopardized. As the Justice Minister of the Palestinian Authority, Freih Abu Middain, remarked in an interview to *EIR* published in this *Feature*, "Oslo is going to collapse, the whole peace process is going to go to Hell within three or four months, if something does not change."

It was clear from the outset, that the success or failure of the peace process hinged on economic policy: as Lyndon LaRouche stressed repeatedly in the pages of *EIR*, either great infrastructure projects would be implemented fast, bringing concrete, visible improvement in living standards to the Palestinian population, and thus proof of the benefits of peace, or else agencies like the World Bank would monopolize policymaking, thwarting efforts toward development, in favor of "get-rich-quick" schemes for speculative investment. If the latter course were taken,



A school in Gaza, 1993. The success of the peace process hinges on bringing about a visible improvement in the living standards of the Palestinian population. Instead of supporting the development of infrastructure and social programs like education, the World Bank is promoting "get-rich-quick" schemes for speculative investment.

LaRouche warned, extremist opposition to the peace process on both the Israeli and Arab side would gain ground, and the hope of peace would be drowned in blood.

It is no exaggeration to state that the World Bank, and related international agencies representing the British oligarchy, are not only sabotaging efforts at development, but are pursuing a course of action which can have no other practical consequence than the outbreak of civil war among a divided Palestinian population. Such a tragic turn in the autonomous areas would immediately spill over into Jordan, whose population is at least 60% Palestinian.

Development sabotaged: the case of Gaza

Gaza, a virtual concentration camp spread out along a 46 kilometer coast, and a land area that reaches 6-8 km inland, is the test case for the Oslo accords. Since the economic and social situation there is by far the worst of any region of the Palestinian autonomy, it would have been the place where improvements could have been most readily and dramatically achieved. *EIR* campaigned for immediate work to begin on a deep-water port in Gaza City, as well as a Mediterranean-Dead Sea canal, to be cut across Gaza. Furthermore, *EIR* presented a viable project for nuclear energy-driven desalination plants, to be installed in the port city, to provide ample freshwater for domestic, industrial, and agricultural use. Such a nuclear-run complex would have provided a science-driver for the economy of the area; the energy-desalination plant complex would have served also as a training center

for engineers and scientists, as well as a living technology museum for children.

Although tremendous interest was shown in *EIR*'s plan by leading economists in the Palestinian community (as well as in Jordan), the World Bank and its appendages shot it down. The 1993 World Bank report on the Middle East specifically downgraded nuclear energy, listing it among its lowest priorities. Producers of safe nuclear reactors, capable exclusively of generating energy for peaceful applications, in Germany and the United States, refused to provide the technology. As one German bureaucrat in charge of relations with the Middle East told *EIR*, "The Palestinians in Gaza don't need nuclear energy; they need garbage disposal units."

Yet, even the so-called "appropriate technology" and very minimal infrastructure envisioned in the World Bank program have not been provided. This includes roads, housing, schools, and hospitals. If you go to Gaza today, as this author did, you will look in vain for any such projects. None of them has been started.

What is Gaza today? As one member of the Palestinian National Council and Central Committee told *EIR*, "Gaza, at the time of the Oslo accords, was little more than a giant garbage heap. Thereafter, it became a very, very, very, very dirty city. Now, it is a very, very dirty city." The city has been cleaned up, heaps of garbage have been removed, yet in the absence of an urban sewage system, waste continues to pile up, constituting a serious menace to health. The only project actually functioning is one organized by the



Where are the development projects that are going to give these youngsters in Gaza a future? Virtually nothing of what has been promised by international institutions and world governments has actually been delivered.

Germans, which is construction of a solid waste management and treatment plant. German technicians from the Society for Technical Cooperation have travelled to Gaza to set up the project and work is proceeding, expected to be completed in a matter of months. Palestinians are hoping that the same agency will build a \$15 million sewage system for Khan Yunis, the second largest city after Gaza.

This German project, which is bilateral, financed outside the channels of the World Bank, is the exception to the rule. Otherwise, in Gaza, *there are no projects*. Those few new buildings seen to rise up along the beach or in the city, turn out to be—every single one—the product of private financing. Some are hotels, some are private homes. *There is not one project* for social housing, schools or hospitals. As far as basic infrastructure is concerned, some workers can be seen putting up pavements and curbstones in the city. This is what the World Bank means by “roads” as a priority in infrastructure: maintenance of existing roads, nothing more. It should be noted that in Gaza city, there are about four main roads which are paved. The rest are dirt roads, many flooded by waste water.

Why are there no projects? The answer is as simple as it is diabolical: because there are no funds.

Since the signing of the Oslo accord, many conferences have taken place, bringing together “donor” countries to discuss funds for Middle East development. The amounts pledged reached up to \$2.4 billion, of which \$470 million were to go to Gaza in 1994. Only \$270 million has been disbursed. Controversy has raged since fall 1993 over wheth-

er the PLO institutions established to channel development funds into projects were “accountable,” “transparent,” “credible,” and the like. One fund was established, the Holst Fund, named after the Norwegian foreign minister who had sponsored the secret Israel-PLO talks, specifically to finance expenditures of the Palestinian Authority’s administration, especially the police force and security, of 16,000 men. The Holst Fund is currently \$19 million in arrears of its payments. When Palestinian government officials recently asked for monies to be disbursed, they were offered \$2,000! Saudi Arabia is reportedly putting up \$7.5 million, to keep police paid for another couple of months. In addition, 22,000 civil servants, including teachers, have to be paid. Funds from the European Union will cover these salaries, but only until the end of March.

Other expenditures made by the Palestinian Authority, which are vital to maintaining services for certain Palestinian layers, are not recognized by the donors and their official spokesman, the World Bank. These “illegitimate” outlays include activities in health, education, and social programs in Jerusalem; anything outside the occupied territories, including among Palestinian refugees in Syria, Lebanon, and Jordan; and support for families of Palestinians killed in the Intifadah.

World Bank, ‘internationals’ commit fraud

It is not just that the World Bank and other international organizations—derogatively dubbed in the region as “the internationals”—are reluctant to cough up the sums promised

in various contracts. These organizations are committing actual fraud, moving in to make a quick buck on the backs of people who have been oppressed for 47 years.

The racket of the World Bank and other "internationals" works as follows. The World Bank sends a delegation to Gaza, on the average, twice a month. The World Bank delegates send letters announcing the dates of their arrival, but never inquiring as to whether the proposed dates are convenient for their hosts. They arrive, often in groups of two, and take up lodgings in one of the two Gaza hotels. They enjoy a \$1,000-a-day expense account, far exceeding what they need to pay locally. They spend their time interrogating Palestinian Authority representatives, going through their books, and generally taking up valuable time. They engage frequently in outright harassment. For example, one World Bank delegation went to Gaza recently to investigate an alleged discrepancy in Palestinian accounts, amounting to \$4 million. After a week of checking through accounting books, the World Bank crew had to acknowledge that the missing sum was due to a transcription error made by the World Bank. In addition to the World Bank delegations, there are also those streaming in from Harvard University.

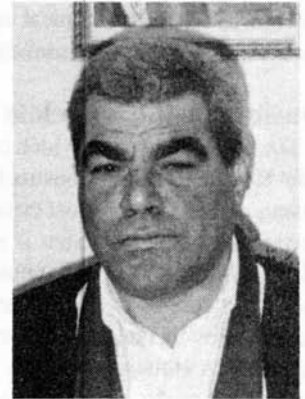
Sometimes, an "international" will come up with a well-heeled project. For instance, a \$2 million price tag will be put on a project for some local improvements. The only hitch is, the Palestinians must hire two experts to do the relevant feasibility studies and so forth, to the tune of about \$700,000 apiece, by the time the project has been completed. When one reads in the press of agreements reached between some European country and the Palestinian Authority for "technical assistance," what this usually boils down to is the following: The country in question offers its technical assistants, to the tune of \$20,000 a month. Palestinian political authorities have made clear that with the same amount of money, 20 Palestinian engineers could be gainfully employed in real projects. In general, when a bilateral deal is made, the "donor" country gains 75% and the Palestinians 25% of the value of the contract. A still more outrageous example of arrogance vis-à-vis the Palestinians is the idea floated in Washington at the Department of Commerce, whereby "preferential treatment" would be given the West Bank, which would be allowed to export goods to the United States at reduced or no tariffs. The hitch was that the West Bank be designated a "non-independent country."

To appreciate the extent of World Bank fraud, it is useful to compare World Bank offers to actual needs. If in Gaza, as has been officially estimated, there are 60,000 unemployed, and if \$10 a day were allocated to keep these people alive on some form of unemployment compensation or welfare, then a total of \$600,000 a day, or \$18 million a month, would be required. Normally, in contracting, one figures that 20% of total expenditures will be allocated for labor costs; that means that, in order to employ this number of unemployed even at these slave wages in construction, one would have to have a

project with a \$90 million investment. In comparison to this figure, the World Bank Emergency Rehabilitation Program

Samieh Samarra: Our wealth is our people

Samieh Samarra, head of the newly founded Palestine Radio and Television in Gaza, is one of the few people one meets in Gaza whose optimism has not been dampened by the difficulties encountered in the peace process. "It is the first time that Palestinians have ruled themselves, the first time we have government authority, the first time we can say and do what we want," he told *EIR*.



He makes no bones about the duty, as he sees it, for Palestinians worldwide to join in the effort. "Why don't they come here? We're building the first realistic state, the others are just sheikhdoms." Comparing this to the experience of Israel, which was "a state built on an idea, but had to bring people in from the outside," Samarra stresses that "we are all here; we have the land here and the people here. We have families whose histories go way back, they are rooted in the Ottoman Empire days. This is our wealth." Such wealth, he explains, lies in the unique experience that Palestinians have gained, over a hundred years. Samarra proudly points to a young girl working in the radio station, saying, "This girl, 18 years old, has lived all her life under occupation. Think of the experience that that constitutes."

Samarra sees the new media outlet, which is to be outfitted by Marconi and provided technical assistance by the British, as a means of reaching out to the Palestinian community in the entire Middle East, including the Palestinian camps in Lebanon and Jordan, communities in Baghdad and the Gulf countries. "We want to influence them," says Samarra, "to bring them back. We have to dismantle the Palestinian camps, solve the Arab-Israeli conflict, and bring in Palestinian resources to build up Gaza." Looking to the experience in Jordan, Samarra is optimistic: "Amman is a beautiful city, built by Palestinians. Now we can do the same thing here in Gaza."

contemplates \$88 million in Gaza—over a period of three years!

Much has been discussed of proposals for “industrial zones” along the borders, three in Gaza and six along the West Bank, which would create a maximum of 5,000 jobs, but financing for them has not been secured. Palestinian Authority President Arafat asked his German guest, North Rhine-Westphalia governor Johannes Rau, in mid-March to finance such parks, as well as to support projects for a Gaza port and airport, but all the Social Democratic politician had to offer was advice (“technical assistance”?) on how to build up a smoothly running administrative apparatus.

Housing for the homeless

The economic sector which could and should most rapidly develop in Gaza is construction. The lack of adequate housing represents the most critical social problem in Gaza. The population, whose size is estimated between 850,000 and 1.2 million—no precise census has been made—is being enhanced by the arrival of Palestinians from abroad, and by a natural growth rate of 4.2% in the West Bank and Gaza. According to Housing Ministry officials, about 50% of the population is under 14 years of age and only 10% is over 45. More than 35% of the population lives in refugee camps,

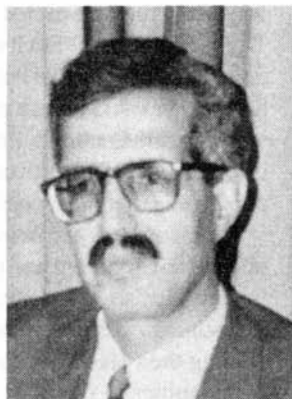
which are controlled by the United Nations Relief and Works Agency for Palestinian Refugees (UNRWA). Population density in the West Bank is 180 persons per square kilometer, compared to 1,930 in the Gaza Strip. In the Beach Camp for refugees in Gaza, the figure rises to 100,000 persons per square kilometer.

Forty thousand housing units are required immediately to provide relief for those worst off, and 200,000 units are estimated to be needed by the year 2000. Current housing, which in a Ministry brief is euphemistically described as of “relatively acceptable quality,” is disastrous in Gaza. People live in makeshift dwellings constructed of cement blocks, bricks where available, and otherwise, of metal sheets, scrap metal, or literally anything usable as physical protection. In the wretched bidonville which is Gaza, eight, ten, or sometimes more people crowd together in one room to sleep. The Palestinian family on the average has seven persons, a number often augmented by the arrival of relatives since the peace agreement. Running hot and cold water, electricity, and hygienic facilities in these shanty towns are a chimera.

The obvious step to take would be to employ the currently unemployed to build housing for the homeless. The Palestinian population has highly skilled labor, including the engineers required for construction. In addition, the presently

Freij Ahmed el Khairy: Peace requires courage

Freij Ahmed el Khairy directs the Palestinian National Authority (PNA) Regional Civil Affairs Committee in Gaza. The committee deals with civilian and legal matters between Palestinians and Israelis related to the Cairo agreement, as well as with matters pertaining to agriculture, passports, settlements, border points, travel rights, import-export, investment, prisoners, Israeli courts and their treatment of Palestinian detainees.



El Khairy considers the travel restrictions imposed as a result of Israel's closure of the borders to be the most serious problem he is called upon to deal with. “Those hit the hardest are the students from Gaza who study in West Bank universities, and therefore have to traverse Israeli

territory, which they cannot do now,” he says. Of the 1,300 Gaza students in this category, only 750 have received travel permits. “But it is also students who travel abroad,” he continues. “Many, and not only students, are detained at the borders, at Rafah or the Tel Aviv Airport, without reason. This is a violation of the agreement.” Among the examples cited by el Khairy is that of a woman, Nawal Ajouri, who was kept two and a half months on the Egyptian side with two small children, though in possession of a permit; another woman with five children was sent back. The reason lies in the “security file” system, whereby anyone with a family member in the past or present in prison is considered suspect.

For el Khairy, this should change with the peace agreement: “They're letting in thousands of people, deportees are coming back, some prisoners have been released, so why shouldn't this file be changed?” he asked. “Those who are today heads of the PNA were once all deportees and enemies of Israel; but now they want to deal in peace.” Citing his own case, he says, “I too was a deportee, and now I'm the official interlocutor of the Israelis.”

Considering the continuing use of “magnetic cards” for identification of Palestinian males, the persistence of electronic fences in the northern and eastern areas of the Gaza Strip, the impasse on issues regarding the status of refugees, the elections, and related military deployment,

unskilled labor could be rapidly upgraded through employment in construction, a fact proven thousands of times over in the history of developing sector economies. A large number (perhaps as many as 55,000) of the 60,000 Palestinians who previously worked in Israel, but who have been locked out since the latest terrorist attacks, are construction workers. They have been largely replaced by laborers imported from the Philippines and Romania, and therefore do not have much hope of regaining their jobs in Israel.

What is preventing the Palestinian Authority from doing the obvious—deploying unemployed construction workers to build housing for the homeless—is money. To finance purchases of building materials, credit is required. The World Bank says, “private enterprise” should move in.

To outflank the internationals and their financial sabotage, several alternatives are under discussion in the Palestinian Authority. First is the idea of a “housing cooperative system which allows people of low and medium income to own a piece of public land for a nominal price for the purpose of building their own houses,” as outlined in a Housing Ministry draft. Here, the problem is straightforward: How many such citizens have the means to start building at all? Where could they find credit? One idea developed for financing housing projects is that of a Housing Bank. This, too, has

the Palestinian civil affairs committee head finds it difficult to be optimistic. “The obstacles placed in our way daily make us feel the Israelis are not serious about peace, and if they don’t hand over empowerment and guarantee safe passage, they’ll endanger the peace process.” More serious is the continuing killing: “Even in Gaza, a journalist, three Palestinian soldiers, two civilians have been killed.” El Khairy attributes the continuing violence to the application of “collective punishment” on Palestinians and complains, “they are using the same techniques as under occupation.”

Yet his pessimism does not lead to resignation. On the contrary, he shares with his government colleagues a steadfast determination to make the agreement work. “We are not for killing, whether it be Israelis or Palestinians. But we are not in favor of collective punishment. We know that peace has a price. There is opposition to it on both sides, so both leaderships have to have courage to fight for peace, and to make sacrifices. He who thinks peace is cheap, is wrong. Peace requires more than war to be implemented on the ground. The people have to see it, see its benefits on the ground. Then, they can fight for peace, and on both sides. This is the only way we can deal with opposition on both sides, not by punishment. The only solution is to accelerate implementation of the peace accord, so people can see that peace works.”

been sabotaged by the World Bank and International Monetary Fund. The concept is to begin with \$20 million to be raised on the basis of capital the Palestinian Authority owns, in the form of land and five large buildings financed by the European Community. With a further \$50 million in soft loans, the Housing Bank could begin financing construction of 180,000 of the 220,000 units needed. The World Bank and IMF oppose the plan, saying the initial capital should be given to ten banks, which in turn would issue credit. According to government authorities in Gaza, this would defeat the purpose, as commercial banks would lend first to wealthy persons. The Housing Bank is based on the perspective that ten years would be needed, before a return on the investment should be expected. The only alternative envisioned is that the World Bank would provide a \$500 million soft loan, of which 10% would be made available for low- and middle-income housing.

The Housing Ministry has also drawn up a proposal for helping citizens complete buildings whose construction has been interrupted by lack of funds. A pilot project would cost \$50 million, to build 5,000 units in the current year, i.e., 1,250 units per month. The money would be lent out to the people building, and “the success of the project will not only contribute to solving the problem of housing and unemployment, but will also positively affect the construction support industries, e.g., factories producing bricks, tiles, etc.”

Another proposal of the Housing Ministry entails “an investment system and regulations which allow investors to have public lands in order to build housing units, hotels, factories, recreation facilities, etc. In return, the investors will build housing units and hand them over to the PNA [Palestine National Authority], to be rented or sold to people.” This means, investors would give up an agreed-upon percentage of the units built to the PNA. Fifty thousand units would be required through this means in the current year, to provide housing for 50% of the homeless. Abdeen Abdul Kareem of the Housing Ministry said that the Japanese government had shown interest in such a deal, with Keer International. There is an area in Rafah in the Tal Sultan, on the Egyptian border, which has been designated for such a project, for 5,000 units. Only the financing is lacking.

The other proposal mentioned by the Housing Ministry officials involves development of small villages. The concept is the same as in the case of urban areas: “Public land . . . will be provided with infrastructure, primary school, health center and other service facilities. The land then will be given to investors, cooperatives, and people for building.” The hitch is: “Technical assistance and financial support for the infrastructure are needed for the implementation of this project.”

PNA leaders have also been actively seeking the support of wealthy Palestinians from abroad, with limited success. The main obstacle to their investing massively, and relocating in Gaza, for example, is usually identified in the lack of



Palestinian National Authority President Yasser Arafat in Gaza, 1995. Arafat is caught between the pressure from Israel to guarantee its security before Israeli troops withdraw, and the demands of his own people to hold elections, free of Israeli occupation.

infrastructure and the political insecurity of the entire region. However, one initiative is forthcoming for the establishment of a new Palestinian-Arab company, which will include a Bank for Development, financed by Palestinian and Arab money, not international money. This Palestinian Investment Company is to start with a \$200 million capital, to be increased to \$1 billion, to finance projects, including tourism.

In sum, the Palestinian Authority, whose commitment to peace at Oslo was supposed to be lavishly supported financially by the international community, the “donors,” now finds itself the victim of the World Bank, which, acting as the “spokesman for the donors,” is sabotaging every and any effort at economic development. Furthermore, the British have positioned themselves to influence credit and monetary policy, by having offered their “expertise” in this field at the onset of the Oslo agreement.

The mood in Gaza, as a result, is very tense. People and the government authorities are fed up. If they could find independent financing to cover their deficit, estimated at \$300-400 million, to finance vital services, then they could, and certainly would, tell the World Bank to go to Hell.

Misery breeds despair

The economic misery perpetuated by World Bank sabotage is stoking the coals of discontent in a population which has lived for decades under oppressive occupation. Instead of perceiving an amelioration in conditions of daily life, Palestinians have experienced a net deterioration. As a result of the closing of the borders to Israel, following terrorist

attacks against Israelis, Palestinians whose livelihoods depended on jobs inside Israel have been thrust onto the growing pile of unemployed. Furthermore, the local economy suffers the effects of petty economic warfare. Gaza, which used to produce 180,000 tons of citrus fruits, is now down to 120,000 tons. Israeli avocados and bananas are dumped on the Palestinian market at low prices, while Israel has cut back on its purchases of Palestinian strawberries, creating a sudden surplus of 1,200 tons.

In Jordan, the situation is objectively far better than in Gaza, but subjectively the population is experiencing a fall in living standards. Here, the promise of a peace dividend was enormous; with good reason, King Hussein presented the peace accord with Israel as a measure that would also bring prosperity to the Hashemite Kingdom. Joint projects in infrastructure contained in the treaty would have introduced an economic boom, but these projects, like those in Gaza, have suffered for lack of funding. As recently as mid-March, Jordanian Crown Prince Hassan travelled together with Israeli Foreign Minister Shimon Peres to Germany, in hopes that German Chancellor Helmut Kohl would wield his country's weight on the continent to garner European Union funds in the order of \$550 million for a couple of dam projects on the Yarmouk and Jordan rivers, which both countries had agreed to. No such funding, however, has been forthcoming.

Furthermore, the much-awaited boom in tourism has been a disappointment. Although, as *Jordan Times* editor George Hawatmeh stressed in discussion with *EIR*, there are about 500 Israeli tourists coming into Jordan daily, this has not generated a significant increase in tourism revenues. Jordan is hoping to cash in on the tourist trade, which currently sees 500,000 Americans travelling to Israel yearly. With facilitations at border crossings and regional package tours, Jordan hopes that it can vastly increase its current intake of 30,000 American tourists per year. At the same time, anyone in a position of responsibility in Jordan knows that the kingdom's economy could never survive on tourism, nor would that be desirable. Jordan needs infrastructure development, in the form of great projects envisioned in the peace accords. Not only is the financing simply nonexistent, but even the debt relief promised Jordan by the United States was thrown into jeopardy by the new majority of “conservative revolutionaries” in the U.S. Congress. The news of the decision by Newt Gingrich's Congress, to reduce promised debt write-offs to \$50 million, hit Jordan like a thunderbolt. It was only contrary action by the Senate, and reassurances from the White House, which averted a serious crisis in Jordanian-U.S. relations.

A political mandate

In both the Palestinian-governed autonomous areas and in Jordan, people's disappointment with the peace process is seriously undermining political stability. In Palestine, in

particular, this points up the urgency of organizing general elections in the autonomous areas. Elections which were to have been held last summer, have been repeatedly postponed by Israel, on grounds of security. According to the Oslo accords, Israel would redeploy its military out of the Palestinian-populated areas, thus allowing for Palestinian elections to take place. Following the increase in acts of violence, Israeli government spokesmen have said that redeployment could not take place. Instead, Prime Minister Yitzhak Rabin first proposed that the Israelis redeploy only for a few days, for elections, then reoccupy the areas. Rabin has recently proposed that elections take place with the Israelis still de-

ployed, but with "international observers" on hand to guarantee free elections.

Clearly, no elections taking place under conditions of occupation, camouflaged or not, would have any legitimacy, and on these grounds the PNA has refused the proposals. Yet, unless Palestinians are given the opportunity to express their political will at the polls, there will be no mandate for the Arafat government. It is estimated that the Islamist opposition movement Hamas, which rejects the Oslo accords, would make a showing at the polls, if it took part, but would not have the ability to organize a boycott of the vote.

Arafat is being placed in a Catch-22 situation: He is being

How the World Bank sabotages development

The World Bank and the International Monetary Fund (IMF) are the two principal institutions of the Bretton Woods monetary system, created in 1944 at a meeting of the world's finance ministers and central bankers in Bretton Woods, New Hampshire. The twin institutions, and the United Nations Organization of which they are a part, embody the malthusian ideas of Lord John Maynard Keynes, the chief British negotiator at the conference.

The Bretton Woods system was originally based on a fixed exchange rate system, anchored to the U.S. dollar, which itself was pegged to gold. But after this system broke down in August 1971 and floating exchange rates came to rule the marketplace, the IMF and World Bank came to rely increasingly on a policy of imposing harsh austerity conditionalities, particularly on Third World countries. The lawful outcome of this was the collapse of living standards, the breakdown of health care systems and infrastructure, and the looting of the physical economy. With the onset of "Thatcherism" in the 1980s, followed by the free-market "shock therapy" of the 1990s, the looting process intensified brutally.

We can see this dramatically in the World Bank's policy toward the Palestinians, since the signing of the Israeli-Palestinian accords on Sept. 13, 1993.

The World Bank and the Palestinians

At a "donors conference" for Mideast development sponsored by the World Bank and the Clinton administration on Oct. 1, 1993, only \$1.7 billion in initial aid was promised, and only \$3 billion projected as an aid package over the next ten years.

PLO Chairman Yasser Arafat was quick to respond: "\$1.7 billion? It is nonsense. It is peanuts. We need at least \$5 billion for the West Bank" over the next three years. Israeli spokesmen agreed. Deputy Foreign Minister Yossi Beilin called for \$15 billion in investment over five years, and Foreign Minister Shimon Peres called for an international "Marshall Plan" to supply \$8 billion a year to the region as a whole, including the Palestinians. (For further discussion of what is required, see *EIR*, Jan. 20, 1995, "Mideast Development: Three Projects from Casablanca.")

Now, a year and a half later, even the paltry sums offered by the World Bank have not been forthcoming.

On Sept. 20, 1993, the World Bank released a six-volume study, *Developing the Occupied Territories: An Investment in Peace*, which shows that the bank was absolutely opposed to the type of projects that Arafat and Peres have called for.

As *EIR* reported (Oct. 22, 1993, p. 9), the World Bank plan specified:

- *No state-directed credit.* Both Israel and the Palestinians are to rely "primarily on the private sector, working in undistorted markets, as the primary engine of economic growth."

- *No attempts to achieve food self-sufficiency for the domestic population.* "Diminishing water resources throughout the region will constrain the development of the agricultural sector," the report reads, "with future growth limited to high-value export crops catering to niche markets."

- *No industry, but a service economy.* "Given the paucity of industrial raw materials and the small market size, heavy industry is unlikely to be a major contributor to future growth. Instead, skill-based, light and medium-sized industries would appear to be more promising."

- *Rationalization and privatization.* A "low priority" status is given to almost all infrastructure projects.



A typical means of transport in Gaza. The Palestinians have the skills and the motivation to create a modern industrial economy; what is lacking, is financing.

prevailed upon by Israel and the U.S. State Department to “guarantee the security” of Israeli citizens inside the autonomous areas that he nominally governs, as well as inside Israel, as a condition for holding elections. As has been pointed out, Israel was not able to guarantee such security when it ruled officially as the occupying power, so how should Arafat, with fewer means at his disposal, achieve this goal? As one leading Palestinian put it to *EIR*, “What can Arafat do to contain or impede the actions of a man who has already decided to kill himself, before killing others?” How can absolute security be obtained, “unless Arafat were to turn all the Gaza residents into spies?” Security, in the view presented by the Syrians and shared in Gaza, involves guarantees of the security of borders of all the nations of the region, not of individual citizens inside the borders of another country.

Nonetheless, the linkage between elections and Palestinian security guarantees for Israelis has been established. Unless a conceptual shift in the negotiations breaks this linkage, the perspectives for the future are dim. As one Palestinian, who spoke on condition of anonymity, told *EIR*, “They’re putting Arafat in an impossible situation. It is as if they wanted to provoke civil war.”

In this situation, it is no wonder that the mood inside the Palestinian leadership has shifted. Aware of the fact that further tolerance of the unacceptable conditions being placed on it by the international organizations, in the first place, by the World Bank, will only alienate the support of the population for peace, the PNA leadership will likely toughen its stance in all negotiating situations. One tell-tale sign of

this is the decision taken at the recent meeting of the PLO Executive, to replace Nabil Shaath as negotiator on the international level. Shaath, who has come under fire for having been too accommodating to the other side, was the preferred interlocutor of the U.S. State Department and World Bank.

At the same time, however, both the Palestinian leadership and the Jordanian government are maintaining their commitment to the peace process, despite the darkening clouds. The notion that “the dynamic of the peace process is stronger than any single actor in the region” is firmly engraved in the consciousness of all those involved, as leading political commentators, like George Hawatmeh, editor of the *Jordan Times*, or Samieh Samarra, director of the Palestinian National Radio and Television, will emphasize. What both parties would like to see is a much more active role played by the United States presidency. Not only to guarantee the debt relief promised the Hashemite Kingdom, but to exert political leadership to force through fulfillment of commitments made by the donor countries. The United States is the only agency involved in the peace process which has the power to do this, and it must, if it is to honor the commitment made by the President to lasting peace in the region.

In this light, the pledges voiced by Vice President Al Gore during his late-March visit to Jericho fell on most grateful ears. The vice president promised that the United States would release funds it has pledged, would prevail upon the donors to do likewise, and, most important, would assume an active political function in driving the peace negotiations further.

What is standing in the way of peace?

A member of the Arab Thought Forum, Dr. Fanek is a syndicated columnist in Jordan whose political commentaries appear in major newspapers like al Ra'i and the Jordan Times. His views often reflect those of government circles. This interview was conducted by Muriel Mirak-Weissbach in Amman, on March 6.

EIR: What is your overall assessment of the peace process?

Dr. Fanek: I think the present problem facing the peace process is the Israeli government. We had the Labor government, which campaigned in the elections on the basis of peace, and they were given the vote of confidence by their people to implement peace. But they are not doing it. It seems that the Israeli government is getting weaker and weaker, and it cannot stand the opposition from the right, so in effect the Labor government is operating on the agenda of the Likud Party. So it's only the persons from Labor, while the policy is from the Likud. That's why they are unable to make any concessions, even those stipulated in the agreements. For instance, they are trying to delay elections, to delay redeployment in the West Bank. They are refusing to deliver the West Bank to Arafat, and the [Palestinian] prisoners are still in prison, for no good reason. All these things were supposed to be settled, according to the written commitments of Israel, but the Israelis say that the timetable is not sacred.

This creates a problem for Jordan also. We signed a contract with the Israelis, on the understanding that they would respect their commitments. So if they give an example of not respecting their commitments [with the Palestinians], maybe that disrespect will also extend to the Jordanian side. We should know whether we can rely on the Israelis' signature or not. So far Israel has been giving the wrong example, giving confused signals on whether it will go ahead in the peace process with the Palestinians or just stop with Gaza, and maintain the West Bank.

EIR: At a recent Mideast conference in Paris, Israeli Foreign Minister Shimon Peres was adamant on the question of security. Yet, other Israelis there stated that they would be willing to give back 92% of the occupied territories, essentially accepting the perspective of a Palestinian state. How do you evaluate this?

Dr. Fanek: There are different directions within the Israeli

government. Sometimes the doves are outspoken to give cover for the others to do what they want. So they would go to Paris and say, "We'll respect commitments, not confiscate any more land, not build any new settlements"—that's what Peres was saying. But what's the difference between building new settlements and enlarging the present settlements? It's the same. It seems that there are 25% more settlers than there were when the Oslo agreement was signed. So I don't see good faith on the side of the Israelis regarding the Palestinian question, and I feel that their problem with security is becoming an obsession. They are asking for absolute security, while they continue to occupy the land. And those who cause the insecurity do so for one reason: the occupation; so as long as the Israelis maintain the occupation, they can't tell Hamas or Islamic fundamentalists not to disturb their lives. When you occupy the land of others, you'll have to expect anything.

On the other hand, I don't think Arafat has the means to stop any security problem regarding Israel while he is in Gaza. The West Bank is a large place, and it is not under his control. Even when Gaza and the West Bank were under full control of the Israelis, they couldn't stop these things. They will continue as long as the Israelis continue to occupy any part of the West Bank and Gaza. So the best way to guarantee security for Israel, to eliminate what they call terrorism, is to end occupation and to implement the agreements.

EIR: What progress has been made in negotiations regarding the modalities for Israeli troop withdrawals, prior to Palestinian elections?

Dr. Fanek: The redeployment is meant for elections, so elections are delayed because redeployment is delayed. Now it is ten months late. Redeployment and elections should have taken place in July 1994, but nothing is happening. The Israelis are suggesting now, "You can have the elections while we are there, for security reasons"—this security is the magic word to justify anything.

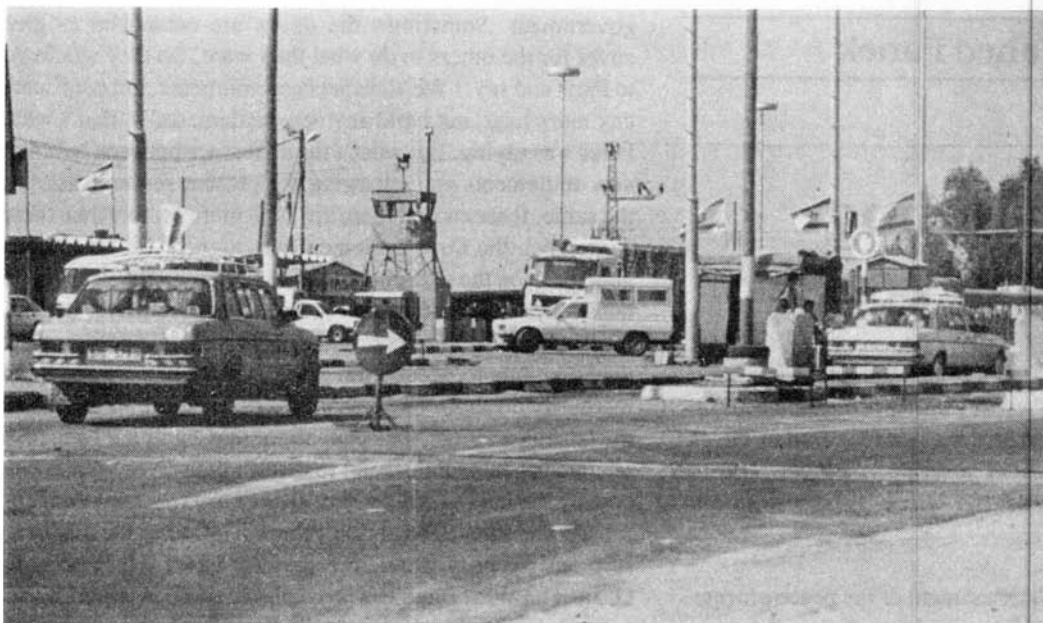
EIR: The objection is that elections could not be carried out in the presence of the Israeli military.

Dr. Fanek: That's what the Palestinians say, but I don't know if they have options. The Israelis are suggesting that elections take place under international supervision, for instance, to guarantee their freedom.

EIR: Would that mean the Israeli military, in that case, would move out of the populated areas?

Dr. Fanek: No, they say, "We can't stay out because of security, and since you want us to stay out to guarantee the freedom of the elections, we will conduct them under international supervision." This is an attempt to find a way around their commitment in the written agreements, to withdraw.

EIR: That is unacceptable to the Palestinians.



The Erez border crossing between Israel and Gaza, 1993. Since the peace accords, security has become even more restrictive, and borders are now closed for thousands of Gaza residents who need to travel to Israel or the West Bank to work or study.

Dr. Fanek: It shouldn't be acceptable to anyone, but the problem for the Palestinians is that they don't have any alternatives, any options. They are the weak party and the whole world is trying to play observer without interfering, including America, the sponsor of peace. The U.S. says, "We don't interfere, we leave it to the parties to negotiate," so it's the wolf and the lamb who are negotiating.

EIR: President Clinton did intervene, when he decided to freeze the accounts of groups in the United States funding the extremist Israeli settlers.

Dr. Fanek: I think that was a symbolic step by Clinton to freeze the accounts of what they call the terrorists on both sides. It seems he has not frozen one penny, so it is a political move, it has a political meaning, but it has no financial consequences, because those groups have no official accounts in the name of their organizations.

EIR: That's not precise. The Kach and Kahane Chai have support networks in the United States, albeit under different names.

Dr. Fanek: I think the Americans have more to do. They should say, when there is an impasse, which party is responsible. In that case, I think both parties would behave properly.

EIR: How do you see the economic side of the process influencing developments? How is the economic situation in Jordan?

Dr. Fanek: Here in Jordan, the inflation rate is below 5% officially. But it is that low because of the recession. Economic activity is low as indicated by the financial markets; prices are depressed, and in the trade sector, imports are not growing for the first time. It seems that the standard of living

is not improving as people had expected.

The peace process came with high expectations and promises, which were promises, but everyone took them seriously, believing that the man on the street would feel the difference in an improvement in his standard of living. This is not happening, and even the debt forgiveness, which was promised by President Clinton here in the Jordanian Parliament, has run into a problem now with the Republican Congress. This is disappointing to the Jordanian people, who don't understand the partisan games in America but think of America as America, and feel that it is not fulfilling its promises. It seems also that there's no aid for Jordan this year; whatever aid from America there is, is below \$20 million. So in general the economy is the same. Peace is not having any effect, positive or negative, on the Jordanian economy. It's only causing a lot of disappointment.

EIR: What about the great projects envisioned in the peace treaty?

Dr. Fanek: We went to the Casablanca Conference [Oct. 31-Nov. 2, 1994] with projects costing \$18 billion, but it had only an educational function. Not one project is moving. There are no peace projects, in fact, except on paper.

EIR: What do the numerous delegations do that come here, then?

Dr. Fanek: They want to keep in the picture in case there are projects. They're interested in implementation. But the question is the *financing*, not the implementation. Everyone is interested in doing business, but no one is interested in financing the projects.

Here they don't even want to write off more than \$50 million of Jordan's debts, which are not payable anyway.

Whether they write them off or not, it's almost the same, because Jordan will not be able to pay its debts. The question is, will they be written off now as a good will gesture, or later, when reality asserts itself?

EIR: What is Jordan's total foreign debt?

Dr. Fanek: The original debt to America was \$705 million, of which \$225 million was written off last year and \$275 million was to be written off this year. And with that, the whole \$705 million would be written off, because of internal reserves. So, had the \$275 million been written off, the official debt to America would have become zero. The total foreign debt is \$6.9 billion, assuming the American debt is zero.

Interview: Hon. Freih Abu Middain

The peace process is going to hell

Hon. Freih Abu Middain is the minister of justice of the Palestinian Authority. Muriel Mirak-Weissbach interviewed him in Gaza on March 11.

EIR: What are the main obstacles to the peace process?

Abu Middain: The main problem is financial. The Palestinian Authority lost its credibility, and lost its majority. Credibility depends on showing improvement, whereas the situation now is worse, not better than it was before. Prices are up 30-40%, prisoners are still in prison. It is like waiting for Godot. We have a Palestinian flag, a television and radio stations, Chairman Arafat and the Palestinian Authority. But what about the empty stomachs? If we can't give children a shekel to have something to eat, we cannot convince citizens that peace is worthwhile.

EIR: How do you see the security problem?

Abu Middain: This is all linked to the security question. Unemployment here in Gaza is at 60%. In this situation, it is easy to recruit someone for \$50 to throw grenades. These two elements are linked. When we signed the DOP [Declaration of Principles] in Oslo and in Washington, the U.S.A. and Europe put pressure on Arafat. We were promised \$720 million for infrastructure. We were starting, not from zero, but from below zero. We have received almost nothing. A further aggravation to the economic crisis is that the Israelis have closed the borders, so tens of thousands of Palestinian workers can no longer earn a living. Morally, I think the Israelis should open the borders. For 27 years they have

used Palestinians for menial labor, now they are harping on "security." Israel controls *all* checkpoints, so it is their responsibility, not ours. We have no tear gas, no sophisticated weapons.

EIR: How do you see the future?

Abu Middain: If the economic situation is not improved, in the future it will be very bad. I blame the donors, the World Bank. They talk about accountability. We have no time for that. If we are not qualified in their eyes, we say to them, to the European Union, for instance, "You have a \$259 million project for a sewage system, for waste water treatment; fine, come here and do it yourselves."

The real challenge for the Palestinian Authority is how to create 30,000 jobs. Right now, everything is coming from Israel, all products we use, and we have nothing of our own. When the British and French left Africa, they left behind some infrastructure, but here the Israelis have taken everything, even ripping up the rails. What was left behind were the 2,000 settlers here who are provoking our people.

Oslo is going to collapse, the whole peace process is going to go to Hell within three or four months, if things don't change. Rabin's two ears listen to the military, who do not believe in peace. All their negotiations are conducted from the military standpoint, by military, not civilians. The situation has in many cases worsened since the peace treaty. To give you some details: We have problems in sending students from Gaza to the West Bank, or in sending people to the airport in Tel Aviv, or to a hospital in Israel. Before, under occupation, there were no problems like this.

EIR: How do you see the problem of the settlers?

Abu Middain: The main obstacles to peace are the settlers and the settlements, and Jerusalem. Hamas, Islamic Jihad, in Gaza, how many of them are there? Certainly fewer than the settlers here. They, the settlers, are the real terrorists. They stole our land. This is the source of the security problem. Unfortunately, Rabin is no de Gaulle. Now Rabin wants to prevent elections. The DOP demands withdrawal of Israeli troops before elections, which Rabin does not want. What we have now are ghettos, bantustans on the West Bank; he wants three on the West Bank and one in Gaza.

The new idea that has come up recently is that of "separation." What that really means is isolation of the Palestinian people. But, if he is ready to talk about the final status, then so are we.

After the DOP was signed, confidence has decreased. We need a new era to be opened. Let us go then to the final settlement. Rabin was elected by his people to make peace, but he is wasting time. He is taking one step forward and two steps backward. I fear they are looking to the 1996 elections in Israel and in the U.S. In the meantime, everything will be frozen in the peace process, and it will be a golden chance for extremists.

British role exposed in Nigerian coup attempt

by Uwe Friesecke

Investigations by this news service leave no doubt, that high-level circles of the British establishment and their friends and dupes in the United States were involved in the failed military coup attempt against the government of Gen. Sani Abacha, that was supposed to take place on March 1. The same people who were involved in military coup preparations, have now launched a renewed campaign for so-called democracy in Nigeria. The hypocrisy of groups such as TransAfrica in Washington or the Anglo-American establishment press such as the London *Economist*, the London *Times*, the *Washington Post*, or the *Baltimore Sun*, could not be clearer. What type of democracy are they calling for, if they are simultaneously involved in preparations for the assassination of an acting President?

After days of tensions and rumors in the country, the chief of the Nigerian defense staff, Maj. Gen. Abdulsalam Abubakar, announced on March 10 that the government had arrested 29 military officers and civilians and questioned many more. The arrests started at the end of February in Lagos with Col. Lawan Gwadabe and quickly turned into a nationwide operation against the entire network suspected to be involved in the coup attempt. The two most prominent people arrested are former President Gen. Olusegun Obasanjo and his former deputy Gen. Shehu Musa Yar'dua. General Obasanjo, in the meantime, was released into house arrest to his farm.

According to press reports, former President Gen. Ibrahim Babangida was also among the people questioned by the Nigerian security services. The French press, in particular,

points out that some of those arrested were close to former President Babangida.

The coup was planned as a bloody operation. At the end of the Muslim month-long holiday of Ramadan on March 1, some military men were organized to shoot and kill General Abacha. At the same time, throughout the country, important allies of General Abacha were also going to be eliminated. This brings back the memories of the first military coup in Nigeria in 1966, when more than 50 leading Nigerians lost their lives and the country started its descent toward the civil war over the secession of Biafra (1967-70).

Two credible scenarios

There are two credible scenarios for the aim of this coup attempt. If the government investigation confirms the involvement of General Obasanjo and Gen. Shehu Yar'dua, it would be clear that the London-based designers of the coup had intended to use them as the transition team to install a docile pro-International Monetary Fund (IMF) government. They would have been praised in the pages of the London *Financial Times* and the *Economist* as having handed the government over to civilians once before (in 1979), and therefore they would be the ones to do it again—only this time the fellow general in power would have been killed beforehand. The second scenario would be chaos, civil war, and a breakup of the country, which, from Britain's colonial point of view, is much preferable to having an anti-IMF government in power.

It will be interesting to see whether the findings of the



The London-based designers of the planned bloody coup against Nigerian President Gen. Sani Abacha intended to bring about either a docile, pro-IMF regime, or chaos, civil war, and a breakup of the country. Former President Gen. Olusegun Obasanjo, flanked here in 1977 by David Rockefeller (left) and U.S. Ambassador to the U.N. Andrew Young, was arrested in the crackdown against the coup attempt.

Nigerian government investigation reveal the meetings and discussions General Obasanjo had during his travels to the United States and Britain since last October. What emerged in public was the planned attendance of General Obasanjo at a conference of the British Royal Institute of International Affairs in London on March 29, together with, among others, Henry Kissinger; Baroness Lynda Chalker, Britain's minister for overseas development; and the Prince of Wales.

Those circles of modern-day colonialists make up a credible group for planning military coups in Africa. General Yar'dua, who is known in Nigeria as a very ambitious politician, became notorious at the end of last year, when, over the reasonable objection of many, he organized a resolution in the constitutional conference to preempt the final considerations of the conference and force the current government to hand over power to an elected government no later than Jan. 1, 1996. Political insiders already then asked themselves, why would he push an action that would only destabilize the political debate about the future of the country?

Constitutional Conference condemns coup

Many prominent Nigerians have traveled through London since last October, among them also those who were involved in the coup preparations. The Nigerian government observed this and decided to move decisively against the coup plotters just shortly before the coup was about to be launched. Government sources in Abuja stress that the operation was planned nationwide, but that the investigation of its full extent is still ongoing.

While the western press tries to portray Nigeria's govern-

ment as being in "disarray," it lyingly chooses to ignore the fact that the Constitutional Conference passed a resolution condemning the coup attempt and declaring its support for the Abacha government. The Constitutional Conference is expected to finish deliberations in April and then hand over its final report to the government for consideration and implementation.

Current British attitudes vis-à-vis Nigeria have nothing to do with any concern for democracy, but with the assessment that the Abacha "government's heart is just not in any IMF structural adjustment program." Nigeria's 1995 budget contains some measures of economic deregulation, which are a compromise with the demands of the IMF and creditor banks. But, fundamentally, it is trying to continue the direction of the 1994 budget for a genuine development policy for the economy.

A petroleum fund for infrastructure

This became most obvious in the third week in March, when General Abacha inaugurated the Petroleum Trust Fund and made former President Muhammadu Buhari the head of it. Much to the annoyance of the pro-IMF press in Britain and the United States, this fund will invest this year almost \$3 billion in transport, education, health care, and welfare. The *Financial Times* and the *Economist* predict that this will be the reason for the IMF and the Paris Club not to come to an agreement with Nigeria, because the IMF would rather see this money go for debt payments than for improving the economic situation of the Nigerian people.

Nigeria's government, with its resolute action preempting a bloody coup, has challenged the old colonial power as only few have dared to do before them. This could be a turning point for the direction of African policy. The important strategic question now is whether Nelson Mandela's government in South Africa, which recently must have gained new insights into the intrigues of the British royal family, has the farsightedness and sophistication enough to withstand attempts by the British elite to manipulate them against Nigeria. One hopes that the praise which is sung for their government by the heirs of Cecil Rhodes and the British Empire makes some people in power in South Africa suspicious.

The first test of the wisdom of the South African government will be the upcoming Commonwealth meeting in New Zealand. Rumors are going around that Nigeria might be denied voting rights by the Commonwealth Secretariat. If South Africa were to take sides against Nigeria, in Nigeria it would be regarded as being stabbed in the back, after Nigeria for years had supported the struggle against apartheid. Some policymakers in London, however, fear that if this issue is pushed too hard against Nigeria, it could backfire and force the Abacha government to leave Her Majesty's Commonwealth altogether.

Burundi: countdown to catastrophe

by Linda de Hoyos

The last week of March showed that British intelligence and its accomplice Ugandan President Yoweri Museveni are moving without restraint to repeat in Burundi the mass slaughters that occurred in Rwanda in the summer of 1994.

On March 27, Burundi President Sylvestre Ntibantunganya told Belgian television that "I really see a genocide," referring to the murder of 500 Hutus in the Bwiza district of the capital city of Bujumbura by Tutsi militiamen on the night of March 24. "Those things were well prepared and carried out fairly systematically. . . . The targets were Hutus and the authors were clearly an ethnic group, I say it was . . . deliberately started for a genocide." Government Secretary for Public Security Issa Ngendakumana concurred: "The district has been cleansed. There are no Hutus left here. I believe the attack was planned—two days of provocation, and then they move in."

Both the President and the Public Security official were prevented from visiting the district the day after the massacres by the Tutsi-dominated military. Reports further indicate that more than 50,000 Burundian Hutus from Bujumbura have fled to Zaire.

The massacre was prompted by agitation from the Tutsi side, led by former Presidents Pierre Buyoya and Jean Baptiste Bagaza, both of whom led Burundi as military dictators for the Tutsi minority. The Tutsi minority, with the military as its major instrument of power, ruled Burundi from the point of independence until June 1993, when the first-ever national elections brought Hutu Melchior Ndadaye to the presidency. Ndadaye was murdered in a coup attempt by the Tutsi military in October 1993, along with at least 100,000 more Burundi citizens.

More to the point, the Tutsi military forms a complex in east-central Africa, with the Ugandan National Resistance Army of Uganda dictator Museveni, and Rwandan Patriotic Front, which now rules Rwanda after it blitzkrieged through Rwanda last summer. The RPF invasion was sponsored by Museveni, who himself operates as the regional marcherlord for his close friend Lady Lynda Chalker, British minister of overseas development.

While the Ugandan Army has been deployed against Sudan and in support of the British-Lonrho-backed SPLA insurgency against Khartoum, the RPF has been given free rein in northern Burundi, according to multiple sources, to kill Hutu refugees who had fled Rwanda last year. In addition, the

Burundi military, the Tanzanian government announced March 20, is running incursions into Tanzania to kill Hutu refugees from Burundi who have fled there.

The immediate pretext for the massacre in Bwiza is agitation coming from Tutsi militia called Sans-Defaites (Invincibles), comprised mostly of students reportedly armed by Jean Baptiste Bagaza, with weapons coming from outside the country. On March 23, Tutsi students and militia took to the streets of Bujumbura to demand the expulsion from Burundi of United Nations special representative on the scene Ahmedou Ould Abdallah. The students charged that Abdallah, who has been working closely with President Ntibantunganya, is partisan.

In reality, Abdallah has been providing the cover for the gradual overthrow of the government that was elected in June 1993. Already, agitation, backed by student rampages in the streets of Bujumbura and targeted assassinations of public officials from those associated with Buyoya and Bagaza, forced 1) the September reorganization of government, giving the Tutsi-dominated Uprona Party a major, unelected share in the cabinet; 2) the ouster of the elected speaker of the assembly, Jean Minani, in December; and 3) the removal of Prime Minister Anatole Kanyenkiko, himself a member of the Uprona Party who had refused to back the ouster of Minani. During this entire period, Abdallah and other international observers on the scene, including Common Ground and the U.S.-based Burundi Forum, have orchestrated the charade that they are dealing with two equally culpable feuding groups.

Now, Bagaza, a dictator who fled to exile in Libya for six years before returning to Burundi in 1993, and his underlings are targeting the U.N. special representative himself. It is believed by Hutu representatives in Bujumbura, that if Bagaza et al. succeed in forcing the removal of Abdallah, then President Ntibantunganya will be next, and the Tutsi overthrow of the Hutu elected government will be completed.

To forestall this scenario, President Ntibantunganya has asked for outside military intervention. But despite statements of concern coming from the U.N. Security Council, foreign military protection for the government is not likely. French Cooperation Minister Bernard Debré, who arrived in Bujumbura on March 27, said that France would not take any unilateral military intervention into Burundi, and the Organization of African Unity has also ruled out any intervention. But an all-out military assault on the government is expected—U.S. embassy dependents were ordered out of the country on March 29, and other foreigners are also leaving.

For now, it appears that the Burundi military—which must be seen as a subsection of the Tutsi military clique under Uganda's Museveni and his British controllers—has been given a free hand to carry out the ethnic cleansing it already started in the southern provinces of the country, when after a 1972 Hutu uprising, the military murdered every Hutu male they could lay their hands on in two states.

London, Bush-leaguers target Clinton's Korea peace plan

by Kathy Wolfe

The British are moving to destroy President Bill Clinton's Oct. 21, 1994 nuclear power accord with North Korea, which contains the potential for a peace settlement between North Korea and South Korea. Just as London is furious at Clinton's Irish policy and at his Mideast peace plan, it does not want peace in Korea. London has repeatedly used terrorist incidents in the Mideast to try to set Israel and the Palestine Liberation Organization at each others' throats, and is taking similar steps to obstruct peace in the Far East.

The United States and North Korea suspended talks in Berlin on the accord, to let delegations return home to consult on new "suggestions" which were made at the talks, Secretary of State Warren Christopher announced on March 28. Contrary to media reports that the talks have collapsed, Clinton administration officials believe they will restart soon.

The United States, South Korea, and Japan on March 9 formed the Korea Energy Development Organization (KEDO), to deliver \$4.5 billion in new light-water nuclear reactors to North Korea in exchange for a freeze of Pyongyang's plutonium program. The United States thought it was agreed that a South Korean-model reactor would be used, but the North said in February that it would not allow this. Clinton negotiators, however, believe that this difficulty is surmountable. "We certainly will not require the reactors be labeled in neon lights: 'Brought to you by South Korea, the Successful Korea, as Distinct from You Failures,' " as U.S. Undersecretary of Defense Walter Slocombe put it on March 13.

The stalled implementation has now given an opening to anyone who wants to create a foreign policy disaster for President Clinton. Anglophiles such as George Bush's National Security Adviser Brent Scowcroft and Sen. John McCain (R-Ariz.) orchestrated an explosive crisis last spring by calling for preemptive bombing of North Korea, which was only halted when President Clinton sent former President Jimmy Carter to Pyongyang to meet Kim Il-sung. Now, another set of British assets, led by Bush's ambassador to South Korea, Donald Gregg, is trying to wreck the accord from within.

Bush submarines surface

"Beyond the Nuclear Crisis," a Washington conference at the American Enterprise Institute on March 13, illustrated

how this works. Organized by AEI Asia Director James Lilley, Bush's ambassador to Beijing, it featured Gregg, who worked with Oliver North in Iran-Contra; David Kay, who headed Bush's inquisition against Iraq's nuclear program; and Sen. Frank Murkowski (R-Alaska), a vocal anti-Pyongyang hawk.

Kay, Murkowski, and other speakers adopted the tack of House Speaker Newt Gingrich (R-Ga.), bashing President Clinton and Pyongyang. Then, Ambassadors Lilley and Gregg rose to play the "loyal opposition." It was the perfect Mutt and Jeff act. "We support the Clinton accord," they said. "We just want to help improve it." Lilley announced that he had been asked to write "suggestions" for Clinton negotiator Amb. Robert Gallucci, and that he will be consulting with him.

However, as Lilley told *EIR* later, they have one objective: to make sure that North Korea never receives nuclear reactors—or any other help—from the U.S.-led KEDO consortium. Lilley and Gregg are urging Washington and Seoul to insist that the label on the new reactors for Pyongyang must say "Made in South Korea" in big letters. They know it embarrasses North Korea no end.

If Pyongyang balks at this, that's just what we want, Lilley laughed. "We can argue for 12 years about the brand name—and we will never ship them the new reactors," nor allow any economic development, he said.

"We want things frozen right where they are now, as long as North Korea stops proliferating plutonium," Gregg's aide chimed in. "They have shut their reactors down."

"We don't want a reunified Korea; we don't need a second Japan over there!" an aide to Ambassador Gregg told *EIR*. "Nobody wants that." Former British Prime Minister Margaret Thatcher "was right to try to keep Germany divided," he said, because of the economic competition a unified Germany would pose for the British.

"Not as a military potential do we want unification, and not even Korea as a strong economy," Gregg's man said. "We need to keep North Korea just as it is. We need a new enemy to replace the U.S.S.R."

Britain more broadly seeks conflict in Northeast Asia for use against China. This is a typical Henry Kissinger "balance of power" game, playing one nation off against the other, leaving the manipulator in charge. Should China develop

into a modern industrial power as a U.S. ally, London's 200-year imperial plan to keep Asia backward is finished. "We don't want to have a really prosperous unified China, either, in 10 years," Ambassador Gregg's aide said. "That would be a big geopolitical threat."

British war cries

Meanwhile, London mouthpieces are babbling that North Korea is about to invade the South, and that the United States must go to war, i.e., "let's you and him fight." Pyongyang created the reactor "label" impasse because it plans to break the deal, Michael Colvin, a former British Defense Ministry adviser to Thatcher, told a journalist on March 21. "We identify [North] Korea as very dangerous at the moment," he said. "Given their domestic economy is in such deep trouble, there's danger the leaders will look for an external adventure to deflect public opinion. That is why they complain about the South Korean reactors."

"That, coupled with cries for a war to reunite North and South, will form a heady cocktail which the people of North Korea may well swallow," he said. North Korean leader "Kim Jong-il has a million men under arms, another 4 million who could be called up at any time. He's got hundreds of thousands of special forces, which could be landed at any time and take over South Korea."

"The West must have a war contingency plan to put into operation at very short notice," he said. "We must ensure we've got anti-ballistic missiles there to counter the threat from North Korea's Scuds, because their range has now been extended to get as far as Japan without difficulty; that's an extreme worry."

Paul Beaver at *Jane's Defense Weekly* in London told a journalist that the Clinton accords are in trouble because "we're in the middle of a power struggle in Pyongyang." Whereas most analysts see North Korean leader Kim Jong-il's government as stable, London says it's falling apart. "One side [in Pyongyang] is doing this [refusing Seoul's reactors] to embarrass the other," Beaver claimed. "Otherwise there's no explanation why they'd endanger all the goodies from this agreement, not only the reactors they need, but all the oil they're getting. . . ."

"Part of the military is very unhappy with Kim Jong-il," he continued. "They don't like what they see and they don't think he's the man to lead. The power struggle is very intense between those who are for and [those who are] against Kim Jong-il. I don't think the Americans got a good deal from Pyongyang, but there are those in Pyongyang who think the Americans have gotten too good a deal. There is every possibility that Kim Jong-il could be deposed."

China 'grand strategy'

More broadly, Lilley, who has also been ambassador to Seoul, told *EIR*, "Of course, our strategy toward North Korea is only a part of a comprehensive 'grand strategy' toward

China." The Korean peninsula is just a tidbit to these gentlemen, a pawn in their "great game" to prevent China and Eurasia from becoming industrial powers.

What's afoot? Gerald Segal, China hand at London's Institute for International and Strategic Studies, has called for balkanizing China, starting by promoting Taiwan independence. Chinese nationalists on both sides of the Taiwan straits have always said that there is only one China, and talk of an independent Taiwan is a "red flag" to Beijing, which has said it would go to war if Taiwan were to secede.

Lilley and Gregg publicly discourage talk of Taiwan independence, knowing it would make them *persona non gratae* in Beijing. Privately, however, they are working along the same lines as Segal. "Gerald's got the right idea," Gregg's aide said. "That's why we're working on a 'Two China' policy."

Lilley, for example, is working closely with Senator Murkowski, one of the most vocal proponents of Taiwan independence. On March 7, Murkowski led a group of 35 congressmen in introducing a resolution into the House demanding that Taiwanese President Lee Teng-Hui be allowed to visit the United States. Ultimately, the Lee visa was not granted, but the incident caused enormous friction between Washington and Beijing.

Lilley is trying to sell Clinton the line that he can use his influence in Beijing to get China to manipulate North Korea. "We can do a lot with China to keep North Korea in line," he bragged. "Beijing says they're 'as close as lips and teeth' to North Korea; they go on about eternal friendship, while delicately sticking the knife in the North Koreans' back."

No new technology

According to Lilley, the Clinton administration should just "freeze" the situation as it is today, in which North Korea has shut down its old nuclear reactors, but receives no new technological investment from the West. He claims that Beijing wants this and will keep North Korea under control during the stall. "China feels the way we do," he claimed. "They don't want Korean reunification. They don't want another major economic power in the region."

If the accord is stalled, however, any delay falls right into the British trap, which is to create one crisis after another. Beaver of *Jane's* in London goes so far as to attack both China and North Korea as major threats to the West. "When I saw the Tokyo metro gassing," he volunteered, "my immediate thought was: 'Who in the area's got sarin gas?' The answer is: North Korea; or China. They would do it as a warning, not only to the Japanese, but to the South Koreans, to the U.S. They would do it to prove they can do it."

"The Chinese used to use Albania as a place to test weapons that way," he continued. "Of course, China is a threat, otherwise North Korea would have been long ago contained. China is *the* threat; that's what we're talking about, with North Korea."

How Russia might exit from a Dark Age in the 21st century

At a seminar held by the Schiller Institute in Germany, following its Dec. 10-11, 1994 conference in Eltville, Prof. Yuri Kobishchanov of the Africa Institute, Russian Academy of Sciences, presented part of his paper, "The Socio-Ethnic Condition of Civilization in 21st Century Russia." During the discussion, Lyndon LaRouche commented on Dr. Kobishchanov's thesis. Their remarks are presented here with the permission of both speakers.

Dr. Yuri Kobishchanov

The construction of new communication networks across the space of Eurasia, which will connect Europe with the Far East and with southern and southwest Asia, poses the question of those ethno-social circumstances and conditions of civilization in which Russia will be living during the 21st century. Sooner or later, most likely at the beginning of the 21st century, the current degradation of the Russian economy will be superseded by stabilization and a certain degree of upswing. The most ecologically polluting, water-intensive, energy-consuming, and gigantic types of production will be developed for both external and domestic markets, for which there is no room in a country whose population is dense, well-to-do, and cultured.

Unemployment is already growing quite rapidly in Russia today, in comparison with the reduction of the population. The population's health is declining, as is its skill level for production and general intellectual qualification, as well as, possibly, its morality.

In the largest cities of Russia, fertility is only 6 to 7 births per 1,000 population and exhibits a tendency to decline further. The overall fertility coefficient for Russian women has fallen to 1 and continues to fall. That is more than twice as low than the limiting norm [two births per woman of childbearing age], below which the population begins to die out. Despite the decline of the average life-expectancy, there is a growing excess of mortality over fertility. And the worst demographic situation holds for the most numerous peoples, affecting the Russians and the Ukrainians, the largest ethnic minority in Russia.

As many as half of all children are born ill. Approximately 20% of newborns come into this world out of wedlock.

Many children grow up in incomplete families, or in orphanages. There are families of alcoholics and drug addicts.

A significant portion of the youth wish neither to work nor to study. And finally, they lack the concept of duty to parents, society, or humanity. This constitutes a reserve of criminality, not of creative activity.

It must be said that the situation with the Islamic population is not as bad. There, fertility continues to exceed mortality by a significant amount. The population density is increasing, as well as is the percentage of Muslims living in their traditional areas. Muslim families on the whole are larger, more stable, and healthier.

Among Russians, there are groups which are relatively more solid in their family structure and have more children. Those are the Baptists, the Seventh Day Adventists, and the Pentecostals, who are all confessional minorities in society. The Chuvash people, who inhabit one of the relatively larger geographical areas of Russia, also have a relatively better demographic situation.

Despite the influx of Russians and Russian-speaking people from the republics of the former Soviet Union, the numerical level of Russians living in Russia has fallen by over 2 million in the past three years, and this is only the beginning. By the year 2020, the number of hereditarily ethnic Russians in Russia will have fallen to 85 million, and subsequently will continue to decline, to 80 million and lower.

This loss is not compensated by the growth of non-Russian ethnic groups in Russia. With the exception of the urban concentrations and certain rural areas in the south of Russia and the Volga-Ural region, the Russian Federation as a whole is a huge, but extremely thinly populated country, full of emptied-out villages and areas of lost population.

At the same time, this vast expanse of several thousand square kilometers, from the Kuriles to Vladikavkaz, borders with overpopulated Asia, beyond which are Africa, South America.

Labor shortage

When industrial growth of an extremely resource-intensive type recommences in Russia, it seems that a very important component will be lacking—labor resources. And then, to multinational Russia, where ethnic Russians continue to be the dominant segment, will be added an at-first approxi-



The marketplace in Samarkand, Uzbekistan. In the next century, Russia will have to assimilate refugees from the Central Asian republics, as well as from more distant countries. This great challenge, if dealt with effectively, can provide the opportunity for a cultural rebirth.

mately equal, and subsequently numerically superior, mass of immigrants from various countries of Asia and other such areas, from Africa and other regions.

By the middle of the 21st century, the hereditarily ethnic Russians will still be the largest group, but not the absolute majority, of the population in Russia. Alongside them will be several dozen large new national minorities, among whom the largest without question will be the Chinese.

This is inevitable: During the next century, hundreds of millions of inhabitants of the South, worldwide, will strive to go to the North, where the overwhelming majority of material wealth, comfort, and modern information is concentrated. North America is preparing to receive a limited number of them, and united Europe is doing everything it can to make sure that the population of the South does not overwhelm it, but comes in drop by drop. Japan and Korea have taken even stricter measures to keep foreigners out.

The rulers of the world, to whose number China and India and some other Asian countries are now being added, will be sending their surplus population into Russia. Actually, the first trickle of this stream has already appeared. These are the refugees from Tajikistan, as well as the numerous refugees of Turkmen, Uzbek, Azerbaijani, Armenian, Georgian, and other Caucasus nationalities. There are also, however, immigrants to Russia from farther abroad: Chinese, Kurds, Afghans, and Somalians. Many of them come here in transit, trying to reach western Europe via Russian territory. Quite a significant number of Afghans, Chinese, and Kurds whom I have interviewed, however, have actually been living in Moscow and its suburbs for several years. They have assimilated quite well and speak Russian. In the future, however, the number of such people in Russia will be multiplied a hundredfold.

On the basis of worldwide experience, and the observation of African and Asian ethnic groups in Moscow and its

suburbs, as well as in some other Russian regions, we can get a preliminary picture of the behavior of the new national minorities in Russia in the 21st century, as well as of what the attitude to them of the local population, both Russian and non-Russian, will be.

In Russia, immigrants from African and Asian countries move very quickly and in friendly collaboration with each other to set up their own formal and informal activity, including criminal activity. To the extent possible, they will settle together, so new areas of ethnic communities will appear in Russian cities—sometimes whole Chinatowns, with places of worship that are exotic for Russia.

Assimilation of immigrants

Some of the immigrants who are brought in to work in mines and factories, will go home after the end of their contract work. But some will try to stay in Russia. They may move into another region, even into rural areas. Here, many of them will take up agriculture, especially in close proximity to urban markets for produce. For this segment of the population and for the better-off urban immigrants, the problem of acquisition of real estate will arise.

The question of religious confession will take on a new significance for Russia, insofar as in place of a religiously homogeneous mass, with a few concentrations of non-Orthodox Christians, Islamic Tatars, and Jews—as it was at the beginning of this century—or an almost completely atheistic society where all national religion and culture was suppressed, there will appear a complex system of ethno-confessional groups, where Russian Orthodoxy will be just one of many.

Some immigrants from Africa and Asia will convert to Christianity, even Orthodoxy. But mainly they will convert to Catholicism, Baptism, Adventism, and other Protestant

denominations. Among the Russian-speaking population, in turn, there will be a broader dissemination than now, not only of Protestantism, but also of Buddhism and the syncretic religions of the East.

In Chuvashia, Mari-El, Yakutia, and other regions [in the Volga-Ural area and Siberia] there will be further cultivation of their own forms of religious syncretism, together with forms of Christianity indigenous to those regions. Inside the Protestant churches, the Catholic Church, and the Buddhist community, an extremely complex and interwoven system of relations will be developed among various ethnic groups, and groups of mixed origin. The domination of Russians within the Adventist and other types of Protestant groups and Poles among the Catholics will be seriously tested. Similar developments are to be expected in the Muslim community, which so far dominates in Tataria and the Caucasus.

The absolute numbers and the relative weight of these Muslim communities within the life of Russia will increase many times over. Several regions in which Muslims predominated until the middle of the 16th century, already have reverted to being more than 50% Muslim. Now, under the influence of this African and Asian immigration, there is a new consolidation of religious communities under way.

It is an admissible hypothesis that, in some regions of Russia and associated states like Kazakhstan, there will be a diverse reaction to this influx from Africa and Asia.

My paper reviews this region by region, which is more than I shall go into at this point.

This is not a pessimistic prognosis. After all the tribulations, the Russians will have turned into a predominant group comprising the relative but not absolute majority of the population; then the question of Russian citizenship for these immigrants will be fought out long and hard. Ultimately they will be assimilated into a new nation, as a result of which Russia can have a rebirth and its culture be enriched by the cultural heritage of the most diverse civilizations.

Lyndon LaRouche

This presentation involves something which is absolutely fascinating in its implications for mankind. Unfortunately, in the teaching of science, as I said this past weekend, the term "science" is often misused to really mean what we call engineering, particularly by people who don't know mathematics very well, and are very impressed by complicated procedures in mathematics. And we don't realize that these little things that people are fascinated with, may have their importance, but they really are not what makes the history of mankind.

The most important thing about human knowledge and human practice, is a branch of knowledge which is called epistemology, which is the question of human knowledge which pertains to human creativity, which, relative to any formal system, means the discovery of valid new sets of

superior axioms and postulates. Naturally, my own discoveries in economics and related matters make this of very special importance to me.

Now, those of you who heard this presentation, I would like to ask you to hear it as I heard it.

Until the beginning of the 15th century, mankind had not developed a culture which was capable of sustaining more than a few hundred million people on this planet. The planet as a whole depends for its very existence on these discoveries in modern European culture; and the ability of the human race to sustain a higher population density than several hundred million people, depends upon the ability of people to assimilate this culture. Of course, as you all know, I take for granted the elimination of this British garbage from humanity so that the culture can flourish in all its natural potential.

But just think of the problem now. We have China, which is 80% essentially illiterate peasants. We have South Asia and Southeast Asia, which have a somewhat similar—not as acute, but similar—situation. We have problems in Africa, and so forth.

And what the professor has outlined, which I think is a generally good projection, says the following to us, if we think about it: He's saying that under the influence of the counterculture, which took over European civilization during the 1960s, we have gone through a moral and cultural collapse, to the effect that great sections of the North American, western European, and eastern European cultures are not morally capable of sustaining themselves.

The point is, what the professor described, which has similar echoes in western Europe and in North America, can be described as the collapse of European civilization into a Dark Age, a Dark Age which spans the length of about three generations, in which the ability of the population even to reproduce itself has largely collapsed. And he paints the prospect of coming out of the Dark Age, say, about 2020, in which a much-reduced percentage of the European population is now called upon to try to save society by assimilating a lot of people with other cultural backgrounds.

Now, from my knowledge, this can be done; but it involves problems of epistemology which present governments and present academic circles are very poorly equipped to address. And I should just say, in concluding these remarks, that I would recommend that people look at the professor's report. I think it's too pessimistic; I think we can do better. But nonetheless, it's very useful to put it in that form, because it poses problems we must treat seriously in statecraft.

It's an extremely important question, but it must be looked at from an epistemological standpoint, which most people who call themselves scientists are completely unprepared to deal with. Because science today will look at this problem incompetently from a formalist or formal-mathematical standpoint; and it must be looked at from a cultural-epistemological standpoint. And I must say in conclusion, I found it fascinating.

The strategic and economic importance of Eurasian integration

Professor Bondarevsky of the Russian Academy of Sciences' Institute of Social-Political Studies has advised Soviet and Russian governments for many years on oriental affairs, with specific expertise on Central Asia. He is the author of 27 books and pamphlets, including a seminal work on the Baghdad-to-Berlin railway. He is a recipient of the International Nehru Award and was just elected to the Russian Academy of Social Sciences. On the occasion of his 75th birthday, he participated in a seminar in Wiesbaden, Germany, with EIR, on Russia, the Caucasus, and Central Asia. He was interviewed on Feb. 16 by Mark and Mary Burdman.

Since this interview was conducted, there has been a serious political crisis in Kazakhstan over the March 9-11 period. President Nursultan Nazarbayev dissolved the parliament and announced presidential rule.

*There has also been an important development for the Central Asian railroad. On March 19, Iran opened a new railroad line to Bandar Abbas, the port on the Straits of Hormuz (see **Map**). This new railroad connects the main trans-Iranian line with this strategic port. Now, when the new Mashad-Ashkabad rail line linking Iran to Turkmenistan opens, the whole Central Asian railroad will have a direct link to the Indian Ocean. The railroad was built in secret, and very rapidly. Previously, the only port outlet for the Iranian railroad was at Bandar Khomeini, at the head of the Persian Gulf. To celebrate the opening of this new railroad, the prime minister of Iran invited the Presidents of Turkmenistan, Armenia, Turkey, Afghanistan, and Kyrgyzstan, and the prime minister of Pakistan. At the meeting, President Saparmurad Niyazov of Turkmenistan announced that the Mashad-Ashkabad line will be finished in six months' time.*

EIR: The situation in Russia and throughout Eurasia is becoming more critical by the day, with economic collapse, military conflicts, and so on. We know you are a proponent of the idea of infrastructure development, particularly railroads in the countries of the CIS [Commonwealth of Independent States], being a means of positively contributing to possibly changing the situation in a more positive direction. Can you comment on this?

Bondarevsky: First of all, I would like to start by saying

that not everybody in Russia supports the idea of Eurasian union. [Kazakhstan President] Nazarbayev masterminded this idea a year ago, in a speech he gave in April 1994 at Moscow University. But he was disappointed by the response he received last October, during the summit of the Commonwealth of Independent States, where he did not receive support. There was a possibility to return to this problem, at the last summit at Alma-Ata [capital of Kazakhstan], only a week ago, but still, there was no real discussion. Why?

There are two groups of opponents. Some groups in the former republics of the U.S.S.R. are afraid that this Eurasian union, with one super-government, and one economic body, and with a unified high command, could be a new form of Russian or Soviet imperialism. This is one group of opponents known to the West. The second group, which you do not know precisely, because it is purely Russian, says: "We do not need these Asian republics. We do not want to feed them, we do not want to allocate a lot of money to them, we are tired of supporting them, let us invest in Mother Russia, with her 70 million square kilometers of territory; enough is enough!" Between these two groups of opponents, from different angles, it is not easy to find a way out, especially if you take into account mighty nationalist, sometimes Islamic-nationalist, groups in Central Asia, and some influential nationalistic groups in west Ukraine, who are opposing the idea, from nationalistic, religious, and some other standpoints.

However, the situation changed approximately one year ago in one most important aspect, the economic dimension. You have to understand that the economic development of the U.S.S.R. was of a unique style. You cannot compare it to Germany, or France, or Italy, because it started from nearly zero in the Asian parts of the U.S.S.R. While in Germany or France, industrialization started 200 years ago, in the U.S.S.R. overall, it started according to one plan, Stalin's plan, which was implemented by the Politburo, economic ministries, and if necessary, the KGB and gulags. It was an economic plan for development, based on more modern technology than Europe had possessed in the 19th century.

Sometimes, some people say, especially in countries

Central Asian rail link to Persian Gulf port nears completion



which were not heavily bombarded during the war, such as Great Britain: "We do not want to change machinery that still works. So we do not want to invest. *You* build a new economy." But we in Russia earlier had no technology in the Asian or Far Eastern parts at all, so we had to build from new technology at the end of the 1920s, and early 1930s, and again after the war in the 1950s.

What was done in Russia, was never done in Germany or other countries. It was done by one master. Was it a good plan or bad? It depends on the master, who was Stalin and some of his assistants. The economic system was created, so that a factory was built in Khabarovsk, and a second factory which supplied spare parts, was in Yerevan, because Stalin never thought that the U.S.S.R. could break up in the next 10,000 years. They built it for coming centuries. Therefore, when different parts were suddenly cut out under the nationalistic slogan, "We want a Uzbekian national economy, a Kyrgyz economy," and so on—for one year, it worked. But after that, there was no oil, no gas, no spare parts, and—what is of great importance in these Asian republics, with all my highest respect for their civilization, which I have studied for 50 years—they had no skilled labor force.

The labor force in machinery, especially heavy machinery, with new technology, in the eastern republics, in north Caucasian republics, was Russian. When the nationalist upheaval started, long before the Chechen war, the bulk of Russian experts and white-collar workers from Chechnya, ran away from Grozny. One or two years ago, 35,000 experts left, and this, and the lack of spare parts, ruined the Grozny oil fields. Our bombardment of Grozny was a tragedy, but the oil industry was already at a standstill because of the Russians leaving. The same in Kyrgyzstan, Tajikistan: They had to close factories, close some heating centers, not only atomic but also hydroelectric, because the white-collar Russian population ran away. It is important to understand, that they ran away not because President Islam Karimov in Uzbekistan or President Nazarbayev in Kazakhstan demanded it. We cannot say that Nazarbayev or Karimov or President Askar Akayev in Kyrgyzstan supported the nationalistic drive. But in these republics, the nationalistic drive started from the bottom without any help from the government.

I will give you one important example: language. For 70 years, the Russian language was the only official language in Central Asia. Now, they introduced the law for a state language of their own. It was a dangerous decision. How can you, in the Kyrgyz language, introduce everything connected with computers, with Cosmos, and so on? There are no such words. Their engineers and experts received their training in Moscow and Petersburg, not in Frunze. Suddenly, there was a law that in five years everyone should speak only Kyrgyz, and the teachers should give lectures in Kyrgyz, and the state government should be based on the Kyrgyz language. The government did not demand it, but the nationalist pressure groups and the nationalist youth demanded it. It was going

on de facto.

So these honest Russian people, whose grandfathers grew up in Tashkent—which I know very well, because I spent many years there—their grandfathers came, they created factories, they built up the first university in the history of Central Asia. [This was] the Central Asian University—where I was the dean of the Oriental Faculty—which was created by Lenin's decree in 1920. A huge train from Russia, packed with professors, and doctors, and laboratories, came from Moscow and Leningrad and started the Central Asian University. It gave birth to branches in all republics. But now they demand to speak only Uzbeki. So the old Russian professors, the technicians, the experts, they run away, not because they are pushed away, but in this nationalistic situation.

It gave a terrible blow to the working of the economy. Even the richest republic, Turkmenistan, [has problems]. It began very well: It has approximately 90 trillion cubic meters of gas, enough oil, and so on. They introduced their own currency, the manat, in 1993, and proclaimed that their currency was worth 350-400 rubles. Now you can buy manat on the black market in Ashkabad, for 20 rubles. Why? One reason is that the economic system is ruined. The spare parts are not arriving.

Ukraine does not have oil; they have to get it from Russia. Ukraine has magnificent refineries, but the oil is from Russia. Nobody knows who will pay whom. Belarus has magnificent factories. It produces very good trucks, of 25-40 tons, from the MAZ (the Minsk Auto Factory); they were famous, they were developed especially to work in Siberia, on the frozen hills. But Belarus does not have snow, or hills. Who buys their trucks or cars? It is a terrible imbroglio.

EIR: What you are saying, then, with your historical overview about how Stalin structured the Soviet economy, is that in the post-Soviet era, the process of political disintegration has been accompanied by, and worsened by, a process of economic disintegration and crisis, and that this may set the climate for considering new forms of political-economic relationships to try to set the situation straight again? Could you specify the role of rail infrastructure in this?

Bondarevsky: Yes. Let me explain. After one or two years, the people in the republics understood that it is time, after disintegration, to start this integration process. Nazarbayev's idea was based on the necessity of this economic—not political—integration. Therefore, his idea of Eurasian union is based on economic necessity, and on the geopolitical position of Russia, plus Kazakhstan. Russia, plus Kazakhstan, as you know from maps, starts from near the Polish border, and extends up to the Chinese Great Wall. It is one geopolitical unit.

In this situation, the idea of Eurasian union, opposed by nationalistic and some other forces, one of the best possibilities to start with, is railways.

Even the railways are nationalized now. Only five years

ago, we had one state company for the Central Asia railway system, which was built by Russia in the old days, and the center was in Tashkent. Then the Kazakhs said, "No, we are an independent republic," and they cut out the Kazakh system. Turkmenistan's Niyazov said no, we want to have a Turkmen railway. Then they converted the Central Asia into Uzbek and Tajik railways, then Karimov cut in two the administration of the railway from Uzbekistan to Tajikistan.

But the railway still exists. It functions, but badly. If you are an Uzbek, and I a Tajik, if we go together in Tashkent to buy tickets to Tajikistan and back, you produce your passport, and you will get a much cheaper ticket, for the same railway car, because you are a proud Uzbeki citizen, and it is your Uzbek railway.

But the economic issue is stronger. Therefore, after prolonged discussions, for five years, the Central Asia-Chinese railway system started. The railway link between Kazakhstan, a little northeast of Alma-Ata, and Xinjiang, in Chinese territory, was nearly ready, needing only 20 kilometers to be built on the Russian side and another section on the Chinese side, in 1959. Everyone thought that it would begin operating in 1960. Our railway station on the border was named "Friendship." But instead of friendship, you know what happened then between Russia and China. Building the railroad was stopped.

Only after prolonged discussions and delays, in the late 1980s, the line was ready. Therefore, it became, first technically, and then economically and politically, possible to buy a ticket in Beijing, China, to proceed on the same railway through all China, through Xinjiang, through Alma-Ata in Kazakhstan, through Uzbekistan, Tashkent, through Ashkabad in Turkmenistan, and then come to Krasnovodsk on the Caspian Sea, which is renamed Turkmen Bashir now. A ferry, which has existed for 20 years, brings the train to Baku, and from Baku through Tbilisi, which has a straight railway connection with Turkey. The railway connection Russia-Turkey has existed for 30 years. You could buy a ticket in Moscow, proceed through Baku, Tbilisi, Yerevan, straight to Turkish territory, to Istanbul and Europe. It was not often used, but it existed.

In 1992, the international Central Asian Railroad Association was created. The Chinese government, the Kazakh, Uzbek, Turkmen governments were in this group. This was joined immediately by the Turks, who have the extension to Europe, and by the Iranians. The Iranians were especially active. In 1989, when the U.S.S.R. still existed, there was an official treaty between the U.S.S.R. and Iran, to build a short railway, Ashkabad-Mashad. It is 300 kilometers long, 150 on Turkmen territory and 150 on Iranian territory. Mashad is the capital of the greatest Iranian province, Khorasan, and Mashad is connected through railway to Teheran, and from Teheran a line goes to the Persian Gulf and a second line to Tabriz and Turkey. It was built by the Germans, from 1927-29. This year, ahead of schedule in April-May, the line

will be ready.

The railway line does not run straight, because there are mountains; it makes a curve from Ashkabad to Serachs a little southeast, and then from Serachs—there are two Serachs, Iranian and Turkmen—to Mashad.

EIR: What is the strategic and economic significance of this line?

Bondarevsky: Extremely great! I am afraid that the people in Europe still do not understand how important it is.

If, today, the Japanese or South Koreans want to send their goods to Azerbaijan, how can they do it? Through the Trans-Siberian line, through Moscow, and then again a long way south; but, if Grozny is at war, there is no connection at all. From September 1994, there has been no railway connection between Russia and the Transcaucasus. There are two railways, one from Rostov in the north, through Grozny, through Dagestan, Baku, Tbilisi, and Yerevan. The second railway, built only in 1929-30, runs from Tuapse, Novorossiisk, through Sukhumi, a shortcut to Zugdidi, to Tbilisi, but this second railway was cut after the Abkhazian-Georgian war. From September, we had to stop sending trains through Chechnya, because during the six months of 1994, there were 1,400 rail cars looted by brigands from Chechnya. What is notable, is that when the brigands attacked trains, they knew exactly in which wagon the most important goods were. Therefore, not only the Chechen mafia, but also the Moscow mafia gave them information.

After both lines were cut, it was a tragedy for Azerbaijan, and especially for Georgia and Armenia. They do not receive food. Azerbaijan can produce food, Georgia less, and Armenia cannot at all. The land is stones. If this Central Asia railway works, you do not need the North Caucasus lines. You have a short cut from Japan and Korea to Transcaucasia, and from Turkey to Europe.

On the second line, Ashkabad-Mashad, the goods go to the Gulf, to the very important port called Bandar Shahpour, now called Bandar Khomeini, the Port of Khomeini. It is a good, deep-water port, and from this port, there is a shortcut to Bombay by steamer, or to the Red Sea, or to East Africa. In the 19th century, there was a British-Indian steamship company, for Bombay and the Persian Gulf. From 1901, Russia also had such a steamship company, which ran from Odessa on the Black Sea, through the Black Sea, to the Aegean, Mediterranean, Suez, the Red Sea, and the Persian Gulf. Now, with this new railway system, which is working, the state decisions of whole governments are signed, it is not a plan for the future. It is working! From late this year, the line to the Gulf will be open.

This is of greatest importance. If you look at a map of Europe and Asia, you see the old Trans-Siberian railway. Now, there is the new Central Asia railway.

Note that in Russia, there are two terms. In English there is only one term, Central Asia, but in Russian, there is

Srednaya Asia, “Middle Asia,” and *Tsentrálnaya Asia*, “Central Asia.” For Russian geographers, politicians, and experts, there is a great difference. In Russia, Middle Asia is this Central Asia about which we are speaking, plus Kazakhstan; Central Asia is Tibet, Mongolia, the Pamirs. Two years ago, the Presidents of the Central Asia republics had a meeting in Tashkent and announced they do not want to be Middle Asia, but Central Asia. Even our great political experts in Moscow did not grasp what it meant. I tried to explain to them at that moment, that the Central Asian leaders did not want to be a part of the old U.S.S.R., this Middle Asia; they want to be part of a larger unity, Central Asia.

The rail route starts in Beijing, then you have Urumqi, the capital of Xinjiang, then Alma-Ata, then Tashkent. The railway goes from Samarkand to Turkmenistan, and has a continuation to the Caspian Sea. Now, it will go to Ashkabad, to Mashad, Teheran, Tabriz, and to Turkey.

In the vicinity of Turkmenistan is a very important railway station, Chardzhou. Chardzhou is on the mighty river Amudar'ya [the Oxus]. Chardzhou was built by Russians at the end of the 19th century. There are two lines: One runs from Chardzhou to Ashkabad, and then to Krasnovosk. The second runs from Chardzhou straight to Russia, to Guryev and Saratov. This exists, and has for 40 years. Therefore, Russian goods using this way through Chardzhou and Mashad, can reach the Gulf. This is a two-way line. It is extremely important to understand all these possibilities.

When this Mashad-Ashkabad line is open for operation, say in a year's time, it will be extremely important economically. You know that economic development starts around railways. It will help to create new factories, to fight unemployment, to bring goods and tools, and so on. This would be a very important vehicle—an *extremely* important vehicle—for economic union.

The railway is stronger than nationalist feelings, and when the railway runs, economic development will be quicker. Then the people in Central Asia, who now know nothing about [Lyndon LaRouche's proposal for a European] Productive Triangle, and nothing about Germany, will have not only the deutschemark, which they buy on the black market, but also the straight connection to Europe! Your businessmen and investors, who are still hesitating about whether they should invest or not: Here is this link with new perspectives for the 21st century, which is not far away. It will open the way for great investment. Thus, the Eurasian idea will be implemented. In a letter which we sent to Nazarbayev, prepared and signed by myself, and two other experts, we just explained the linkage between the Central Asia railway and the Gulf, and his beloved idea of Eurasian union.

This Eurasian union, with railways, will also include the Transcaucasus in this system.

EIR: You are familiar with the LaRouche Paris-Berlin-Vienna “Productive Triangle” proposal for rail and rail-infra-

structure development for Eurasia. How do you see this idea corresponding to what you have been outlining?

Bondarevsky: On the Productive Triangle: According to my understanding, in the contemporary deep economic and financial crisis in western Europe, and the contradiction between Britain and western Europe, and some western European groups, although there are decisions about investing in this Triangle area, I have a suspicion that if there will be no new push, the investment will not be found. But, at the moment when you proclaim that this is not a simple Triangle, it is the Triangle *plus* Central Asia, the Far East, and the Gulf—and it does not need new investment on this side, the railways are ready!—the Productive Triangle will receive many more incentives. Today, some person in France will say, why should we invest in the Triangle, and make Germany, which is now too big, bigger? The British do not want to have anything to do with this. But the moment that the Triangle will become the vehicle to open everything to Asia, to open this magnificent area to investment, then it will be a very important impetus.

EIR: As you know, the “Triangle” idea was expanded, in our thinking, to the idea of the “Eurasian Land Bridge,” once the situation in China began to evolve in a direction where such a policy would become more possible. . . .

Bondarevsky: Yes, but I want to mention, that I began to talk about this two years before you started, in 1990, during my first meeting with Mrs. LaRouche, when she explained to me that the only important topic is the Triangle. I dared to explain—you were there—that the Triangle can only be if you have the continuation to Warsaw, Minsk, and Moscow.

But I am in the Triangle, I consider the Triangle extremely important, but in the contemporary situation, the political situation in Europe has changed. The Triangle idea was magnificent, five to seven years ago. Now it can have additional life, if it is combined with the Asian railways!

EIR: Is the proposal for a high-speed rail link connecting Berlin, St. Petersburg, and Moscow consistent with this overall approach?

Bondarevsky: We started asking ourselves, why do we need, in the midst of a terrible economic crisis, to build a new high-speed link between Moscow and St. Petersburg? For Europe, it is extremely important for business reasons to be quicker by three to four hours. But for us, our main trains start from Moscow, usually in the night at 11-12, and at 7-8 in the morning you will be in Petersburg. If it only takes four hours, then you will arrive at 3 in the morning. Who needs it? We have one daytime speed train, which takes four hours, but it is not so popular. Why do we need a train that will connect two cities in 2.5 hours, in this terrible economic situation? Also, between Moscow-St. Petersburg, it is impossible to use the existing railway. It will be necessary to build the whole railway, of 650 kilometers. The old line,

built 140 years ago, cannot be used for a speed train. But somebody from abroad is there, so this plan is implemented.

What I consider important is not speedy links, but railway links in general. If you go very speedily from Paris and Berlin, to Warsaw and Moscow, this is fine. From Moscow you will go, not so quickly, because the distance from Moscow to Vladivostok is 9,000 kilometers, so you cannot get there, even at extreme speed, in five hours. It is not so important.

It is important to have this speedy link between Moscow and the West and the Productive Triangle, and then to use this extremely important line, in two directions: from Moscow to the Trans-Siberian line, from Moscow through Chardzhou and Central Asia, and from Moscow—we think and pray we will finish with the fight in Chechnya—and then from Moscow, through North Caucasus, through Transcaucasia, and south. So it will be a link from East and West Europe, a link from Turkey, and a link from the Persian Gulf, and all *this* will concentrate in Central Asia. I consider it one of the most important events of the end of the 20th century, I would call it a 21st-century event, because the real result will come in the 21st century.

EIR: Many of these very good railway-development ideas were thought of by Russia's Count Sergei Witte, in the late 19th century, in cooperation with France's Hanotaux, but this produced a violent reaction from the geopoliticians in London, determined to oppose development in what they called the "Eurasian heartland." How do you see the British, today, reacting to these proposals for rail-vectored economic-infrastructure development?

Bondarevsky: Why should you remind them of this? I will tell you an important example: In 1989, Rafsanjani, the President of Iran, visited Moscow and had confidential discussions with Gorbachov. They signed this agreement about the Ashkabad-Mashad line. The next day, I was consulted on the matter, and that the agreement for the Ashkabad-Mashad line was only the beginning. I said, "I know, you discussed the continuation from Mashad up to Chaknehar, here in the Arabian Sea." I was asked, "How can you know, we discussed it only yesterday with Gorbachov?" I said, "Yes, but I discovered the blueprint of this railway, made by Russian experts in 1901, in the archives."

So many current ideas also existed at this time, you are right. I will send you a book of my daughter's doctoral thesis, on the Iranian railway. The British tried to stop the building of railways through Iran, because of this trans-Asian railway. As a result, up to 1928, Iran did not have railways, because of this Russian-British controversy, and all the activity of the British geopolitical school! You are right. Afghanistan, up to today, has no railways. It is correct, but the epoch is totally different. If the French and Germans invest in Central Asia using the railway, you may be sure that the British will run behind.

Algerian opposition meets in London

by Dean Andromidas

On March 22, representatives of the Algerian opposition, as well as political figures from Morocco and Tunisia, held a seminar in London. Not a negotiating session, the event was organized around a presentation by Maître Al Yahia Abdenour, president of the Algerian League for Human Rights. The Algerian participants had attended a conference of opposition leaders in Rome in January, and their aim was to present the case, developed at the Rome conference, for a political dialogue to find a solution to the Algerian civil war, to the extensive Arab media based in London. The seminar also aimed at presenting the Algerian opposition case before British public opinion and policymakers.

Although sponsored by the Royal Institute of International Affairs (Chatham House), the home of the British Crown's foreign policy establishment, it was in fact the initiative of the Center for Maghreb Studies, whose director is former Algerian Prime Minister Dr. Abdehamid Brahimia (see *EIR*, Dec. 9, 1994, for an interview with him).

Among those in attendance were Cheikh Abdallah Djaballah, president of the Nahdha Islamic Movement; Louisa Hannoun, secretary general of the Algerian Workers Party; and Ahmed Ben Bella, former President of Algeria. Although London-based members of the Islamic Salvation Front (FIS) attended, Anwar Haddam, the official FIS representative to the Rome conference and currently based in Washington, was denied a visa by the British Foreign Office. The Algerian government refused to allow Abdelhamid Mehri, general secretary of the National Liberation Front (FLN), to leave Algeria. Political leaders from Morocco attending included Dr. Mohamed Boucetta, former minister of foreign affairs and leader of the Al-Istiqlal Party; Mohamed Al-Yazighi, acting general secretary of the Popular Union of Socialist Forces; Dr. Abdelkrim Al-Khatib, a former minister said to be close to King Hassan II and to the Islamist movement in Morocco. From Tunisia, participants included former Prime Minister Mohamed M'zali; former minister Ahmed Ben Salah; and Dr. Cheikh Ghanouchi, leader of the An-Nahdha, the Islamic party of Tunisia.

Indictment of the Algerian regime

In his presentation, Abdenour called for implementing the National Contract that was drawn up at the Rome confer-

ence convoked by the Catholic lay association, the Community of Sant'Egidio (see *EIR*, Jan. 20, 1995), as the only solution to the "worsening political situation" in Algeria, the consequence of which has been "a higher loss of human life, a very grave economic financial and social cost, and the progression to civil war." He proceeded to lay out the massive violation of human rights following the cancellation of the 1992 elections by the military-backed regime, after the electoral success of the Islamic Salvation Front. He criticized the international community and press for their failure to denounce the "grave, systematic, and repeated violation of human rights, including even the right to life," by the Algerian regime. He denounced the Algerian government's widespread use of administrative arrests and charged that torture "is current administrative practice and is systematic." He further denounced the regime's use of capital punishment as "an instrument of repression against political violence" and as a "cruel and barbaric act."

Abdenmour went on to expose the failure of the "security options" favored by the regime in the last three years. These have created a "system of close surveillance, security checks, and control of the population, with sweeping arrests and kidnappings of large numbers of young people, followed by summary executions." He also accused the government of conducting a policy of reprisals against the civilian population, following attacks on authorities by the armed Islamic groups.

Abdenmour then laid out the principles of the National Contract drawn up by the opposition parties that attended the Rome conference. It calls for a political, peaceful, and negotiated solution to the crisis, of which one of the keys was the political rehabilitation of the Islamic Salvation Front, which must be integrated into the normal political life of the country. The National Contract calls for the establishment of a transitional regime, which would include the government and all opposition parties, and which would seek to normalize the situation in the country and lay the basis for elections. He warned against backing the current regime's plans for presidential elections which he characterized as an "electoral masquerade," whose purpose would be to seek international legitimacy and which would in fact worsen the situation. The Algerian government has refused to recognize the legitimacy of the Rome conference.

Why at Chatham House?

The Chatham House sponsorship of the conference is said by observers to represent a softening of British policy, which has been against any dialogue with the FIS. In fact, the Algerian leaders were received by the Foreign Ministry at the level of the head of the North Africa and Middle East Department.

A shift in British policy could very well reflect the sagging political fortunes of British stooge Charles Pasqua, the French minister of the interior who is a leading supporter of

the hard-line Algerian government military faction known as "the liquidators." Pasqua is said to enjoy intimate political and business relations with that faction, and has facilitated massive covert support from France for crushing the opposition in Algeria.

Pasqua, who had thrown his support behind Prime Minister Edouard Balladur in the current French presidential elections, has been the target of several scandals, including a "French Irangate," in which he is accused of arranging a secret arms deal with Iran, an arrangement facilitated by his friends in the Algerian military. The British appear to be tailoring their policy to a French presidential election victory of Jacques Chirac, whose Algerian policy appears closer to that of French Foreign Minister Alain Juppé, who is said to support a dialogue.

Britain's response to the Clinton administration is also a factor. Some establishment circles in London are hopeful of ridding of 10 Downing Street of John Major come May; after that, their diplomatic menu would include a policy at least appearing to be a bit less beastly to President Clinton (for whatever advantages that might produce). The U.S. position is, that the talks should clear the way for the FIS to be integrated back into the Algerian "establishment," and given a fair shot in decently early general elections. Until now, London, echoed by Pasqua, has been absolutely opposed to this.

Factional moves

In Algeria, the factional situation is growing more and more acute. Moves toward some sort of dialogue by elements in the regime appear evident. FIS leaders Ali Belhadj and Abassi Belhadj have been once again transferred from prison and put under house arrest. The Arabic press reports that eight Algerian generals have begun secret negotiations with the two leaders.

Nonetheless, military hard-liners have escalated brutal operations. According to published reports, up to 800 Islamic fighters were killed in one military operation, in which heavy armor and war planes were used to target groups of Islamic militants in the mountains southwest of the capital, and the special forces of the Algerian Army ambushed 450-500 Islamic militants who were on their way to the capital to support their comrades. Some reports put casualties as high as 2,600, although Algerian sources dispute such figures, saying that the militants operate in small groups of no more than 30 or 40, so these reports of casualties must include reprisals against the civilian population. This atrocity follows a prison massacre in which hundreds of political prisoners were killed.

Over 30,000 Algerians have been killed in the last two years, in a struggle that is rapidly degenerating into a full-scale civil war. The Army is now arming village militias, often along ethnic and tribal lines, which can only worsen the situation.

Fujimori defends the nation-state

London and Wall Street are enraged at the Peruvian President, who has raised the issue of debt forgiveness.

With days to go before the April 9 general elections, Peruvian President Alberto Fujimori continues to cause headaches in London and Wall Street. He is not only expected to be reelected, but by a considerable margin, over his rival, London's candidate and former U.N. Secretary General Javier Pérez de Cuellar. The President chose the U.N. summit on Social Development, held recently in Copenhagen, to strongly defend the institution which the British and their "Conservative Revolutionaries" most hate and hope to see eliminated in the short term: the nation-state.

President Fujimori earned the deep hatred of the international financial oligarchy when, on April 5, 1992, he "overturned the chessboard" by closing down a corrupt Congress and taking emergency measures to launch an all-out offensive against the narco-terrorist Shining Path. This bold action enraged oligarchical circles in London and Washington which sought the dismantling of the Peruvian state, and Fujimori was immediately branded as an "authoritarian."

Speaking in Copenhagen on March 11, Fujimori warned that "without the prerequisite of a state capable of articulating an effective economic policy and institutionality, the basis of which is peace, order, efficiency, and solidarity, it is not possible to implement an effective and realistic strategy against poverty and marginalization." The President emphasized that "every strategy against poverty, exclusion, or discrimination should have as its cornerstone a state able to guarantee the con-

tinuity and coherence of national policies."

Pointing to the rebuilding of the Peruvian state which has occurred in recent years, Fujimori recalled that it had been "on the verge of collapsing due to the double impact of a devastating economic crisis and a no less terrible terrorist violence." He added that aside from defeating Shining Path, Peru's Armed Forces today "play an extremely important role in development, beyond their traditional mission of defending national sovereignty."

But Fujimori hit the nail on the head when he warned that national recovery had to occur at a more rapid rate and that "that speed can increase even more if the burden of the foreign debt is lightened as a result of the forgiveness of that debt." This is the first time that Fujimori has touched on the problem of the foreign debt—in the past a weak point in his policy—and this obviously wasn't much to London's liking.

The rage felt by London and Wall Street explains why they recently sent their "heavy artillery," State Department geopolitician Luigi Einaudi, to Lima to deal with several issues.

The first was to surreptitiously torpedo the Peace of Itamaraty, the cease-fire signed between Peru and Ecuador to halt the border conflict between the two countries. The cease-fire was reached only after long hours of negotiation directed by U.S. Assistant Secretary of State for Inter-American Affairs Alexander Watson. Einaudi provocatively hinted at the possibility that the Peruvian government might be willing to exchange

"land for peace," something totally unacceptable to the Peruvian people. Einaudi also took the opportunity to meet with local geopoliticians who share his desire to destroy the institution of the Armed Forces, as well as with the "gray eminences" of Pérez de Cuellar's presidential campaign.

Einaudi's interference in Peru's elections is not surprising. London and Wall Street's factions within the U.S. government are desperate over the failure of their plans to use the April 9 elections to destroy the institutions of the presidency and the Armed Forces. On the same day that Einaudi left Lima, the U.S. Agency for International Development (AID) and the Institute for Free Electoral Systems, together with Pérez de Cuellar's backers, organized a forum to pressure the press and polling agencies not to prevent Fujimori's reelection as a given on the first round. This would permit the nation-wreckers to use the time between a first and second round of the elections to mount a new destabilization scenario.

The National Endowment for Democracy has generously financed Pérez de Cuellar's think-tank, Agenda Peru, as well as the non-governmental organization Transparencia, both of which intend to conduct a parallel vote count on April 9. In the meantime, Human Rights Watch and porno-novelist Mario Vargas Llosa are predicting that Fujimori and the military will commit fraud, even while polls give the President a 56% win.

Nor have Shining Path's plans to sabotage the elections been successful. On March 23, Fujimori announced the capture of Margie Clavo Peralta, "number two" in Shining Path's leadership, and of another 36 terrorists belonging to the committee that intended to re-launch the narco-terrorist group.

International Intelligence

Spanish court drops case against Al Kassar

A court in Madrid has dropped, as of March 22, its case against Monzer Al Kassar, the Syrian-born international drug- and arms-dealer who in the early 1980s played an important role also in arms-peddling operations of George Bush and Oliver North. He had been on trial for charges of piracy and support of terrorism, in the 1985 *Achille Lauro* ship hijacking case, probably one of the least important crimes he could have been charged with.

Al Kassar had always voiced optimism that the charges would be dropped, because as he put it, nobody would have an interest in his telling about his good cooperation with intelligence and anti-terrorism experts of the Spanish and other governments, as well as naming names, on the witness stand. The main witnesses in the whole case are all dead, except for one who changed his testimony after his children were kidnapped last November.

French paper floats 'Irangate' against Pasqua

A new scandal hitting French Interior Minister Charles Pasqua could "soon take on the dimensions of a 'scandal of state,' a sort of *Irangate à la française*," wrote the weekly *L'Express* in an article picked up by French and Italian dailies on March 23. Utilizing information from sources in the French Foreign and Defense Ministries, the article details how Pasqua arranged to sell air-to-ground missiles to Iran in the autumn of 1994.

Supposedly, this was done with the aim of neutralizing the possibility that Iran would deploy terrorists into France, in the event that a French court ruled against Iranian operatives on trial for the 1991 assassination, on French soil, of exiled former Iranian Prime Minister Shapour Bakhtiar. Pasqua was supposedly acting to prevent a repeat of the 1986 Iranian terror wave in France "to obtain the liberation" of a man who had earlier tried to kill Bakhtiar.

According to a Reuters wire report, the French Interior Ministry denied the reports as "grave disinformation" and said that Pasqua had asked the justice minister to start legal action against the authors of the report and the publisher of *L'Express*, for libel and publishing false news.

Say pope was target in the Philippines

A suicide bomber was to approach Pope John Paul II during a public appearance in Manila and blow himself up, Edwin Angeles, a former Muslim rebel told a news conference on March 23, as reported by news wires. The plot was not carried out because "there was no opportunity," he said. Angeles, described by police as the operations and political officer of the Abu Sayyaf "fundamentalist" group operating in the country's southern islands, surrendered to the authorities in February. The police have blamed Abu Sayyaf for a spate of bombings and kidnappings in the southern islands in the past two years.

According to Angeles, the plot to kill the pope was hatched by Abu Sayyaf members and foreign extremists, allegedly including Ramzi Ahmed Yousef, who was captured in Pakistan in February and extradited to the United States to face trial for the 1993 bombing of the World Trade Center in New York.

Camacho in secret huddle with Henry Kissinger

According to columnist Pablo Hiriart, writing on March 28 in the Mexico City daily *El Día*, former Mexican peace commissioner Manuel Camacho Solís recently held a secret meeting in the United States with Henry Kissinger, during which he offered Kissinger "guarantees" that Camacho would become President of Mexico. Hiriart's source is an adviser to Kissinger, who insisted that even Kissinger was taken by surprise by Camacho's absolute assurance that, sooner or later, he would become President. The meeting was said to have taken place during

the time when Camacho was supposed to have been attending the Committee for Global Governance meeting in Switzerland. Kissinger is an adviser to a number of the committee's 26 permanent members.

Camacho was exposed in last week's *EIR* as the top political frontman for circles seeking to use "Zapatista" terrorism in Chiapas as a means to dismember Mexico.

British 'Fourth Reich' agent Lauck arrested

International neo-Nazi leader Gary Lauck was arrested in Denmark on March 20, and is being held by Danish authorities. The Hamburg state prosecutor is seeking Lauck's extradition to Germany on charges of smuggling neo-Nazi literature into that country. On March 22, German police raided about 60 apartments of known neo-Nazis, seizing literature the bulk of which was printed by Lauck in Lincoln, Nebraska.

Police say the literature was suggestive of terrorism, calling for attacks against the "criminal" German regime in Bonn, according to broadcasts on Germany's Channel One television. Televised reports claimed that the Lauck-linked operatives were receiving paramilitary training in the use of weapons and explosives.

Last year, an *EIR* in-depth analysis of neo-Nazi operations (English title "The Strategy of Tension"), exposing Lauck and others as agents of British-run subversion against Germany, was widely circulated among law enforcement circles in Germany and France.

British can't even run Britain, says Chinese

Li Ruihuan, a member of the most powerful body in China, the seven-member standing committee of the Politburo, said in a speech in Beijing early in March that the expected return of Hongkong is important, because when it was given to the British in 1898, this made China a "weak and shamed country."

There have been many predictions that China will not succeed in running Hong-

kong, but it must be understood that the success of Hongkong today, has been "mainly a result of the Hongkong peoples' efforts. They are not the work of the British. The British cannot even run their own country properly. Britain has achieved nothing as far as its status in Europe and its own financial and economic systems are concerned."

Comeback victory scored by Landsbergis

The first President of independent Lithuania, Vytautas Landsbergis, scored a comeback victory in the Lithuanian local elections held over the March 25-26 weekend. His Fatherland Union received the most votes of any party, with 29.1%, taking 426 of the 1,488 seats up for vote in city and town councils. The Christian Democrats, allied with the Fatherland Union, came in third with 16.9% of the vote and 247 seats. The ruling Democrat Workers Party of Lithuania, the former Communists, received only about 20% of the vote and 291 seats.

The swing away from the former Communists occurred for the same reason as the swing in the national elections that booted Landsbergis from office and brought the former Communists back to power nationally, namely a strong voter protest against the disastrous effects of shock therapy policies.

Likud aids Hamas and Islamic Jihad: Rabin

Israeli Prime Minister Yitzhak Rabin made one of the most violent counterattacks to date against the Ariel Sharon-centered forces in Israel who have been denouncing him for signing the 1993 peace accord with the Palestine Liberation Organization. Rabin told Israeli television on March 26, "If Hamas and Islamic Jihad were to succeed in their aims, it would be thanks to the assistance they are receiving from Likud."

The Israeli leader persisted: "Likud is the accomplice of Hamas and of Islamic Jihad, because each time there is a terrorist

attack, the Likud attacks the Israeli government" instead of condemning the actual perpetrators.

In a second set of comments to the biggest-circulation Israeli newspaper *Yediot Aharanot* on March 27, Rabin said that Hamas and Islamic Jihad "share with Likud the same objective: to put an end to the ongoing peace process between Israel and the Palestinians."

On March 24, in announcing that he will run for a second term next year, Rabin exclaimed: "I was elected to undertake an historic process of peace between Israel and its neighbors, and I intend to bring this task to a successful conclusion. . . . We cannot finish what we have begun during the period of only one electoral mandate. If it is necessary, I will be ready to continue."

Joseph Needham, liar on China, dies at 94

"Perhaps the greatest work of scholarship by one person since Aristotle," is how a London *Independent* obituary characterized Cambridge University "science in China" scribe Prof. Joseph Needham, who died at the age of 94 on March 24.

Needham was the one who spread the propaganda into the West, already back in 1952, that the United States was using "germ warfare" in the Korean War. British papers reported that this was later "substantiated" by an article in the *Bulletin of Atomic Scientists*, where Bertrand Russell and his co-thinkers had previously promoted dropping the atomic bomb on the Soviet Union.

Needham, the obituaries also revealed, was effectively a co-founder of Unesco, together with British royal family minion Sir Julian Huxley, in the mid-1940s. A confirmed Taoist, Needham sought the "reconciliation" of Bolshevism and Christianity on a Taoist basis, and believed that "science" could just as well derive from magic, as from observation of nature. His authority was incisively debunked by China scholar Michael O. Billington in "The Taoist Perversion of Twentieth Century Science," an article in the Schiller Institute's *Fidelio* quarterly, Fall 1994 issue.

Briefly

● A MEXICAN newspaper, *Diar-
io del Yaqui*, reported on March 24 on the presidential bid of Jacques Cheminade in France, calling him "an ally of U.S. economist and political figure Lyndon LaRouche." The Sonora state-based paper cited Cheminade's pledge to fight against the new social Darwinism of savage liberalism, and his program to "end the current unfair financial system based on rent, speculation, and usury."

● YASSER ARAFAT received U.S. Vice President Al Gore in Jericho on March 24. Prior to the encounter, the PLO chairman vowed publicly to fight the enemies of peace and stated that Jerusalem is the capital of Palestine. Those who disagree can "go and drink from the Dead Sea!"

● DOUGLAS HUR, the British foreign minister, accompanying Queen Elizabeth to South Africa, pledged in Durban that Britain would focus on improving life in South Africa at a township-by-township level. "Projects in townships are light years away from projects like building palaces and luxury airports." Meanwhile, the queen bestowed the British Order of Merit on President Nelson Mandela and formally welcomed South Africa into the Commonwealth, on March 22.

● 'CLEAN HANDS' prosecutor Antonio Di Pietro, who led the corruption trials which wiped out Italy's political class, has entered politics, with a series of articles in major dailies denouncing the confusion reigning in the political scene and launching a populist appeal to citizens. He is a protégé of former President Francesco Cossiga.

● THE PHILIPPINES is threatening to break diplomatic relations with Singapore over the execution of a Filipina maid on March 17, if an independent inquiry shows the woman was innocent. As of March 23, both countries had recalled their respective ambassadors, and President Fidel Ramos recalled diplomats in seven countries with large Filipino emigrant workforces.

Why Newt can't see the welfare problem

by Edward Spannaus

The Tragedy of American Compassion

by Marvin Olasky

Regnery Gateway, Washington, D.C., 1995
299 pages, paperbound, \$14.95

"I cannot too strongly urge you to read Marvin Olasky's *The Tragedy of American Compassion*," Newt Gingrich told the Republican National Committee on Jan. 20. "I am just overwhelmed by how powerful it is," the new Speaker of the House said he had exclaimed after he first read it. "Olasky's point is that we can save individuals. You can help Sam or Sally. You can't save a class," Gingrich declared.

Indeed, almost every time Newt Gingrich speaks about welfare, he urges his listeners to read this book. Gingrich's endorsement has made Olasky the "darling of the conservative elite," the *Wall Street Journal* noted on March 20.

Marvin Olasky, a journalism professor at the University of Texas, wrote most of this book while on a fellowship at the Heritage Foundation in 1990; some 3,000 copies were published in 1992 by a small religious publishing house. Now, with all the publicity Gingrich has given to the book, it has been republished, and Olasky has joined the board of Gingrich's Progress and Freedom Foundation—which recently published a compilation of writings by the futurists Alvin and Heidi Toffler, with a lavish introduction by Gingrich.

That Gingrich can praise the Tofflers and Olasky in the same speech—and often almost in the same breath—points up the fraud of Gingrich's endorsement of the Olasky thesis.

For all Olasky's pretenses at providing a historical survey of charity and poor relief for the past 300 years, he really warms to his subject when he gets to the 20th century, and then he really gets fired up when writing about the 1960s and the creation of the "welfare rights" movement, which demanded public assistance as a matter of right, without any connection to work or employment.

The hoax here, is that what Olasky is so vigorously attacking came from the same "post-industrial" outlook which Gingrich and Gingrich's guru Alvin Toffler so vigorously promote. If Gingrich wants to know what's wrong with today's welfare state, he need simply look in a mirror.

Olasky's 'history'

In the 18th and 19th centuries, Olasky tells us, the emphasis of poor relief was always on religiously motivated endeavors, tied to an expectation of the help being temporary, to a work requirement, and to personal, one-on-one contact. He describes this view as "social Calvinist," as opposed to "social Darwinist."

Things began to go wrong, Olasky argues, in the "progressive era," when muckrakers began to blame society rather than the individual, and to call for government action. He particularly attacks what he calls the "optimism" of the turn-of-the-century "social universalists" who believed that all problems could be solved. One source of their optimism was

the belief that man is naturally good and productive; Olasky the pessimist prefers what he calls the Biblical view of man's sinful nature.

The secular settlement-house movement, based on this "optimistic" philosophy, replaced church-oriented missions in the slums; and professionals soon drove out the volunteers. Olasky—always the pessimist—attacks the 1920s president of the National Conference of Social Workers as believing in the divinity of man; and the modern liberalism of the 1920s as tied to a theology which no longer believed in sin.

Then came the 1930s, which, in Olasky's view, enshrined the liberal doctrine of income-as-entitlement, a universalistic welfare system with little interest in stressing work or worthiness. He chastises the Russell Sage Foundation for pushing for a larger federal role and centralization; the National Conference on Social Welfare for pushing a "a socialist agenda"; and, of course, the National Council of Churches, for ignoring the Biblical injunction that "the poor ye always have with you." (Olasky and his malevolent ilk always fraudulently misconstrue Christ's words—Matt. 26:11, Mark 14:7, John 12:8—as if they were a mandate against the eradication of poverty.)

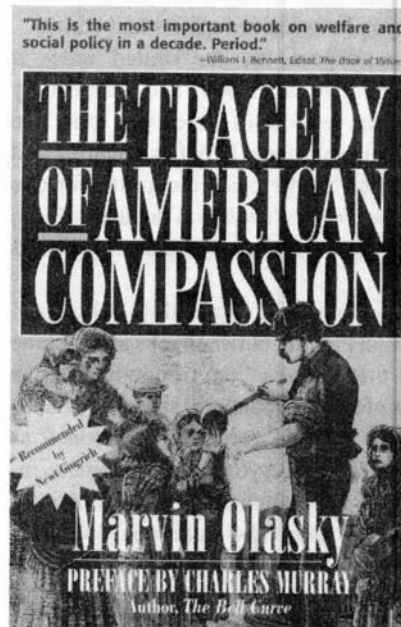
Amazingly, all of this bogus history is discussed by Olasky without any serious reference to economic conditions, or to the fact that throughout the 19th century, and up to the Great Depression, the U.S. economy was more or less continually expanding, and that people were able to move out of poverty into useful industrial and agricultural jobs. Nor does he reference the enormous job creation of the Second World War—which undoubtedly did more to move people out of poverty, especially Southern blacks who moved North—than did all the lady-do-rightly's in history.

Welfare 'rights'

It was in the 1960s, Olasky instructs us, that everything went to hell. Up until then, welfare was not viewed as a right, and a sense of shame was relied on to keep people from accepting the "dole" unless absolutely necessary. But in the 1960s, what Olasky calls the "theologically liberal tendencies" within social work took over; soon public policymakers and groups like the Ford Foundation were arguing that poverty could be eliminated by money. (A shocking idea!)

The "mainline theological message of the 1960s," attacked by Olasky, is that "poverty was socially caused and thus could be socially eliminated." Government planning and programs, not spiritual change, were seen as the solution to poverty. Thus came the War on Poverty, the Office of Economy Opportunity (OEO), talk about a guaranteed annual income, and so on.

The real villains of Olasky's story are Columbia University School of Social Work professors Frances Fox Piven and Richard Cloward, who used government funding through OEO, etc. to create the National Welfare Rights Organization



The cover of Olasky's book shows a 19th-century soup kitchen, ironically emblazoned with "Recommended by Newt Gingrich." The book also boasts a preface by arch-racist Charles Murray, co-author of The Bell Curve, and praise from Bush-league neo-conservative William Bennett.

(NWRO) in the late 1960s. NWRO was successful in its immediate objective, says Olasky, since in its first four years, 100,000 welfare recipients "were organized and trained to demand payments, not ask for them." Welfare recipients who had possessed a sense of shame about welfare, and who had believed that welfare was something to be avoided, were trained to believe that everyone had a "right" to welfare and that the "system" was the enemy. This is what Olasky calls "the Great Society's War against Shame."

Of course what Olasky and his publicist Gingrich willfully ignore, is that the Cloward-Piven NWRO strategy was based on the notion of the "post-industrial society." The explicit concept which formed the basis for promoting the "guaranteed annual income" idea, was that the link between work and income had been broken.

It so happens that I attended the Columbia School of Social Work from 1965-67, and I was thus quite familiar with the activities of Cloward and Piven and the various government-sponsored "War on Poverty" programs. In 1966, I had the good fortune to also meet Lyndon LaRouche, and I and a handful of associates at the Columbia Social Work School (including my wife-to-be) quickly realized the fallacy of the Cloward-Piven strategy and other varieties of the "guaranteed annual income" approach. Their basic assumption was that the United States was at that time entering a "post-industrial" society, in which all material needs could easily be met if the wealth were simply redistributed. We attacked this as 1) economically incompetent, arguing that the need was for reindustrialization of the economy and a vast expansion of productive employment; and 2) politically suicidal, since the Cloward-Piven approach was intended to

pit welfare recipients against the working and middle class, and to create a polarization between minorities and whites.

It is now clear, in retrospect, that the United States at that time was undergoing a fundamental, and deliberately fostered *paradigm shift*, the purpose of which was to induce Americans to abandon their traditional belief in scientific and technological progress. One of the basic blueprints for this was a 1964 manifesto, *The Triple Revolution* (against which, I recently discovered, I had written an attack as early as 1967).

The Triple Revolution document centered its policy proposals on the argument that the link between jobs and income was being broken, and that the new "era of abundance can sustain all citizens in comfort and economic security, whether or not they engage in what is commonly reckoned as work." Society could provide everyone with adequate income—a share of society's superabundance—as a matter of right, whether or not they worked at a traditional job, they argued. This became the rationalization for the loss of productive jobs and the erosion of our manufacturing base. The destruction of America's industrial might, hastened by environmentalism and deregulation, was then seen as an inevitable and desirable process.

This campaign to eradicate the spirit of industrial and technological optimism had its origins in the London Tavistock Institute for Human Relations, the psychological war-

fare center for British intelligence. In the United States, one of its key centers was the Stanford Research Institute (SRI), which ran conferences and seminars, leading to the 1974 publication of a study called *Changing Images of Man*, directed by Dr. Willis Harman. This was later published in a simplified, popularized version as Marilyn Ferguson's 1980 book *The Aquarian Conspiracy*.

One of the key participants in the SRI/Harman-sponsored conferences, etc., was Newt Gingrich's idol Alvin Toffler. Gingrich himself traces his own work with Toffler and the Information Age futurists back to the 1970s.

Of course, the irony of Gingrich endorsing a book which blames the current welfare mess on the 1960s post-industrial outlook, is that this is the *identical* view espoused by Gingrich's hero Alvin Toffler. The 1964 *Triple Revolution* presented as its basic thesis the "cybernetics revolution"—and the contention that the new revolution of automation and cybernetics is as different from the industrial revolution, as the industrial revolution was from the agricultural revolution. If this sounds virtually identical to the Toffler/Gingrich schema of First-Second-Third Wave societies, it should—because it is.

Perhaps Gingrich should heed another Biblical injunction: when Christ rebukes the hypocrite for complaining about the speck in his brother's eye, when he has a beam in his own.

Bridge Across Jordan

by Amelia Platts Boynton Robinson

From the civil rights struggle in the South in the 1930s, to the Edmund Pettus Bridge at Selma, Alabama in 1965, to the liberation of East Germany in 1989-90: the new edition of the classic account by an American heroine who struggled at the side of Dr. Martin Luther King and today is fighting for the cause of Lyndon LaRouche.

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Gaia worship, the 'Great Game,' and a religion of empire

by Mary Burdman

Younghusband: The Last Great Imperial Adventurer

by Patrick French

HarperCollins, London, 1994

440 pages, hardbound, £20

This is an excellent biography of the man who led the British imperial invasion of Tibet in 1904; who founded the World Congress of Faiths and the Central Asian Society; who was writing of spiritual union with Mother Earth 60 years before the Gaia cult was popularized; and whose "Fight for Right" society in World War I inspired that hymn of the British Empire, *Jerusalem*. Throughout his life, Sir Francis Younghusband, born in India in 1863, was at the fore of the "forward school" of the British Empire, both politically and spiritually. Although he always remained in the lower orders of the imperial hierarchy, Younghusband's life and work epitomize the essential character of the British Empire.

Patrick French, a very good writer of the Fitzroy Maclean school, actually retraced many of Younghusband's steps in Asia as well as Europe, no small undertaking considering that the highlight of the explorer's youth was a "race" with a fellow British officer across Central Asia, from China to India. The quality of the book reflects the effort.

From the beginning of his career, when he joined the military and then worked for the intelligence service in British India, Younghusband was obsessed with the "threat" of Russian expansionism into India, the bugaboo of the British "forward school" whose leader Lord Curzon became. What becomes clear from this book, is how much Younghusband's work was determined not by British fear of Russia itself, but British fear of those building land routes, especially railroads, in Eurasia!

'Heart of a continent'

Concern on this issue led him to little-known Manchuria already in 1886, which is interesting in view of subsequent

events: Manchuria, then a province of China, was the scene of struggles over Russian and Chinese railroad-building projects, and was seized by the British Empire's Asian ally, Japan, in the British-orchestrated Russo-Japanese War of 1904. In 1887, sponsored by the Tory government of Russophobic Lord Salisbury, Younghusband set out on an overland "race" to India. While Col. Mark Bell of the Indian intelligence service charged through Chinese Turkestan—today's strategic Xinjiang province—Younghusband took a more northerly route through the Gobi, gathering military intelligence on China for New Delhi, and became the first European since Marco Polo to find a new land route to China when he crossed the 19,000-foot Mustagh Pass at the foot of K-2, the second highest mountain in the world and the watershed between India and China. It was from this journey that Younghusband wrote his most famous book, *The Heart of a Continent*.

Younghusband was first turned toward Tibet, his special place in the "Great Game" of rivalry between Britain and Russia, by Sir Mortimer Durand, although this mission took some years to fulfill. First, he was sent into the Pamir Mountains, where he met the famous Russian explorer Colonel Grombchevski, and to the Karakoram, because of British alarm at the railway the Russians had extended through Merv, Bokara, and Samarkand, all ancient Central Asian cities of the Silk Road. Younghusband was deployed into Hunza, high in the Karakoram, where Russia, India, Afghanistan, and Chinese Turkestan meet. While his work was to take political and military control, already the spiritual dimension of his life was emerging, again on imperial lines, as Younghusband, raised an evangelical Christian, approached eastern "spiritualism." As French writes, "like wandering soldiers from Chinese Gordon, to Orde Wingate, and Lawrence of Arabia, his travels in remote places acted as a spur to his religious tendencies." His travels also spurred other tendencies: There was, French reveals, considerable rewriting between Younghusband's journals and his published works, all to the purpose of enhancing his character as a soldier on the outermost fringes of the empire.

Younghusband was so obsessed with expansion, he actually curbed his own career. He was forever urging an aggressive British policy in Asia when London wanted to play more devious games. British policy was to leave the borders of the empire undefined—until it became in their interests to define them. In 1892, Younghusband established relations with the future Viceroy, George Curzon, who was to sponsor the highlight of the former's career, the invasion of Tibet. Younghusband led the charge for the forward school, from the siege of Chitral to the Jameson Raid, sponsored by Cecil Rhodes in South Africa. He eventually made a "society" marriage with the depressive Helen Magniac, whose family fortune was based on selling opium in China.

But at the same time, he began writing that he wanted to find "that form of religion which is best adapted to the men

of the present day, and which would form the religion of the future." In his earlier career, this religion was based on the notion of the "higher moral development" of the British imperial rulers. Younghusband corresponded with John Beattie Crozier, whose "theory" was that the inferior "races" were actually degenerating. "It is our special part in world history to rule and guide these Asiatics and Africans," Younghusband concluded. He put himself forward as the policy guide for Curzon, for the "religious feeling without which no nation is good for anything."

The Tibet revelation

It was at this point, 1903-04, that Younghusband was chosen to lead the expedition into Tibet. The expedition, complete with British officers, Indian troops, and a full contingent of London newspaper correspondents, was launched because of unbased fears that the Russian czar was running secret missions in Tibet through the monk Dorzhiev, to force Tibet to open to "free trade" from India. Strategic issues such as alleged Tibetan rustling of Nepalese yaks was used to turn a "free trade" mission into a full-scale military invasion, which culminated in the battle of Chumi Shengo, where British soldiers machine-gunned primitively armed Tibetan soldiers, most of whom, utterly defeated, were *walking* away from the British. Younghusband led his force into the Tibetan capital of Lhasa, where they found no trace of Russian spies.

But also in Tibet, Younghusband had a "divine" experience which changed the further course of his life; but it was only after suffering a severe accident in Belgium in 1911, that he began to let it all out. The first of his published "spiritual" works was called *Within*, in which he rejects Christianity outright for a "world spirit" within each person. Typically, the example he chose for the manifestation of the World Spirit was the death of Edward VII, which he claimed had caused the Indians to forget their "sedition" and the Germans to bury their differences to join the British in the general mourning. *Within* inspired the author's friendship with Bertrand Russell, who appreciated its "simple sincerity," and its making "a religion of atheism."

Younghusband gets balmier: The next steps are sympathetic aliens from other planets, eugenic fitness, and free love. All this is to culminate in the appearance of a new "God Child" on Earth, better than Jesus, whose "hot glow of Love" would transform the Earth.

But, as Patrick French points out, there is an endearing quality to Younghusband's balminess. His choice of such phrases as "hot glow of Love" is apt. Very soon, Younghusband was having "visions" of beautiful young girls, a "religious" fantasy that was to be lived out when he met Madeline Leas, 34 years his junior, at the end of his life. He often got into trouble with his ever-depressed wife for writing too-ardent letters to women sharing his "religious" fervor. Younghusband's expressive naiveté was again shown in his assessment of the British Commander-in-Chief General

Kitchener's activities: Kitchener "had such affection for his ADCs [aides-de-camp] that when one had to leave he was for days after like a bear with a sore head. One of them, Fitzgerald, he managed to keep with him long after he left India. The two went down together in the *Hampshire*," Younghusband wrote, the last reference being to their ship sinking rather than their activities aboard it.

When World War I broke out, Younghusband rallied to the cause of a "Holy War." This led to him founding a group called "Fight for Right," to rally the population to the cause. One result of the Fight, was the composition of the hymn of British Israel—the belief, grounded in British Protestantism, that Britain and Britons were the new chosen land and people. The words were from William Blake's poem *Milton*:

Jerusalem the Golden

Bring me my bow of burning gold:
Bring me my arrows of desire:
Bring me my spear: O clouds unfold!
Bring me my Chariot of fire!

I will not cease from Mental Fight
Nor shall my Sword sleep in my hand:
Till we have built Jerusalem
In England's green and pleasant land.

While the Fight for Right may have faded from history, *Jerusalem* has not.

Younghusband's work did not end there. He went on to found the Gaia cult, 60 years before James Lovelock. In 1924 he brought out the book, *Mother World*. Younghusband presented the Earth as a "benevolent deity," something very radical in 1924. But while many were shocked, physicist-communist J.B.S. Haldane praised the book. The result of human communion with the Earth, would be the bringing forth of a "god-child," "at one with world-mother." Younghusband apparently attempted to do this himself, though with little success, when he was already 76. He went on to *Life in the Stars* and founding the Religious Drama Society.

Perhaps nothing sums up Younghusband's career better as Great Gamesman and Mother Earth worshipper, than the assault that he, as president of the Royal Geographical Society, organized on Mount Everest. The much-appreciated charms of British climber George Mallory, who died close to the summit of Everest in 1924, are captured in a photograph of him climbing the mountain's lower reaches, stark naked, save his backpack. The culmination of this effort, the successful ascent of Tenzin and Hillary, was, French points out, announced to the world in 1953, on the very day of the coronation of Queen Elizabeth II. But such events are past. Now, at Buckingham Palace, all the "hot glow of Love," "Mother Worlds," and other manifestations of Younghusband-style balminess, are bringing things down from the heights, fast.

The 'Africa syndrome'

by Paul Gallagher

The Hot Zone

by Richard Preston
Random House, New York, 1994
300 pages, hardbound, \$23

The Coming Plague: Newly Emerging Diseases in a World Out of Balance

by Laurie Garrett
Farrar, Straus and Giroux, New York, 1994
750 pages, hardbound, \$25

These two books—one intensely sensationalized and already made into a movie, the other its scholarly alter ego—share all the axioms of the global “environmentalist” movement centered around the British aristocracy’s “Club of the Isles” and World Wide Fund for Nature. Both authors acknowledge the significant influence of Conservation International; author Preston praises Russell Mittermeier of Conservation International for “originating the interesting comparison between the human species and a pile of meat waiting to be consumed.”

That view of mankind will serve to represent the axioms I refer to; the extreme hostility to science and to mankind’s part in God’s Creation. Britain’s Prince Philip, the head of the World Wide Fund for Nature, who says he prays for reincarnation as a deadly virus to wipe out human populations, is in effect the intellectual author of both books.

The difference between these books is that one—*The Hot Zone*—also shares the *tactics* of the major ecology and “environmentalist” organizations: complete disregard for scientific truth and wild sensationalism for the purpose of trying to impose global economic policies.

Richard Benedick, the State Department official who negotiated the Montreal Protocol to ban CFCs, put the anti-scientific principle this way, in his own book *Ozone Diplomacy*: “The Montreal Protocol on Substances That Deplete the Ozone Layer mandated significant reductions in the use of several extremely useful chemicals. . . . The protocol did not

simply prescribe limits on these chemicals based on ‘best available technology,’ which had been a traditional way of reconciling environmental goals with economic interests. . . . At the time of the negotiations and signing [in 1987], no measurable evidence of damage existed.” Similarly, in 1992, Donella and Dennis Meadows, two of the authors of the original fraudulent *Limits to Growth* study, boasted in their 20th anniversary retrospective, *Beyond the Limits*: “The world’s nations . . . soberly, reluctantly . . . agreed to give up a profitable and useful industrial product [CFCs]. They did it before there was any measurable economic, ecological, or human damage, and before there was complete scientific certainty.”

Laurie Garrett’s book, by contrast, presents a great deal of useful information about the recent years’ proliferation of new infectious diseases and the return of others once virtually eliminated by public health measures. She frequently presents evidence that it is not the presence of “super-deadly viruses and bacteria” that threatens mankind, but the absence or breakdown of nations’ public health infrastructures and populations’ immune systems. Thus, her book is far more interesting, but she never entertains this conclusion herself, though it is obvious from the evidence of epidemics and pandemics of the past 30 years.

Predictably, Preston’s book of sensational falsifications of, and attacks on, medical science, is now coming out as a movie. In it, Morgan Freeman and Dustin Hoffman are apparently carrying vials of “100% fatal virus”—which, in the end, can’t even make anyone sick! The Hollywood mafia, and probably the box office stars, support the wild assertions of Prince Philip’s environmentalists.

Racist, and not so hot

Preston’s book is based on a big media story of 1989, in which a shipment of monkeys from the Philippines, intended for medical research by Hazelton Corp., and being caged in a building in Reston, Virginia outside Washington, all died from a strain of Ebola virus present in one or more of them when caught in the Philippines. An Ebola epidemic, 20 years earlier in Zaire, had killed several hundred people before the Zairean government and Army stopped it with a strict quarantine of the region. A smaller 1960s epidemic of a similar filovirus (“thread-like virus”) contracted in Zaire, had

killed seven people in Marburg, Germany. These viruses were highly lethal, but the Reston monkey virus, which was ultimately proven to have infected the blood of several Hazelton employees, when all was said and done, did not make anyone sick.

Preston ignores the implications of this fact, and resists the evidence that several American doctors survived infection with the Ebola virus which was so fatal to Zaireans, and a similar one in Bolivia; presumably because their living standard was far higher and their immune systems far stronger. His “medical views” are simply adopted, as he freely admits, from Russell Mittermeier and from Joshua Lederberg of Rockefeller University. These “medical views” may not be stated as such in the movie, so here they are:

“In a sense, the Earth is mounting an immune response against the human species. It is beginning to react to the human parasite, the flooding infection of people, the cancerous rot-outs in Europe, Japan and the U.S., thick with replicating primates. . . . Perhaps AIDS is the first step in a natural process of clearance. . . .

“The emergence of AIDS, Ebola, and any number of other rainforest agents appears to be a natural consequence of the ruin of the tropical biosphere.”

So the real subject of *The Hot Zone* is AIDS, about which the author clearly knows nothing at all except his ideological belief. This racist belief is that AIDS is a “tropical rainforest agent” of Africa threatening to destroy “us” because of our overprocreation. Is Preston combining the popular prejudices of American homosexuals and others: about “AIDS from Africa” ravaging “our community,” and against Catholic views of population growth and the sacredness of each human life? The book’s final chapter offers only a possible hint in this direction. It is clear, however, from the last few chapters that Preston, whose family lived in Zaire during the 1950s “Winds of Change” period, resents the expansion of Zairean farm populations into forest regions, the end of the era of big game hunters, and all that.

From this prejudice, Preston bitterly attacks the developing of economic infrastructure in Africa. “The paving of the Kinshasa Highway affected every person on Earth, and turned out to be one of the most important events of the 20th century. It has already cost at least 10 million lives. . . . In effect, I had witnessed the crucial event in the emergence of AIDS, the transformation of a thread of dirt into a ribbon of tar.” Most of the Kinshasa Highway was paved in the 1970s, and it is the *only* transcontinental highway in Africa. According to Preston, this allowed African truck-drivers to spread the AIDS virus, which had somehow popped out of the rainforest monkey populations, and caused the entire global AIDS pandemic. That the earliest known AIDS cases were in the United States and Europe, does not faze such wild hostility to Africans and their economic development.

On the movie screen, perhaps the producers of this book hope to replicate “The China Syndrome” as “The Africa

Syndrome” for manipulating the fears and scapegoating tendencies of Americans.

The simple fact that white American victims of AIDS typically survive 8-10 years after infection with the HIV virus, while African victims die in two years and American minorities’ AIDS victims somewhere in between, is representative of the *type* of fact which Preston instinctively wishes to ignore. This is true whether he is dealing with AIDS or with “hot viruses” (i.e., hemorrhagic virus diseases which break down the circulatory system and cause disastrous general internal bleeding, and which kill many people in parts of the Third World). Another such *type* of fact is that malaria and diarrheal diseases kill vastly more—hundreds of millions, particularly children—because the public health means to stop them are either not provided, for reasons of economic policy, or withdrawn (DDT) for reasons of environmentalist dogma and pressure.

As for the broader scientific questions of the reasons for the emergence and spread of new infectious diseases, Preston’s book is pure ideology. It is captured, ironically, in his own preface: “Any scientific follies committed in this book are mine alone.”

Thorough, but not correct

Laurie Garrett’s book involves a more serious attempt to deal with a deadly serious question. Epidemics of new



In 1985, when this photograph was taken, Niger had an ambitious program to immunize all infants and children against the most deadly childhood diseases. Here infants and mothers are being inoculated with the BCG vaccine against tuberculosis. Today, global economic policies have taken down such public health measures; these, not “overpopulation in Africa,” are causing the resurgence of once-conquered diseases and emergence of new, high-mortality strains.

infectious diseases, and old infectious diseases revived with new virulence, are sweeping through Third World nations and appearing in the "formerly industrialized nations." Public health infrastructure is breaking down; health care delivery systems, per capita, are below the standards of 30 years ago; vaccination levels have fallen disastrously, not to mention nutrition. Average life-spans have stopped increasing and in some nations and population groups are falling. There are epidemics and pandemics of new and more virulent strains of cholera, malaria, dengue fevers, hepatitis, meningitis, and a recent epidemic of bubonic and pneumonic plague in India. Ebola in Zaire is hardly the primary problem. With the AIDS pandemic, public health measures have been abandoned entirely, by World Health Organization policy.

But while Garrett provides information on all of this, she also writes to blame it all on medical science, and on man's dominion over nature.

Garrett makes clear in her introduction that the source of her book is the very same May 1989 conference convened by Rockefeller University under the direction of its President Joshua Lederberg, which also launched *The Hot Zone*. The conference's purpose was to show "that the disease-causing microbes of the planet, far from having been defeated, were posing ever-greater threats to humanity," says Garrett. Its clear assumption was that measures of public health taken by governments were a discredited strategy of the past against infectious disease. Such traditional protection of public health—historically one of the prime and sacred functions of government—was now ineffective against rampaging microbes, and the new wave was to be the heroics of "disease cowboys" trained by major infectious disease institutes to roam the world isolating new infectious agents and modes of their transmission.

Perhaps *Washington Post* reporters attended this conference, held across the street from the White House. It was only a few months later that the "monkey house" scare, in nearby Reston, Virginia, was spread by the *Post*, giving Preston the horror movie lead for his book; that scare has recently been re-run in numerous TV-magazine segments as promotion for "The Africa Syndrome."

If the heroics of medical specialists in fighting disease are separated from rigorous public health measures because those measures are not carried out, then a pathologically pessimistic policy remains, as in the case of the handling of the AIDS pandemic. Under such a policy, TB would never have been contained, or even slowed; and under such policies, diseases like TB return in force.

Garrett has chapters covering a wide range of serious and deadly diseases ravaging mainly Third World countries, with increasing mortality rates, as public health infrastructure weakens and living standards fall. But she wishes to deny that these reasons are involved, and to ascribe the deterioration not to public health policies but to overpopulation.

One of her more detailed, but fundamentally dishonest

sections deals with the attempt to eradicate malaria. It contains this paragraph: "*Anopheles* mosquito populations could vary drastically depending on rainfall, agricultural practices, the nature of human housing and communities, altitude, proximity to forests or jungles, economic development, the nutritional status of the local people, and numerous other factors that could affect mosquito breeding sites." She omits to mention the true, crucial factors: the progressive ban on draining of swamp areas and the use of insecticides, since the 1970s, because of environmentalist, malthusian policies. Malaria was well on the road to global eradication when DDT was banned for political reasons by Environmental Protection Agency Administrator William Ruckelshaus in 1972, and then resurged, killing many millions yearly.

Garrett otherwise continually puts population growth forward as the cause of disease spread, though not with Preston's obscene fury quoted above. In her chapter "Nature and *Homo Sapiens*," she tries to show that the growth and spread of human populations has "liberated" microbes previously locked in "remote ecospheres" (a new term for "darkest Africa"?), and that airline travel has been a particular culprit in spreading disease. In the same chapter, she presents U.N. population density statistics for various nations which are grossly inaccurate, claiming that the population density of China, for example, increased by 8.5% in two years over 1990-92. Nowhere does Garrett confront the most basic fact concerning the new epidemics of the past 20 years: that in the world's most populous nations with the most developed public health care policies and health care systems—in particular, in Europe—these epidemics have not occurred; but they have swept through Third World nations as their economic infrastructure was torn up by indebtedness and International Monetary Fund (IMF) conditionalities. The 1993 cholera epidemic spreading from Peru to other Ibero-American nations is one crystal clear example, caused by Peru's elimination of sanitation funding, in order to meet debt payments on IMF demand.

This ideological character of Garrett's book tends to "bury" otherwise useful discussions and information on the evolution of new viruses, and the ways that infection by several viruses at once can lead to new strains of diseases, in part by the lowered immune response itself. Garrett has interviewed and read the work of many infectious disease specialists and "disease cowboys." Unlike Preston, who is obsessed with their personal histories, their personal anxieties, and the Nietzschean character he wishes to give these "heroes," Garrett has attempted to find out what they know and report it. Unfortunately, some of these infectious disease specialists themselves exhibit extreme cultural pessimism and malthusian prejudices, which verge on identifying with the diseases, rather than the human beings who could be saved from them. It is the brand of being trained by and working in the orbit of world health institutes with explicitly malthusian, environmentalist policies.

U.S. urged to lead global bankruptcy reorganization

by Jeffrey Steinberg

World leaders, especially President Bill Clinton, must heed the lesson of William Shakespeare's *Hamlet* and abandon the fear of taking bold action to place the hopelessly bankrupt world financial system through orderly reorganization, *before* the ongoing collapse process reaches the point of disintegration.

This was the message delivered by statesman and political economist Lyndon LaRouche in his keynote address to a Washington, D.C. conference on March 29, attended by 150 elected officials, diplomats, and civic leaders. The event was the third in a series of global development conferences that began last November in the nation's Capital, sponsored by the Schiller Institute.

LaRouche emphasized the depth of the global financial crisis: "The international monetary system and its financial appendages globally are now in the process of a *systemic* disintegration. The system in its present form could not be saved in any way. That is, there is no possible reform which could be introduced by nations under the terms of the existing Federal Reserve System, under the terms of the existing International Monetary Fund system, under the terms of the existing Bank for International Settlements system, which would prevent or even significantly delay not merely a collapse, but absolute disintegration of the leading monetary institutions such as the Federal Reserve System or the Bank of England, the central bank of Mexico, and so forth and so on. In fact, most of the reforms which would be proposed *would actually accelerate* the process of disintegration, not ameliorate it."

What is the solution? LaRouche called upon President Clinton to act under the authority vested in him by the U.S. Constitution to carry out an orderly bankruptcy reorganization of the U.S. and world financial system.

LaRouche voiced confidence that were the President to launch such an initiative, he would find enthusiastic support among ruling circles in China, Russia, Japan, India, throughout Ibero-America and Africa, and among Europeans not under the thumb of the British.

LaRouche singled out President Clinton as a leader "who, in his own way, is trying to find a foreign policy and domestic policy interests which will restore economic growth and opportunity in the United States, and who knows that the British are the problem."

But at the same time, the President "does not know what to do. He does not know what needs to be done to save this international financial system, or to save something of an economic system. And if he did know what to do, which he is capable of doing. . . and if he tried to put it through, he would be *lynched*, not only by the Republicans up there on the Hill, but also by a bunch of Democrats who'd come along to help pull the rope!"

Still, President Clinton must do the right thing: "The only way a change can be made, without chaos and great risk and confusion, is if the change is made by the United States, by the President of the United States, given the kind of advice and support he requires from the Congress and from political forces in this country. Without that, there is very little chance for this world. So the President and the people around him must *understand* that policy, and they must have the support to carry through such a policy. If they do not, the history of the 20th century will end as the greatest tragedy in *all* modern history."

LaRouche underlined that a tragedy ends in sorrow, because the characters turn their backs on the solution to the crisis presented in the drama. "If they had listened to the solution and followed it, they would have survived. If they

had looked within themselves for the sources of strength to come upon, to recognize and act upon those solutions, then they would have survived," he said.

Mobilize public support

Having warned that the President will face enormous opposition should he move to impose an orderly Chapter 11 reorganization of the U.S. economy, LaRouche took up the question of mobilizing public support for such an action: "The most urgent thing now, would seem to be that the President of the United States, above all, should know what needs to be done. . . . Then we also say, 'But that won't work by itself, because they'll kill him if he goes out all by himself and tries to do the right thing.' So, therefore, he's got to have some support among relevant political figures in the Congress. He's got to find some loyalty, scrape up some fragments of loyalty from among that shattered administration he has, which is mostly a bunch of Bush Leaguers and other hangovers there. . . . And he's got to have some support from constituencies in the U.S. population."

In the evening session of the Schiller Institute conference, Nancy Spannaus, who led the political action committee effort that played a significant role in the defeat of Oliver North in last November's U.S. Senate contest in Virginia, took up this theme further. She showed that on four previous occasions in American history, the U.S. government implemented precisely the kind of bankruptcy reorganization called for now by LaRouche; and in every one of these instances, the U.S. economy and the American people benefited greatly. The four historical precedents cited by Spannaus were: the period immediately following the American Revolution, when Treasury Secretary Alexander Hamilton restructured the debts incurred during the War of Independence and created a national banking and credit system; the War of 1812; President Lincoln's mobilization to defeat the British-sponsored Southern secessionist insurrection; and President Franklin D. Roosevelt's credit reorganization and war production mobilization to defeat the Nazis.

Growing awareness, but few solutions

Following Lyndon LaRouche's opening address, Schiller Institute founder Helga Zepp-LaRouche reported that in western Europe, many prominent politicians and bankers were waking up to the depth of the financial crisis. However, none among them has presented any kind of coherent solution, and some have presented plans that sound frighteningly similar to those of the Nazis. She cited former London School of Economics head Ralf Dahrendorf and banker Norbert Walter, who have both said that the idea of "civil rights" is no longer appropriate, in a period where severe austerity will be required to "reduce the deficits."

Zepp-LaRouche detailed the off-the-wall proposals of one leading Conservative Revolutionist, Dr. Gerard Radnitsky, who at a recent conference of Austrian School econo-

mists in Vienna called for the abolition of the state altogether—including the privatization of military forces!

In an afternoon panel led by *EIR* Economics Editor Christopher White and Ibero-American Editor Dennis Small, also featuring banking columnist John Hoefle, evidence was presented detailing the fraud perpetrated by organizations like the National Association of Manufacturers (NAM), which claim that the U.S. economy is in an industrial boom and that the banking system is essentially sound. White presented the preliminary results of an in-depth *EIR* study of America's actual industrial output, showing that the country has been in a physical economic decline for decades.

EIR Agriculture Editor Marcia Merry presented a panorama of statements and proposals from prominent world political leaders and economists. Although some, like American economist James Tobin, have called for a tax on financial derivatives transactions, paralleling a proposal made by Lyndon LaRouche two years ago, none of the proposals put forward to date comes even close to addressing the magnitude of the financial crisis or the kinds of emergency recovery measures that must be undertaken to put the world economy back on track.

Nancy Spannaus, in the final conference session, showed segments of Lyndon LaRouche's spring 1992 nationwide presidential campaign television broadcast, in which he spelled out a detailed plan for creating 6-8 million new manufacturing and construction jobs in the United States, following a bankruptcy reorganization and establishment of a new Hamiltonian Bank of the United States, through the federalizing of the Federal Reserve.

The 1992 LaRouche plan, which is even more relevant today than it was at the time of the last presidential campaign, focusses on revitalizing America's hard and soft infrastructure (energy, transportation, water management, public health, and education). It also reintroduces the concept of a "science driver"—a great scientific expedition like President Kennedy's Apollo Moon landing—to give America a new challenge and new mission that will, at the same time, fuel new scientific discoveries and their rapid assimilation in the form of new technologies.

Ironically, the same day that the Schiller Institute event in Washington was taking place, two other conferences were occurring as well, both of relevance to President Clinton's enormous responsibilities. The President himself was in Atlanta, Georgia for a roundtable discussion with local politicians, economists and blue collar workers. And in London, the Royal Institute for International Affairs (Chatham House), one of the pre-eminent British centers of anti-American subversion, was staging a day-long conference featuring Henry Kissinger, Lady Margaret Thatcher, and some 600 others, to plan out Britain's future role in the world. The fate of this crowd is directly tied to the destruction of the Clinton presidency and the blocking of anything even resembling LaRouche's global economic reconstruction plans.

White House announces 1995 anti-drug plan

by Joyce Fredman

Dr. Lee Brown, director of the White House Office of National Drug Control Policy (ONDCP), on Feb. 7 announced President Clinton's 1995 National Drug Control Strategy. He also detailed the administration's budget request for Fiscal Year 1996, a record \$14.6 billion. In the course of these announcements, and in subsequent testimony before two congressional committees, Dr. Brown fought against the propaganda of the Conservative Revolution crowd, to the effect that currently no "War on Drugs" exists.

Such a self-serving myth is a smokescreen to cover the failures of the Bush administration in this arena, as well as the fact that the philosophy of the Conservative Revolution advocates *supports* the push for drug legalization. Two of their biggest heroes, William Buckley and Milton Friedman, are on the record loud and clear for decriminalization. Dr. Brown has argued against such a dangerous path, and has reiterated time and again the President's unequivocal stand against legalization.

Furthermore, unlike the Bush administration, the Clinton administration has fulfilled the congressional mandate to present an accurate picture of the magnitude of the drug problem, and the fact that it is growing. The Clinton administration has also done more to prosecute drug-money-laundering cases than any recent administration, making this a policy issue as well.

Brown makes his case

In a recent commentary in the *Washington Times*, Brown noted the hypocrisy of the "law and order" buffs: "The reality is that the previous administration declared victory in the war on drugs and left the real drug problem for us to address. Much of the media seem to have declared a loss and given up even acknowledging the problem. And currently Congress's approach is to debate a House rescission package that terminates programs that fight drugs, including Safe and Drug-Free Schools and Drug Courts. This is the same House that passed a new crime bill that takes away the 100,000 new police the President is putting on our streets. These cops, working with the community, and not political rhetoric, will close open-air drug markets."

On March 6 and March 9, Brown took his case directly to the Congress. He testified before the Subcommittee on the Treasury, Postal Service, and General Government (chaired by Richard Shelby of Alabama) and a subcommittee of the

House Committee on Government Reform and Oversight (chaired by Bill Zeff of New Hampshire). Both times he had a less than favorable reception, yet he held his ground and argued for support for a comprehensive budget:

"Because it is ONDCP's mission to establish policies, objectives, and priorities for the federal counternarcotics program across 50 federal agencies, I would like to describe the highlights of the President's 1995 National Drug Control Strategy released a few weeks ago. . . .

"The overarching goal of the Strategy is to reduce illicit drug use and its consequences. The President is requesting a record \$14.6 billion in FY1996 to implement our National Drug Control Strategy, an increase of \$1.3 billion over the 1995 appropriation. . . .

"But just last week, the House Appropriations Subcommittee voted to rescind the entire \$482 million appropriated for the Safe and Drug-Free Schools and Communities program for the current fiscal year. The Safe and Drug-Free Schools and Communities program has been the cornerstone of the nation's school-based drug prevention efforts. Over 90% of all school districts in the United States receive this funding. I am outraged that the House Appropriations Committee is attempting to fund a tax break for the wealthiest of Americans by gutting drug education in our schools. At a time when surveys indicate that more young people are beginning to use drugs, and much of the criticism from the Congress on the President's strategy has been that it does not place enough emphasis on preventing drug use among youth, it is ironic that Congress wants to dismantle the very programs that directly address the problem."

Politically orchestrated hearings

When Brown testified before Zeff's committee, the chairman had also lined up former First Lady Nancy Reagan; William Bennett, Bush administration ONDCP director; former Drug Enforcement Administration Director Judge Robert Bonner; and John Walters, senior Bush administration anti-drug official. This stacking of the deck did not escape Brown's attention.

"I am extremely disappointed in the way you have structured this hearing," Brown said. "You have placed me on the third panel to testify following the appointees of the last administration. This is contrary to established precedent in the House for scheduling of administration witnesses, regardless of which party sits in the White House. . . . But now I am deeply saddened by the subcommittee's attempt to politicize this issue. This is a gross breach of protocol. But I am here at this politically orchestrated hearing because, as someone who has spent a lifetime in law enforcement, I have seen first-hand what drugs can do to our children, our families, and entire neighborhoods. As a result, I am determined not to play politics with the future of Americans. That is the reason I am here. If the Congress chooses to play politics on the drug issue, so be it."

Barry bucks Conservative Revolution

The mayor's revised budget plan includes no further layoffs of city workers, and no further cuts in services.

As Thomas Davis (R-Va.), the chairman of the House Appropriations District of Columbia subcommittee, looked on, D.C. Mayor Marion Barry declared to a meeting of business leaders on March 10 that he would not allow Congress "to usurp my authority." Referring to a congressional threat to establish a financial control board over the District by the end of March, Barry said, "I am telling you that they [Congress] cannot do this without my participation and the citizens of Washington and the workers."

Barry angered the Gingrichites in Congress when, on March 8, he released his revised budget for 1995, and included no further layoffs of city workers nor other major cuts in services in his \$3.52 billion proposal. To balance the budget, he instead called on Congress to grant the District more than \$600 million in restitution for problems left over from the "home rule" arrangement that Congress drafted in 1966. He requested that the federal government take over a number of functions that the city administers, such as prisons and Medicaid, which are normally handled by states.

"Congress has taken zero steps. They have not done one thing. I have taken all the action," Barry said, referring to his previous cuts which are now taking a devastating toll on the city. "Maybe people don't see the bleeding on the streets, but [the cuts] are real. I don't think anyone ought to deprecate how tough it has been to reduce this budget by \$300 million. . . . Some people just want to see blood."

The reaction has been swift from austerity-mongers in Congress who have been pushing for a bankers' dic-

tatorship over D.C. Gil Gutknecht (R-Minn.), a member of the House D.C. subcommittee, said, "Instead of an act of contrition, we are seeing an act of contempt. It leaves the impression . . . that the city isn't interested in cooperating." Subcommittee member Henry Bonilla (R-Tex.) said, "I'm stunned, and I think it is absurd for him to ask for more money to spend this year."

Jim Jeffords (R-Vt.), chairman of the Senate Appropriations subcommittee on the District, said that it was Barry's "attitude" that was the problem.

Davis, who shared the podium with Barry on March 10, said on March 12 that city officials "don't want to make the tough decisions." The reason, he said, was that "the culture of the city has slowed everything down."

Barry responded: "The majority of people hostile and critical are Republicans, and mostly freshmen. I expected they would be harsh because I'm shifting the responsibility to the federal government. . . . The Republican Party is about cutting out a lot of social programs, so they have to be convinced there is a need."

Barry has proposed that civic organizations and trade unions organize lobbying teams to visit each congressman on the D.C. oversight committees. "We want a partnership with the people, a partnership with Congress, partnership with anyone who wants to partnership with us. When we finish our lobbying, Congress is going to be forthcoming with some money," he said. "I have the faith that we are going to get what we need. . . . When

congresspeople see these health clinics having been closed, and 12 recreation centers closed, and workers screaming and yelling about these reductions and mothers on welfare saying you've cut us too much, they're going to know then we've done all we can do."

But the British oligarchical controllers of the Conservative Revolution crowd in Congress have their own scenario for D.C. British press outlets are "predicting" that riots will hit the city this summer. On March 12, the London *Sunday Times* was headlined: "Riot Fear Looms over Washington." It began, "America's capital is preparing for a long, hot summer of violence." The paper, home of Conservative Revolution guru Lord William Rees-Mogg, said that "police and moderate leaders fear" that the budget crisis "will be used by militant black groups," which will be a "recipe for a serious outbreak of urban violence."

The danger is that the British intelligence role in orchestrating riots will be ignored. For example, D.C. Councilman William Lightfoot dismissed the *Times's* and a similar report in the London *Guardian* in a TV interview, saying, "This is only a case of sensationalism on the part of the foreign press."

This attention on D.C., with its population of 570,000, is part of a British-led effort to surround President Clinton with a heightened security threat. The fear in London is that the President of the United States might, based on his anti-British inclinations, orient toward Lyndon LaRouche's "American System" economics. And, the signs of resistance to the Conservative Revolution austerity, and the fact that D.C. has the highest per-capita circulation of LaRouche-authored policy statements in the nation, is a situation the British prefer to sidetrack into rioting.

National News

Ex-governors say voters will reject GOP 'reforms'

A roundtable interview with former Governors Mario Cuomo (D-N.Y.), Lowell Weicker (R-Conn.), and Ann Richards (D-Tex.) in the March 19 *New York Times Magazine* produced a consensus that the Republican Party's November electoral victory may be short-lived, as voters see that the GOP's solution to the economic and moral crisis in America is really no solution at all.

Cuomo told *Times* interviewer Todd Purdum: "The people who won in 1994 now have to come forward with purported solutions. I've always believed that on the economy—the first of the two problems which are the economy and cultural corrosion—you have to do a lot more with infrastructure, a lot more with high-tech, a lot more investing. We couldn't convince people to do that. The Republicans now have a different proposal: 'We'll give you a [capital] gains tax cut, a middle-class tax cut that will take care of the economy.' I think that's a lot of baloney and that will very, very quickly become clear."

"I do not wish ill will to the Republicans at the expense of hard times for the American public," added Ann Richards. "I think it's a hard price to pay . . . and [those measures] are going to be felt in a lot of ways across this society, not just by the poor, but by all of us."

Texas needs more inmates to balance its budget

The lawful consequence of the Texas private prison-building boom of the early 1990s has arrived—Texas counties are now scouring the nation to find prisoners to fill their jails. This is what is behind the inhumane shipment of a planned 800 Virginia prisoners to a private prison in Newton County, Texas; 150 Virginia inmates have already been shipped.

All the counties that invested money to build or expand jails "will want to contract for out-of-state prisoners," said Newton

County Judge Lon Sharver, in an interview in the March 7 *Houston Chronicle*. "There are plenty of them that want to. They're all out looking for prisoners now." The available prison space will also prompt state authorities to imprison more misdemeanor offenders, in order to help pay the costs of prison construction, according to the article.

In early March, Virginia Gov. George Allen, during his statewide Virginia tour, took time out to praise Texas officials for their "fortunate" overbuilding of prisons, which he said has allowed Virginia to ease its overcrowding problem. The Texas prison system expects to open 55,000 new spaces this year.

Gingrich allies cash in on Vince Foster death

The controversy surrounding the 1993 death of Deputy White House Counsel Vincent Foster has become "a lively business" for conspiracy buffs, the *Wall Street Journal* reported on March 23. And behind the "conspiracy buffs," are some of the money-bags who finance Newt Gingrich and the Conservative Revolution.

One of the most visible groups peddling videotapes and other anti-Clinton propaganda is the Western Journalist Center (WJC), founded by Joseph Farah; among his biggest contributors are Richard Scaife (the Mellon heir and top financial backer of the Heritage Foundation, buddy of Gingrich, and founding member of the "Get LaRouche" task force), and Arianna Huffington, a top activist in Gingrich's Progress and Freedom Foundation.

Farah has also been running full-page ads, from which he has already collected \$500,000, which is then used for more ads and to develop a contributor list. Farah's ads feature reporter Christopher Ruddy, whom the *Journal* calls "the king of Foster conspiracy theorists." Ruddy now covers the Foster case for a Pittsburgh paper owned by Richard Scaife. Wrote the *Journal*, "Ruddy was propelled to conspiracy superstardom by James Davidson, who produced the WJC-distributed video." Davidson is the business partner of Lord William Rees-Mogg, a leading British mouthpiece for the assault on the

Clinton presidency, and the co-editor with Rees-Mogg of *Strategic Investor* newsletter.

Another British hand in the anti-Clinton conspiracy, *Sunday Telegraph* Washington correspondent Ambrose Evans-Pritchard, wrote on March 19 that "the ghost of Vincent Foster is coming back to haunt the White House," claiming that Foster was actually working on "top secret" matters at the White House, and that these may have included a clandestine operation run by the National Security Agency involving an Arkansas computer firm and the pirated Promis software.

Thousands circulate exposé of 'Contract'

The national weekly newspaper *New Federalist* released the first 100,000 copies of its pamphlet exposing the content of the Conservative Revolution's Contract with America on March 23. Before the campaign is finished, millions of copies will be circulating throughout the United States.

The pamphlet will be distributed by an existing core of 5,000 citizen activists who have already blanketed the country with 6 million pamphlets demanding the exoneration of Lyndon LaRouche and his associates, and have been getting out *New Federalist* pamphlets on LaRouche's Ninth Forecast on the economy, the pattern of British assassination plots against U.S. Presidents, and the fight to preserve quality public education. Plans are under way to expand the networks rapidly to include more than 10,000 individuals.

The mass education campaign on the Contract is geared to break through the brainwashing which has overtaken Americans, and Congress, on major social and economic policy issues. The pamphlet demonstrates that the Contract's provisions will attack the living standards of 80% of the American population: the millions who make only minimum wage, senior citizens who depend upon Social Security and Medicare and Medicaid, veterans who use government services, farmers who are forced to sell their produce below cost, and the poor and marginalized.

Briefly

● **'EIR TALKS,'** the popular weekly radio interview with Lyndon LaRouche, began broadcasting over shortwave frequencies on March 26. The hour-long program will air on WWCR at 5 p.m. Eastern Time Sundays (2200 UTC) on a frequency of 12.160. The program will continue broadcasting at 5 p.m. Eastern, when the United States switches to Daylight Savings Time on April 2, which becomes 2100 UTC.

● **'SUPERPATRIOT'** Oliver North exposed himself on March 21 during his radio program as a hopeless Anglophile: While trying to denounce President Clinton for attending the 50th anniversary of the end of World War II in Europe in Moscow, rather than London, North proclaimed that British Prime Minister John Major was "America's most important ally."

● **ARIZONA'S** Senate Committee on Natural Resources, Agriculture, and the Environment voted on March 22 to send a bill to the full Senate, which would permit the manufacturing, sale, possession, and use of chlorofluorocarbons (CFCs). The bill, which was voted out of committee by 7-1, has already passed the House. CFCs, which will be officially banned on Dec. 31, 1995, are critical for refrigeration and firefighting.

● **WHITEWATER** special prosecutor Kenneth Starr has reportedly deployed FBI agents to make a door-to-door sweep at the Clintons' former Whitewater real estate development, according to Associated Press on March 25. The FBI told one homeowner that investigators expect to be in the area five or six months "until they investigate everything."

● **PAT BUCHANAN** threw his support behind South Carolinians who want to keep the Confederate flag flying at the statehouse. "To me, the Confederate flag represents valor, honor, courage, and the willingness to die for your country," Buchanan, a member of the Sons of Confederate Veterans, said.

Bosnia's Ganic in D.C.: 'No' to new cease-fire

Secretary of State Warren Christopher attempted to get the Bosnian government to extend the cease-fire in the Balkans, during ceremonies celebrating the first anniversary of the Washington-brokered Federation between Bosnian Croats and the Muslim-led Bosnian government on March 16. At the State Department with Christopher were representatives of the Bosnian Croats and the Bosnian government, as well as Croatian President Franjo Tudjman. Speaking at the National Press Club the next day, Bosnian Vice President Ejup Ganic rejected extension of the cease-fire. "Please don't ask us that any more. . . . We lost 200,000 of our citizens, and something has to be changed. We're not going to provide the certificates to Karadzic's Serbs that they can just sit there and receive every four months a certificate from us that we accept their occupation of 70% of our territory."

The Clinton administration is also anxious to firm up the Federation, and to broaden cooperation between the Federation and the Republic of Croatia. There has been tension in the alliance since the disappearance of a Croatian general whom some Bosnian Croats suspect was kidnapped by elements of the Bosnian Army. Ganic expressed his concern: "I am very sorry for this officer. . . . Maybe somebody did that from the outside to disturb these solid relations between Croats and Bosnians."

The Croatian press has documented that earlier military clashes between Croats and Bosnians were fomented by British intelligence circles. The British were particularly upset last year when the Clinton administration brought together the Bosnians and Croats.

N.Y. mayor, governor move to drive out poor

The Contract with America's ugliest side is surfacing in New York City, where on March 14, New York City Mayor Rudolph

Giuliani cut \$400 million from the Medicaid budget. Two weeks earlier, Gov. George Pataki had cut \$800 million from the state's portion of Medicaid, and \$1.2 billion from other programs for welfare and the poor. Many of the governor's cuts directly affect New York City.

According to a March 19 article in the *Washington Post*, entitled "Honey, I Shrunk N.Y.; Does Mayor Giuliani Have a Secret Plan to Drive the Poor Out of the City?" Giuliani's cuts aim at forcing 2 million poor out of New York City. The article points out that for every 25¢ the city puts up for Medicaid, it gets 25¢ from the state, and 50¢ from the federal government.

Post columnist Malcolm Gladwell further recalls that a similar plan was launched by Roger Starr, then New York City housing director, in an article in the *New York Times Magazine* 20 years ago, "an article that some City Hall watchers swear has been dusted off, photocopied and circulated around the upper echelons of the Giuliani administration."

Three dead in Illinois gambling suicides

Legalized gambling in Illinois has officially claimed at least three lives in the last eight months. Suicides documented to have resulted from gambling include: A 40-year-old woman shot herself on Feb. 1 after her family was evicted because, unbeknownst to her husband and two children, she hadn't made mortgage payments for 17 months; a 41-year-old man shot himself on Oct. 30 last year, after losing his \$13,000 credit line in a two-day spree at a riverboat casino in Elgin; and, a 19-year-old Iowa man, who played the no-limit casinos in Illinois, shot himself last June 2, when he couldn't meet his car payments.

Illinois had promised \$400,000 for a gambling addicts hot-line, but never appropriated the funds. A bill now pending calls for warnings on all gambling machines, but it is opposed by Michael Belletire, director of the Illinois Gaming Board, as being "overkill."

Editorial

Let's talk about reality, please

What passes for news these days is little better than a soap opera. At the top of the ratings is the saga of the O.J. Simpson trial; then there are "important" events like the Oscar awards. Lately we have heard less in the United States about White House scandals, although they remain on the back burner, and now a new pot of lies appears to be coming to a boil.

As usual, the origin of the latest in this line of fantasy material is an allegation, emanating from British intelligence's Hollinger Corp., that Oliver North was the creature of Bill Clinton rather than George Bush. The idea behind this rehash of the Iran-Contra affair appears to be that Americans have become so attuned to virtual reality, and their memory banks have become so overloaded, that they will swallow anything.

Wasn't Ollie working for the Reagan-Bush White House, directly under George Bush, in accordance with National Security Decision Directives 2 and 3? Not at all, according to Ambrose Evans-Pritchard, one of the leading British correspondents in the "Get Clinton" gang. According to an article by Evans-Pritchard in the March 26 London *Sunday Telegraph*, the center of Iran-Contra operations was really Arkansas, not the White House at all.

In an article entitled "Airport Scandal Set to Crash into White House," accompanied by a photo of Ollie North, Evans-Pritchard reports that there is now a civil rights suit being tried in Little Rock, Arkansas, in which the plaintiff is former CIA contract agent Terry Reed, and in which a new angle on the affair is being revealed. According to Evans-Pritchard, evidence will be revealed that drug-running activities which were run out of the Mena airfield in western Arkansas were being orchestrated by then-Governor Clinton, rather than from the White House, but that this was suppressed at the time of the investigation of the Iran-Contra affair by Independent Council Lawrence Walsh.

Just the previous week, Evans-Pritchard sought to revive a scandal surrounding the death of White House aide Vincent Foster, intimating that Foster was murdered because he knew too much about events in Mena.

This slander has been simmering for quite a while: In February, Evans-Pritchard's alter-ego, London *Sunday Times* columnist Lord William Rees-Mogg, ran a scurrilous report in which he accused the U.S. President of being nothing more than the tool of Arkansas "narco-businessmen" who have been known to kill witnesses dangerous to them.

The Foster slander has now hit the talk-show circuit and the press. On March 24, the *Wall Street Journal* reported on the "controversy" surrounding the 1993 death of Foster, which has become "a lively business" for conspiracy buffs.

This continual drumbeat against President Clinton comes at a time when he is playing a critical role in stopping the Gingrich-Gramm attempt to create a landslide of fascist legislation, intended, among other things, to tear up the United States Constitution. The propaganda for the Conservative Revolution is just another example of virtual reality dominating our airwaves.

For this country's poor, the austerity measures which are being demanded by the Conservative Revolution crowd will be real enough; and soon, if measures such as the capital gains tax are passed and the speculative boom continues out of control, we will all be poor. The rhetoric of creatures like Gramm is about on a par with the performance of the courtroom lawyers in the O.J. Simpson case.

It is about time that Americans realized that this country is in a perilous condition, and that the global financial system is about to collapse, taking the economy with it unless something better is put in place. Sooner, rather than later, Americans must come to understand that the news media are being deliberately used in an attempt to brainwash them into sitting idly by while civilization is destroyed.

One of the major tools in this media effort is the use of "news" shows which pretend to inform people about what is happening, but instead divert attention to trivialities and worse, in order to prevent them from encouraging President Clinton to make the kind of heroic efforts which will be required to deal with the present crisis.

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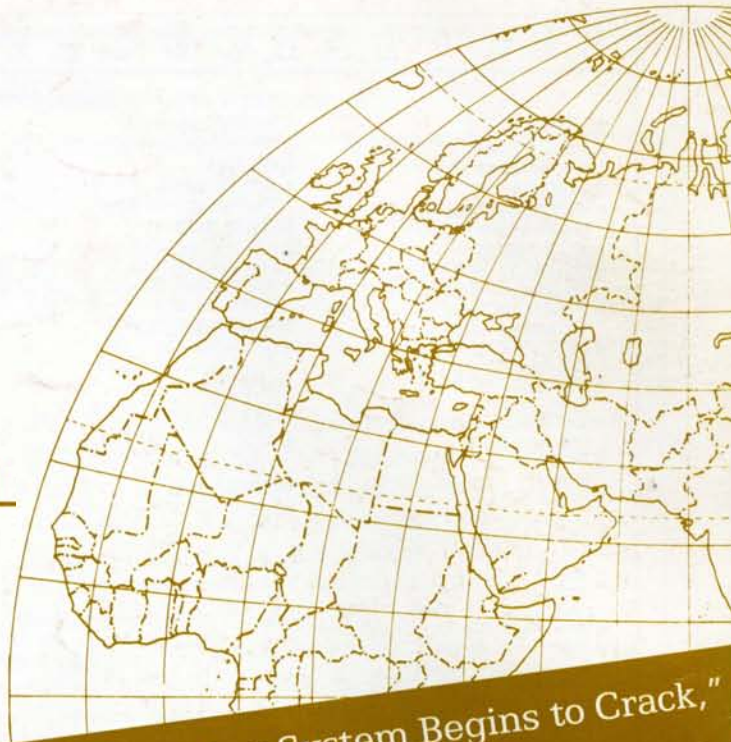
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