

EIR

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Samuel Ruiz, agent of the British monarchy
Drug pushers prey on children with Ritalin

**The economics of justice
for the Palestinians**



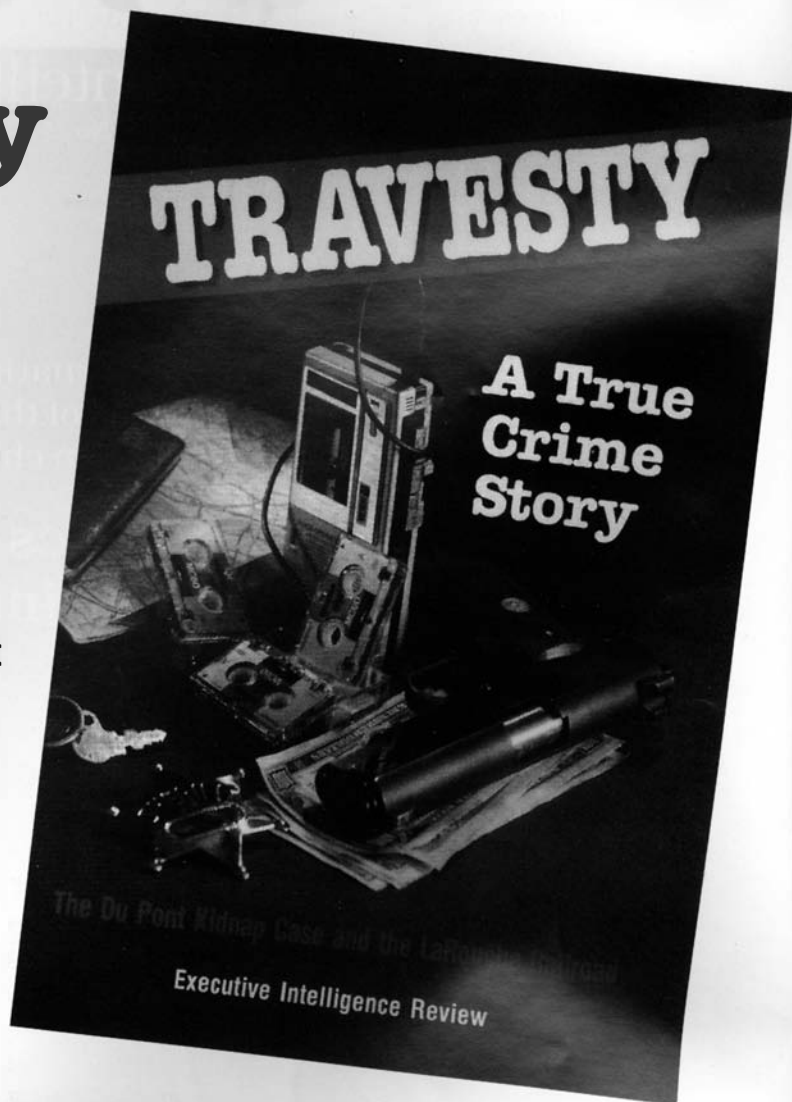
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From the Associate Editor

Ukrainian parliamentarian Dr. Natalya Vitrenko, in a report on the crisis in her country (see *Economics*), quips that maybe somebody should write a textbook on *How to Destroy an Economy*. Actually, quite a few people have done so—and have won the Nobel Prize for their efforts.

How many more nations are going to be reduced to bankruptcy, in pursuit of policies which have been proven a total failure, wherever they have been applied?

Look at Dr. Vitrenko's chart of the collapse of Ukraine's industrial production from 1990 to 1994 (p. 8), during the period of the International Monetary Fund's (IMF) "reforms." The only thing that is going up, is production of vodka!

In April 1995, Dr. Vitrenko and her associates hosted *EIR* Ibero-American Intelligence Director Dennis Small, who gave a speech in Kiev on "How the IMF's Policies Destroy the Physical Economy of Nations." Small singled out the case of Chile, where it is not vodka production that is growing, but the foreign debt. Small warned his Ukrainian audience that the vaunted Chilean "recovery," the brainchild of Milton Friedman, is a fraud. The country's high savings rate is mainly related to the privatization of the pension fund, meaning that billions have been invested in speculation. "Chileans may soon find their savings wiped out, much like the citizens of Orange County, California," Small declared.

Now, the enormous losses by those pension funds (see p. 9), prove that *EIR* was right, and the Nobel Prize-winners were wrong.

Elsewhere in this issue are reports on other nations that are being crippled by the IMF's free-trade policies:

- The hopes of the Palestinians for a future of peace and justice, are being crushed by international financiers who are sabotaging development projects that have already been much too long delayed.

- In Jordan, the arrest of anti-IMF opposition leader Laith Shu-beilat signifies a dangerous turn.

- The industrial economy of eastern Germany has been all but eliminated, since reunification in 1990.

- And, on Capitol Hill, the Gingrichites continue to hold President Clinton and the nation hostage, as human suffering increases because of the government shutdown.

Susan Welsh

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Bankers report hyperbolic growth rate of derivatives

by John Hoefle

The total amount of derivatives outstanding as of March 31, 1995, was \$57.3 trillion, according to a survey released Dec. 18 by the Bank for International Settlements (BIS). The survey, conducted by the central banks and monetary authorities of 26 countries, is estimated to have covered about 90% of intermediaries active in the derivatives markets.

Of the derivatives outstanding, \$40.7 trillion, or 71% of the total, were in the over-the-counter market (OTC), about which the BIS admits "only limited data are available." Interest rate derivatives accounted for \$26.6 trillion, 65% of the OTC total, with foreign exchange derivatives accounting for another \$13.2 trillion, or 32%. Equity and stock indices derivatives stood at \$599 billion, and commodities derivatives accounted for the remaining \$317 billion. These figures were adjusted by the BIS to eliminate double-counting.

There were \$16.6 trillion in exchange-traded derivatives outstanding on March 31, of which \$15.7 trillion, 95%, were interest rate derivatives, while equity and stock indices derivatives totalled \$645 billion, commodities derivatives \$142 billion, and foreign exchange derivatives \$120 billion. The exchange-traded figures were not adjusted for double-counting.

The BIS survey also looked at daily turnovers of derivatives in April 1995. For OTC derivatives, it reported global turnover of \$1.2 trillion a day gross, or \$839 billion a day after adjusting for double-counting. Turnover was \$1.1 trillion a day for exchange-traded derivatives. The survey also found that traditional foreign exchange transactions were \$1.2 trillion a day.

While these figures are not directly comparable due to the presence of some double-counting in the exchange-traded derivatives totals, they nevertheless provide an indicator of the hyperbolic growth of financial aggregates, and the speed

at which the financial system is racing toward disintegration. One can quibble with the numbers, but the process which the numbers reflect—hyperbolic growth of the financial aggregates compared to monetary aggregates, coupled with the decline of the physical economy—is what defines the crisis; the numbers are merely imperfect reflections of that reality.

Multiplying the adjusted OTC daily turnover of \$839 billion by 244, the number of trading days in a year, yields an annual OTC turnover of \$205 trillion; doing the same for the unadjusted exchange-traded daily turnover of \$1.136 trillion, yields an annual exchange turnover of \$277 trillion, for a total annual derivatives turnover of \$482 trillion. By the same method, the \$1.2 trillion in daily traditional foreign exchange transactions yields an annual turnover of \$293 trillion. All together, that comes to \$775 trillion a year in combined derivatives and foreign exchange turnover, worldwide.

If one compares the \$45 trillion figure in derivatives outstanding on Dec. 31, 1994, by Securities Data, with the \$57.3 trillion figure on March 31, 1995, provided by the BIS, one gets a growth of \$12.3 trillion, 27%, for the first quarter, which is slightly larger than the \$12 trillion in derivatives outstanding at the end of 1992. Again, these numbers may not be directly comparable, but given the spotty reporting, they are the best we have.

That \$12.3 trillion growth in the first quarter, projected linearly, would be a \$49 trillion growth for the full year, for a total outstanding of \$94 trillion at the end of 1995, and an annual turnover approaching \$2 quadrillion. *EIR* doubts the derivatives market doubled in 1995, but even if the growth in the last three quarters as a whole merely equalled the apparent first quarter growth, that would be a \$25 trillion growth, almost 60%, for the year, to \$70 trillion, or about \$1.4 quadrillion in annual turnover.

London dominates

The leader in the global derivatives markets, as one might suspect, is the City of London. Britain had a daily average turnover of \$351 billion in OTC derivatives and \$247 billion in exchange-traded derivatives, for a daily derivatives total of \$598 billion. When one adds in the empire, including the places where the British queen is sovereign (Australia, Canada, and New Zealand, among the countries in the study), and the other Commonwealth countries in the study (Hongkong, Singapore and South Africa), the British Empire total rises to \$879 billion in daily derivatives turnover, or 38% of the world total. The empire dominated the OTC market, with 47% of the world total, and had 29% of the exchange-traded market.

By comparison, the United States had \$164 billion in OTC turnover and \$196 billion in exchange turnover, for a total derivatives turnover of \$360 billion a day, or 16% of the global total. Japan had \$138 billion in OTC turnover and \$451 billion in exchange turnover, for a daily total of \$589 billion, or 26% of the world total. The United States had 14% of the OTC market and 17% of the exchange market, while Japan had 12% and 40%, respectively.

The case of France is interesting. The BIS study put the French daily turnover at \$146 billion, which appears to conflict with a derivatives survey released in November by the BIS's Basel Committee and the International Organization of Securities Commissions. The Basel Committee survey of 67 commercial banks and 12 securities firms in the Group of 10 countries, found France second only to the United States in derivatives exposure.

The Basel survey showed 20 selected U.S. banks and securities firms to have had \$20.3 trillion in derivatives outstanding at the end of 1994, followed by eight French banks with \$11.7 trillion; nine Japanese banks and securities firms with \$9.9 trillion; eight British banks with \$6.7 trillion; and three Swiss banks with \$5.3 trillion.

France's Société Générale led the list among individual institutions, with \$3.3 trillion in exposure; followed by Chemical Banking with \$3.2 trillion; Citicorp with \$2.7 trillion; J.P. Morgan with \$2.5 trillion; France's Paribas with \$2.1 trillion; and Swiss Bank Corp. with \$2.0 trillion. By comparison, the seven German banks surveyed had a total exposure of \$3.1 trillion, and the five Canadian banks \$2.5 trillion.

U.S. exposure rises

The Basel survey put the exposure of 10 U.S. banks at \$14.5 trillion at the end of 1994, and put the exposure of 10 securities firms at \$5.8 trillion. The leader among the securities firms was Salomon, with \$1.5 trillion; followed by Merrill Lynch at \$1.2 trillion; Lehman Brothers at \$1.1 trillion; Goldman Sachs at \$995 billion; and Morgan Stanley at \$835 billion. At the end of 1994, according to the Federal Deposit Insurance Corp., the U.S. banking system as a whole

had a total of \$15.8 trillion in derivatives; by Sept. 30, 1995, that figure had risen \$2.5 trillion, or 16%, to \$18.2 trillion (the numbers appear not to add up, due to rounding).

The derivatives holdings of the big U.S. banks have all risen during 1995, with one exception. Chemical Banking continued to lead the pack as of Sept. 30, having increased its derivatives portfolio \$525 billion, 16%, to \$3.7 trillion during 1995. J.P. Morgan was second, with an increase of \$919 billion, 37%, to \$3.4 trillion. Citicorp was third, increasing just \$32 billion to \$2.7 trillion; BankAmerica rose 26%, to \$1.7 trillion; and Chase Manhattan rose 24%, to \$1.5 trillion.

The glaring exception was Bankers Trust, which has been effectively taken over by federal regulators, much as Citicorp was in November 1990. Bankers Trust's derivatives holdings have fallen \$117 billion, 6%, since the end of 1994, and \$247 billion, 12%, since they peaked at \$2.1 trillion on March 31, 1995. At the end of the third quarter, the bank had \$1.9 trillion in derivatives.

The takedown of Bankers Trust began in the fall of 1994, with a rash of lawsuits against the bank by customers who had lost money in derivatives deals. Federal regulators began an investigation, and in December 1994, fined the bank \$10 million. As part of the settlement with regulators, the bank agreed to implement a series of reforms to be dictated by federally approved outside consultants. The result has been a systematic purge of its top executives, and the winding down of some of the more egregious derivatives deals. The bank still faces a civil racketeering charge, filed in federal court in Cincinnati by Procter & Gamble, one of its derivatives victims.

Bankers Trust is likely being groomed as a merger target, as part of the biggest wave of big-bank mergers since July-August 1991, when 6 of the 12 largest banks in the country were merged. Chemical Banking, which acquired Manufacturers Hanover (\$68 billion in assets) in 1991, is now acquiring Chase Manhattan (\$120 billion); the resulting bank, which will retain the Chase Manhattan name, will have \$308 billion in assets and some \$5.2 trillion in derivatives. Detroit's NBD has acquired First Chicago, creating the \$124 billion First Chicago NBD Corp., and North Carolina's First Union will swell to \$122 billion with the acquisition of New Jersey's First Fidelity. Rhode Island's Fleet Financial is joining the top 10 with the acquisitions of Shawmut and NatWest USA, the U.S. arm of Britain's National Westminster. Other regional mergers include the acquisition by Pittsburgh's PNC of Midlantic; Philadelphia's CoreStates buying Meridian; the Bank of Boston buying Baybanks; and Cleveland's National City buying Integra.

Vultures are also circling Los Angeles-based First Interstate (it had \$59 billion in assets in 1989, compared to \$55 billion today). San Francisco's Wells Fargo has launched a hostile takeover attempt against First Interstate, which is trying to escape by selling itself to First Bank System of Minneapolis.

Ukraine's opposition has an economic program to avert national catastrophe

by Natalya Vitrenko

Doctor of Economic Science Natalya Vitrenko is a Member of the Supreme Rada, Ukraine's parliament, and of its Committee on Economics. She spoke at an EIR and Schiller Institute seminar in Germany on Dec. 4, 1995, held after the Dec. 2-3 Schiller Institute conference in Eltville, which she and fellow Member of Parliament Vladimir Marchenko attended. Subheads have been added.

I have not yet thanked the organizers of the conference for inviting us. I am deeply convinced that Lyndon LaRouche, Helga Zepp LaRouche, and all the leaders of the Schiller Institute are carrying out an historic mission today, to save humanity. There is a kind of intellectual international being created, which appears to be the only force that could protect the world from further destruction.

I would like to take this opportunity to express to Helga my delight in her impassioned epistemological lecture [see *EIR*, Jan. 1, 1996], which gave the complete spectrum of the problems and the way to deal with them.

We share the assessment expressed by Lyndon and Helga, that what happened in the Soviet Union was not a necessary development, but a planned project of the British oligarchy. The Soviet Union was a superpower possessing every possibility to reform its economic and political system, and thereby to maintain the balance of forces on the planet. The annihilation of a superpower was conceived beforehand, and launched through ideology.

Such a course of events, naturally, suited the corrupt elite of the Communist Party quite well. But society as it was ten years ago, would not have approved such reforms as were adopted. That is why the sequence was the following: first, the discreditation of the communist idea, then the termination of the Communist Party's role as the ruling system in society. Then came the destruction of the representative branch of power. Then the disintegration of the country, and the establishment of a Presidential form of rule in each of the former republics of the Soviet Union. And then, the reforms were launched through the chosen Presidents and the agents of influence surrounding them.

This scenario was played out in each of the republics of the former Soviet Union. Our first President of Ukraine, Leonid Kravchuk, launched the International Monetary Fund (IMF) reforms. The higher-ups were not satisfied with how

they were going, however. Therefore the President was replaced and an abrupt acceleration of the reforms was ordered.

An anti-constitutional coup

A year ago, in October 1994, a schedule for reforms in Ukraine was drawn up, in Winnipeg, Canada. For the government, Mr. Roman Shpek, Mr. Yushchenko from the National Bank, and Prime Minister Masol signed this memorandum on accelerating the reforms. Society has resisted these reforms as best it could, which is why we then had an anti-constitutional coup in the country. President Kuchma used bribery and blackmail to prevail upon the majority of Members of Parliament to sign a so-called Constitutional Compact, an agreement between the Supreme Rada and the President of Ukraine.

The Constitution of Ukraine stipulates that it can only be amended by a two-thirds majority: 301 votes out of 450. But only 240 Members of Parliament signed the Constitutional Compact. Thus, juridically it has no constitutional force. Nevertheless, 64 out of the 171 articles of our Constitution have been suspended. [Mrs. Vitrenko displayed a copy of the Constitution, with the suspended articles crossed out—ed.] This marked-up copy shows what has been done to our people's Constitution.

Under the Constitutional Compact, virtually all power is concentrated in the hands of the President. And he is using that power to accelerate the IMF reforms.

In particular, Ukrainian law provides that privatization can proceed only by decision of the Supreme Rada. But the IMF set a task: Finish small-scale privatization by October of 1995, and privatize 8,000 of the 8,800 medium and large firms. The Supreme Rada would not and has not ratified such wild rates of privatization. Therefore, what we have is illegal privatization by Presidential decree.

Sale of land has also begun, by Presidential decree. Presidential decrees regulate foreign trade, and so forth.

For nearly a year, the President and the government worked without having a program. In the summer, we got a new prime minister, who began to draft a government program. He proposed to collaborate with the Parliament on this, and we thought that it would be possible at last, to influence the composition of the program in a normal way.

Interventions by the opposition

I am a member of a group of scientists, who have been working for a long time on an economic reform program that would be in Ukraine's national interests. This past summer, we conveyed all of our proposals to the new prime minister, Mr. Marchuk. But when, this past fall, we saw the draft program proposed by the government, we discovered that the entire ideology of the IMF reforms is preserved and even amplified in the new government program.

In mid-September, the President and the prime minister convened a conference with broad attendance by Ukrainian economists. Its purpose was for the economists to endorse their postulates. It is typical of the situation, that there generally was no such endorsement; in one form or another, practically all the economists spoke out against what was outlined in the program.

I intervened very forcefully, and said in the presence of the President and the prime minister, that we were confronted not with mistakes by the government, but rather a well thought-out and continuing strategy for the destruction of the national economy. I said to President Kuchma, "You have not thought up anything new here, Leonid Daniilovich. You are continuing what Kravchuk began three years ago."

To back up what I was saying, I displayed the Schiller Institute's graphs on the growth of the world debt, the indebtedness of all countries in the world, under the influence of IMF policies. Then I stated, that we Ukrainian economic scientists had despaired of being listened to by anybody in the government, and that therefore we would not be submitting any more economic proposals, but when the government's reform program would be discussed in Parliament, we would be there to present our own, completely alternative program.

On Oct. 11, 1995, the Supreme Rada of Ukraine debated the government's program. In it was inscribed, to the letter, fulfillment of the recommendations of the IMF and other international financial organizations: the orientation of Ukraine's foreign policy to the West, a policy of stimulating the bankruptcy of firms, an accelerated development of securities markets, and the invitation to foreign investors to take part in share auctions in Ukraine.

In order to have the right to speak in the debate, we had to gather the signatures of 150 Members of Parliament for 20 minutes of speaking time. This was difficult, but Vladimir Marchenko headed up this work, and everything was juridically properly prepared. Thus, directly after the prime minister's presentation, I spoke and submitted the alternative economic program, which was titled "Economic Program to Avert National Catastrophe."

I began my presentation with a summary of the absolutely hideous economic condition of the nation. For maximum affect, we prepared one large summary graph, which showed that in the space of four years, Ukraine's Gross Domestic Product fell 42%; the volume of industrial output fell by one-half; total capital investment fell two and a half times over all.



Dr. Natalya Vitrenko during a U.S. tour in April 1995. To her right is fellow parliamentarian Vladimir Marchenko. They are leading a fight to tell the Ukrainian people the truth about how, and by whom, the national economy is being destroyed.

For today's occasion, I have prepared a further graph, from the standpoint of physical economy (**Figure 1**). I think that a textbook titled *How to Destroy an Economy* remains to be written. This is also an art, by the way, to take an economy and annihilate it. You see in the graph the collapse of production of almost all of the most important products. All those growth rates are negative, for absolutely every branch of industry: basic industry, machine building, consumer goods, and food products. Our machine-building sector is being destroyed at a particularly ferocious rate. That sector, of course, concentrates the nation's intellect, skills, and high technology. The share of machine building in our GDP has declined from 27% down to 15%.

You see on the right of the graph, that there is just one product, for which output is increasing in Ukraine: vodka. Vodka production has risen by 16%.

On the backdrop of the collapse of physical production, we have the phenomenon of the dissipation of skilled personnel.

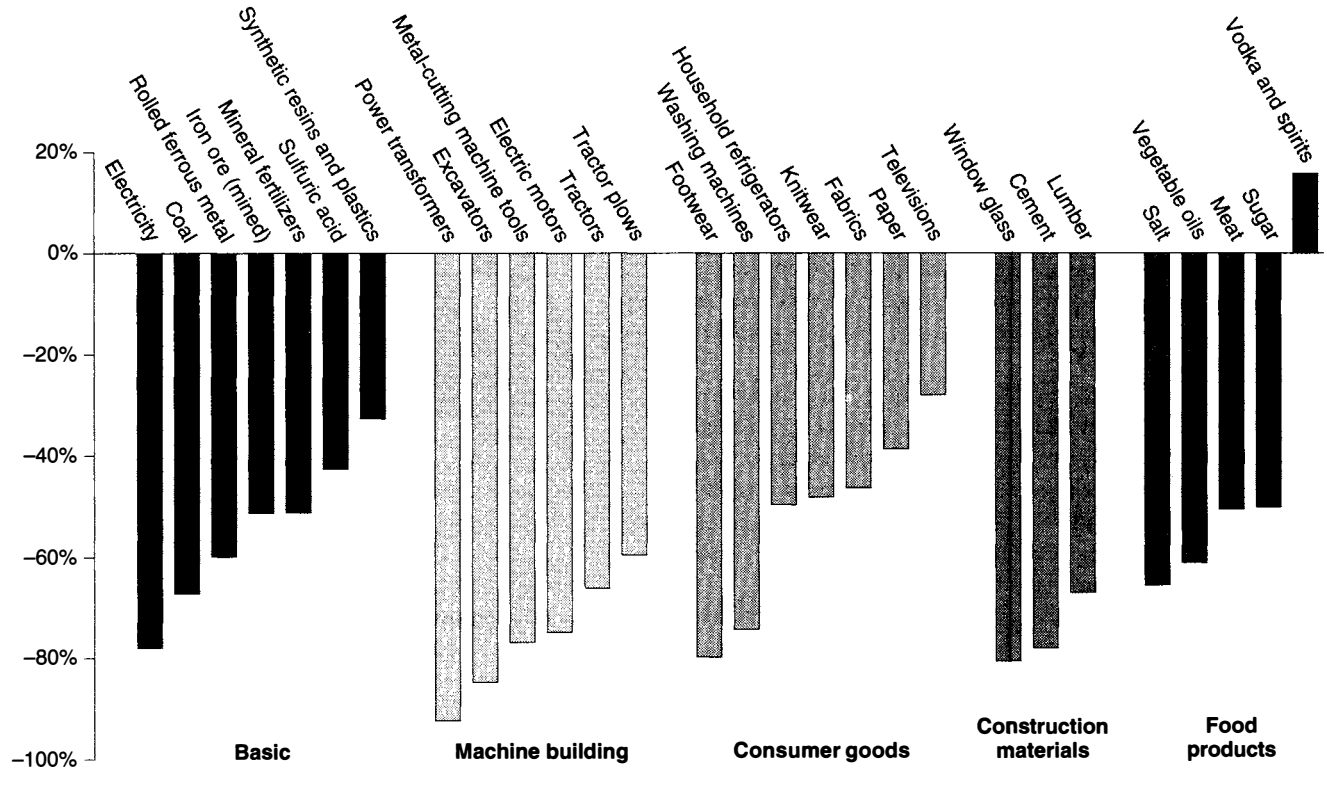
In presenting our alternative program, I said that it was based on two fundamental principles. First: the complete and immediate rejection of IMF credits and a termination of IMF interference in our internal affairs. Second: the strengthening of State regulation, to revive the economy and raise the people's standard of living. Our calculations show, that it would be possible to reverse the collapse process in the course of two months. Within two years, it would be possible to bring the country out of the pit, back to the pre-crisis level.

It was horrifying to observe the chamber of the Parliament during my speech. First of all, the nationalists were going berserk. Our nationalists did not understand, that it was by the actions of their own hands, that the national idea

FIGURE 1

Production of key categories of industrial output in Ukraine

(percent growth or decline, 1994 as compared with 1990)



was discredited in Ukraine, and Ukraine was being destroyed as a nation. I should note that it was the nationalists and the liberals, who voted for the government's program. Only the left bloc in Parliament voted against it, but we had insufficient votes to prevail.

The only answer the prime minister had to my presentation, was to read a prepared statement, in which he dubbed my speech a provocation. You know, of course, that we have an information boom in Ukraine, and Marchuk, by what he did, just made my stock go up. Thanks to this, and also our party's efforts, virtually all the regions and the entire population of Ukraine know that there is an alternative to the reforms that have been conducted.

The contending forces are unequal, however. The President has submitted a new draft Constitution, which would virtually establish a monarchy in the country. The draft has been written in the best tradition of Pinochet's Constitution in Chile. It is clear to us that if things go that way, within literally a few months, democracy will be done for in Ukraine. At that point, all the demands of the IMF and the World Bank will be implemented in full. The criminalization of power will be complete.

We will tell the people the truth

We do have grounds for hope today: Russia. If healthy forces prevail—not people like Zhirinovsky, but those who are genuinely working to unite the country and preserve its independence—this, in turn, will help our healthy forces to unite, to establish relations of equality with Russia, and to organize a no-confidence referendum on the President, insofar as the President, with his actions today, has completely abandoned the platform on which he was elected. We could create a normally functioning opposition, which Ukraine regrettably lacks today. By organizing resistance in this way, we could force the authorities to change the reform strategy, by replacing the government.

There is a second factor, which inspires some confidence, and that is the impoverishment of the population of Ukraine. The impoverishment of this highly educated people provokes a healthy reaction against these reforms and stimulates the search for an alternative.

The standard of living in Ukraine today is even 25% lower than in Russia. The average monthly wage in Ukraine is \$55, but that is a fictitious mean, which does not reflect the income polarization in the population. In fact, 78% of the

population, according to official data, lives below the physiological subsistence level. This subsistence level is currently defined as an income of \$35 per month. The official minimum wage in Ukraine has remained, for two years now, at 30¢ per hour. And although, of course, that minimum wage is not what anybody receives, the entire wage, pension, and subsidy system is grossly distorted. When the Parliament of Ukraine attempted to raise the poverty level to \$28 per month, the government refused.

Meanwhile, the cost of a minimum consumer's market basket is \$128 per month for one person. Thus, neither the average wage, nor the poverty level wage attains even half the cost of a minimum market basket of consumption. This is what drives people to steal, to violate the law in all kinds of ways. This lowers the birth rate and raises mortality.

The government replies to all of our proposals to raise wages and pensions, by saying that there is no money. But we are able, by speaking from the rostrum in Parliament, to convey some of the truth to the people. I would like to cite just one particular example. All the debt payments Ukraine owes in 1995, on credits from the IMF, the World Bank, the European Bank for Reconstruction and Development, and the European Community, total \$4.7 billion. Meanwhile, all of Ukraine's light industry has been deliberately destroyed. We have calculated that due just to the export of raw materials, at dumping prices, and the refusal to finance domestic job-creation, Ukraine lost at least \$5 billion.

Ninety-five percent of Ukraine's flax harvest, for example, has been exported to Germany and Italy at dumping prices—\$130 per ton. We receive only one-ninth of this quantity back in the form of finished fabric, for which we pay \$8,000 per imported ton of linens fabricated from the flax we exported. We are exporting the output of our light industry, semi-manufactureds and finished goods, to Germany and elsewhere. When we re-import any of this as finished products, we are paying \$2,000 per ton, expressed in conventional weight units.

When I presented this state of affairs on Ukrainian TV, I pointed to the sweater I am wearing today as an example. It was manufactured in Poltava, Ukraine and cost \$5.50. We are capable of processing and manufacturing all of this ourselves. We have, for example, a technology for cottonization, to make cotton out of flax.

Therefore, I must say that the government hears, they know what we are saying, but neither the President, the prime minister, nor the parliamentary majority has any use for this information. We believe, nevertheless, that our people need to know it, and that our efforts are not in vain. We will be doing everything possible to bring the ideas of Lyndon LaRouche and of the Schiller Institute, as ideas that generalize the prospects for world development, deeper into the awareness of our people, and to supplement those ideas with our own. And I would like to believe that there will still be democratic elections, in which we shall win.

Speculators blow out Chile's pension fund

by Dennis Small and Cynthia Rush

EIR has confirmed that Chile's much-vaunted privatized pension fund of \$25 billion is, in its majority, invested in highly speculative paper linked to the international derivatives bubble. For that reason, it is only a matter of time until the entire pension fund goes up in smoke—like Barings Bank, Orange County, California, the Mexican financial system, and other big derivatives players before it. Already, the Chilean fund lost a whopping \$1.5 billion—about 6% of its value—in the month of September 1995 alone.

This new information underscores what *EIR* magazine had already warned of in its July 21, 1995 cover feature, "An Obituary for London's Chilean Economic model": that the Chilean model, which is being shoved down the throats of many eastern European and developing-sector nations today by the City of London and Wall Street, on the grounds that is the only means to achieve economic stability, is a deadly hoax. Governments which have adopted, or are considering adopting, aspects of the model imposed on Chile in 1973 by followers of mad economists Friedrich von Hayek and Milton Friedman, should take heed before it is too late. They should especially avoid like the plague imitating what is widely propagandized as Chile's greatest "success": the privatization of its pension system.

Remember Mexico

Sources in Santiago involved in the pension privatization from the very beginning, have confirmed that in September 1995, Chilean pensions funds lost about \$1.5 billion of their total value of about \$25 billion. One-third, or \$8 billion, of the fund is invested in the Santiago stock market, they report, and the loss apparently came about as a result of "market fluctuations," which wiped out \$1.5 billion, or about 20%, of those \$8 billion. In October and November, the losses were reportedly recouped due to the markets "bouncing back."

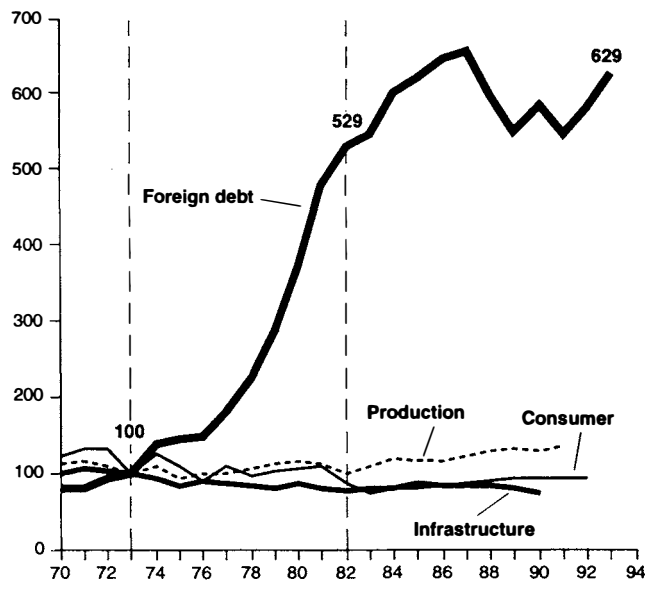
But the truth is that the entirety of the \$25 billion could go up in smoke at a moment's notice, as can be seen by examining its placement:

- \$8 billion are invested in a volatile, derivatives-laden Santiago stock market;
- \$7 billion are invested in equally unstable mortgage securities, bank deposits, corporate debt, and overseas in-

FIGURE 1

Debt vs. physical economy

(indices 1973=100)



Sources: World Bank, ECLA, Central Bank of Chile.

vestment (authorization has just been granted for this last portion to increase from its current 1-2% level, to 10% of the total, which will undoubtedly end up in equally shaky international derivatives markets); and

- \$10 billion is invested in Chilean government treasury bills.

That means that about two-thirds of the total Chilean pension fund can be properly characterized as purely speculative, and can crumble as quickly as Mexico's financial house of cards did in December 1994. *EIR*, it should be recalled, also warned of Mexico's debt meltdown more than two years before it occurred. Or recall the case of Barings Bank, whose collapse earlier in 1995 was prompted by the investment of billions in derivatives linked to the Japanese stock market (Barings trader Nick Leeson was then blamed for what were, in fact, bank policies dictated from London). Orange County, California, one of the richest counties in the United States, went bankrupt when it lost big on a similar derivatives gamble.

Is it really credible that Chile and its pension fund are somehow safe, when most of the fund has been bet on derivatives-dominated instruments of exactly the sort that sank Mexico, Barings, and Orange County? The truth is that Chile's September drop was only a taste of things to come.

Mont Pelerin's fascist economics

The premises of the City of London's "Chile model" are a Big Lie. In its study last July, *EIR* demonstrated that,

since the model's imposition over 22 years ago, the crucial parameters of Chile's physical economy have actually fallen in per capita and per household terms. At the same time, the speculative bubble of foreign debt grew more than sixfold, and interest on that debt has been paid religiously. *EIR* also showed that the "privatization," or theft, of Chile's national pension fund created a \$25 billion slush fund which bankers used to keep their financial bubble afloat, as they continued to loot the economy at the expense of the population's living standards. Today, one-third of Chile's population lives below the poverty line.

Yet advocates of the Mont Pelerin Society's "Conservative Revolution," who hold up U.S. House Speaker Newt Gingrich as a hero, are madly selling this Big Lie to foolish governments worldwide, with the pitch that this is the only route to economic stability and industrialization. The Santiago-based International Center for Pension Reform, founded by the man who privatized Chile's pension system, Dr. José Piñera, is engaged in a flurry of organizing activity to convince several governments, particularly those in eastern Europe and the developing sector, that their salvation lies in Chilean-style pension reform. Poland and Croatia are special targets. Poland's Adam Smith Research Center, which promotes the Mont Pelerin Society's economic schemes in that country, is working closely with the Santiago Center to sell the privatized pension plan.

According to a spokesman at the International Center for Pension Reform, the greatest "dynamism" in the development of private pension systems exists in Ibero-America, where Argentina, Peru, Colombia, Bolivia, and Ecuador have already adopted, or are about to adopt, versions of the Chilean system. And Mexico is already on the road to privatizing the Mexican Institute of Social Security (IMSS) under International Monetary Fund and City of London pressure. Earlier this year, Piñera accompanied Chilean President Eduardo Frei to Mexico, where his views on "internal savings"—the buzzword associated with privatized pension systems—were reported on at length in the Mexican press.

Piñera is in fact the "Nick Leeson" of Chile. Like many hoaxsters before him, he was trained at Harvard University, and then went on to become Labor Minister in Gen. Augusto Pinochet's government. His "reforms" helped smash Chile's organized labor movement, as a prelude to the privatization of the pension system. He is an associate of the Washington, D.C.-based Cato Institute, a propaganda and organizing center for Mont Pelerin's fascist economic programs.

Piñera has traveled extensively in the United States to promote Chile's privatized pension model as a replacement for the U.S. Social Security system, and is working with several of Gingrich's allies in the U.S. Congress on the project as well. Two large congressional delegations have traveled to Santiago to learn from Piñera first hand how he privatized Chile's pension system, and to discuss how this might be replicated in the United States.

Maastricht: British geopolitics to destroy the nation-state

by William Engdahl

The governments of the European Union (EU) are frantically trying to cut their own throats, by implementing the Maastricht Treaty, a European version of Newt Gingrich's deficit reduction plan. In protest against the Maastricht austerity program, the public sector workers of France carried out the most extensive strikes since 1968, bringing France to a standstill in the last weeks of 1995. While the "monster of Maastricht," as *EIR* dubbed the treaty when it was signed in 1992, will have a devastating effect on the economies of Europe, its greater significance lies in the strategic domain.

According to the treaty, national governments and parliaments will lose their influence over their countries' economic, financial, credit, trade, and budgetary policies. Urban and rural planning, the administration of water resources, and energy policy, all will fall under the jurisdiction of a supranational bureaucracy (see *EIR*, May 22, 1992, p. 5).

The intention of the authors of this treaty is to wreck the nation-states of continental Europe—a typical British geopolitical operation, run through members of the British oligarchy's "Club of the Isles" inside France, Germany, the Benelux countries, etc. Some Maastricht enthusiasts have described the treaty as a new "Locarno Pact," aimed to bind the newly reunified Germany into a supranational European organ, taking away the sovereignty and economic independence of the German nation.

Criteria for membership

The Maastricht Treaty was initialled by 12 heads of state at the December 1991 annual EU summit, which that year was held in Maastricht, Holland; it was signed on Feb. 7, 1992. Its terms are a perverse mechanism which, by its very nature, ensures the paralysis of national government action of every government of Europe (excepting, at present, Britain's), at the moment when the breakdown process of the postwar International Monetary Fund financial system worldwide most urgently requires national governmental action of an extraordinary nature, outside the straitjacket of independent central banks' monetarist psychosis.

The treaty mandates that those nations that seek to form a new European currency, must fulfill four strict "convergence

criteria" by 1997, two years before the stated automatic date for the new currency to come into existence, in January 1999.

Those four criteria, which are the background to the unprecedented deflationary policies of European Union governments today, call for "convergence" among member states of their national inflation rate, foreign exchange stability, public debt level, and government deficit level. The public debt must not exceed 60% of GDP. The maximum permissible annual government deficit (including public pension funds) must not be more than 3% of GDP. Foreign exchange rates must be "stable" for two years before joining the new currency; and inflation must be no more than 1.5% above the rate of the three countries with the lowest inflation.

The process toward monetary union is set out by the treaty in three distinct stages. Stage One began in July 1990 with the beginning of member country coordination among central banks and finance ministers toward the convergence goals, but under the then-existing national framework.

In January 1994, Stage Two of European Monetary and Currency Union began, with the creation of a transitional agency, the European Monetary Institute, based in Frankfurt, Germany, and headed by the former general secretary of the Bank for International Settlements, Count Alexandre Lamfalussy. The choice of Lamfalussy has a biting historical irony: The BIS was created in 1930 by the World War I victors to reorganize, into a "neutral" agency, the supervision and payment of defeated Germany's war reparations under the Versailles Treaty of 1919.

In Stage Two, each member state of the new monetary union must fulfill all convergence criteria before being eligible for admission to Stage Three. Decision on who has qualified for Stage Three is to come from a meeting sometime in 1996 of the 15 EU governments. In Stage Two, all states must also amend their national laws to make their national central banks free from political control, as well as prohibiting those central banks from financing State budget deficits.

Stage Three, the final stage of Monetary and Economic Union under a new European System of Central Banks

(ESCB) with a new European Currency, is, according to the ratified text of the Maastricht Treaty, to come into effect by no later than January 1999. But by January 1997, those member states that join, must have fulfilled all convergence goals. The closer January 1997 approaches, the greater the pressure on governments like France or Germany to reduce spending.

Any postponement beyond Jan. 1, 1999 requires a re-opening of the entire national ratification debate on the Maastricht Treaty. The new European central bank, ESCB, fully independent from any political request by duly elected governments of the EU states, would act on only one criterion for its monetary policy: price stability. Rising unemployment, collapse of essential infrastructure or public services, all the areas which nations historically developed their economic and monetary institutions to deal with, are irrelevant to the new independent central bank of Maastricht.

A new 'Locarno Pact'

How did the nations of Europe come to bind themselves into such madness? The answer to this lies in the realm not of monetary theory or finance per se, but the doctrine of geopolitics, as defined since 1904 by Britain's Sir Halford Mackinder, which created the Triple Entente prior to 1914, a secret web of alliances of Britain, France, and Russia, in order to encircle Germany's growing economic threat to British "balance of power" on the continent.

The chief formal sponsor of the Maastricht Treaty was then-French President François Mitterrand, an asset of British influence since well before 1976, according to British foreign intelligence sources and Mitterrand's own consistent profile. Informed accounts indicate that Mitterrand, an opponent of German unification, struck a deal with German Chancellor Helmut Kohl as a *quid pro quo* for French acquiescence in the "four plus two" talks on German unification between the four occupying powers—the United States, France, Great Britain, and Russia—and the two Germanys. The deal was, in essence, that in return for French agreement to German unity, Germany would have to subordinate its monetary policy to a new European currency and central bank.

In December 1991, Mitterrand got the agreement of then-Italian Prime Minister Giulio Andreotti, to trap Germany into accepting the treaty's provision for "automatic and irreversible" monetary union by January 1999 at the latest. To guarantee Kohl's acquiescence, the very strict model of the German Bundesbank and the defined "convergence criteria" were incorporated into the new European central bank.

The geopolitical nature of Maastricht today is all but forgotten, but it lies at the heart of the problem. Two world wars have been fought in this century, because of the British oligarchy's determination to prevent an economic and strategic alliance among France, Germany, eastern Europe, and Russia, for the economic development of Eurasia.

It should be recalled that Prime Minister Margaret Thatcher, as early as September 1989, flew to Moscow to try to persuade Russian President Mikhail Gorbachov not to allow the two Germanys to unite. Some weeks later, Thatcher met with Mitterrand, who shared her concern about the emergence of a powerful unified German "Moloch" in the center of Europe, dominating economic policy.

Since October 1989, pro-Thatcher media in England including the *Times* and the *Daily Telegraph*, had waged a campaign to portray German unification as the first step to a "Fourth Reich." Thatcher's close friend, Industry Minister Nicholas Ridley, created an international uproar when he gave an interview to the British *Spectator* magazine in July 1990, on the event of German-German monetary union, where he compared Helmut Kohl with Hitler. Mitterrand scheduled a rush trip to East Berlin to try to slow German unification, and met with Oskar LaFontaine, who was then the chancellor candidate of the opposition Social Democratic Party, to urge him to campaign with all his energy (which he did) against the high cost of German unification.

Ritt Bjerregaard, today the EU environment commissioner, and, like Mitterrand, a member of the Socialist International, wrote an article in the Danish *Politiken* in May 1992, just three weeks before Danish voters voted "no" to Maastricht in a referendum. In her article, titled "Ghosts on the Map of Europe," she argued that Danes should support the Maastricht Treaty, as it was the historical continuation of the 1925 Locarno Treaty, a pact among France, Britain, Belgium, Italy, Poland, Czechoslovakia, and Germany, which had been devised by France and Britain to undercut the 1922 German Rapallo Treaty with Russia.

Locarno, like Maastricht in 1991, was intended to fulfill Halford Mackinder's rule that Germany and the states of central Europe never be permitted to create bridges of effective economic cooperation with Russia and eastern Europe.

Like Locarno, Bjerregaard argued, Maastricht was designed to bind Germany "firmly" into western Europe, as Gulliver was bound by the Lilliputians, and to prevent a German economic push to rebuild eastern Europe and the former Soviet Union.

Echoing this sentiment was Norman Tebbit, one of Thatcher's closest advisers and her choice as chairman of the British Tory Party. In a speech on May 12, 1993 in Copenhagen, Tebbit declared, "Maastricht was devised in order to avoid the danger that the Germany once more climb into their Panzer tanks and roll across Europe."

For the sake of this mad geopolitical doctrine, today Europe is bound on a course to economic catastrophe. It is not accidental that since September 1992, England has stood outside this, and observed the continental European disintegration. It did so also in 1931, when England abandoned the gold standard, while France and Germany, adhering to rigid orthodox monetary austerity, plunged into Depression and set the stage for World War II.

Policy blunders wipe out industry of eastern Germany almost overnight

by Lothar Komp

The following was translated from German by Edward Carl.

Wrong policy turns since reunification have inevitably brought Germany to a dead end, in which the vultures are circling over an exhausted economy. The scavengers are certain to make a killing. According to estimates by the Hermes credit guarantee agency, the number of corporate bankruptcies in the coming year is going to rise sharply. The construction sector is especially hard hit. While the tax revenue receipts of the federal government, states, and municipalities remain below expected levels, finance ministers and treasurers are all downsizing plans for infrastructure investment—an essential ingredient for future economic growth. In addition, in eastern Germany, housing and industrial construction stimulus measures in effect up until now, will be cut from 1996 on. Along with this decline in construction activity, the most important pillars of economic development in eastern Germany are now threatened with being knocked out from under the economy. Hermes is talking about a possible 80% increase in bankruptcies in the eastern construction industry in the next year. A chain reaction is feared, in which the structure of the recently incorporated and, in most cases, inadequately capitalized enterprises in the eastern states, could collapse like a house of cards. A new wave of mass unemployment would inevitably be the consequence.

Five years after reunification, a stable, self-driven economic development process is manifestly out of the question for the eastern part of the nation. Following one of the fastest deindustrializations ever to have taken place during peacetime, out of the 3 million industrial jobs that existed in East Germany before 1990, only 600,000 are still left today. (See **Figures 1 and 2** for the collapse in number and electricity use in industrial firms, and **Figure 3** for the number of business failures.) That is decidedly too few workers to even simply cover eastern Germany's own industrial goods requirement.

In order to bridge this huge gap in production, each year it has been necessary to effect the transfer of federal funds in the range of hundreds of billions of deutschemarks, in return for which the public mountain of debt has grown larger and larger. The braking maneuver of Finance Minister Theo Waigel, by which he wants to force the economy through the eye of the needle of the Maastricht criteria, is simply making everything that much worse.

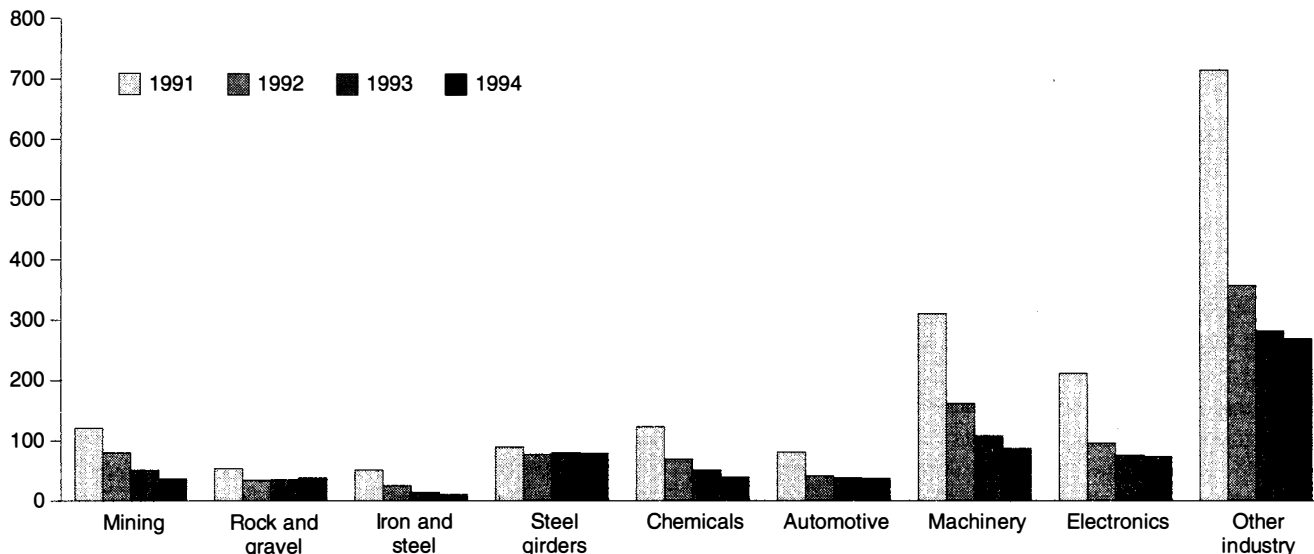
Eurasian infrastructure development

The critical "navigational errors" of the captains in Bonn responsible for the present course, were made five years ago. In November 1989, the federal government came face-to-face with a decision of far-reaching consequences. The historical challenge presented by the fall of the Berlin Wall and the already foreseeable collapse of the Soviet system, brought forth a vision of German economic policy, in the center of which stood the reconstruction of the East by means of great infrastructure projects.

The opportunity was uniquely favorable: On the one side were the Comecon States (the U.S.S.R.'s former trade bloc), the modernization of whose railroad networks, roadways, power plants, and industrial installations, within the framework of a new "Marshall Plan," would have resulted in a tremendous capital goods investment requirement. Immediately bordering these States to the west, was the world's largest capital goods exporter, the Federal Republic of Germany, which had suffered the loss of important customers in the Middle East and Ibero-America. And, the prospect of German reunification appeared to be an ideal framework in which to work, not only for the economic reconstruction of eastern Europe and the U.S.S.R.'s successor-States, but furthermore, on account of the implications of East Germany's preexisting foreign-trade relationships, for its own reconstruction within a unified Germany.

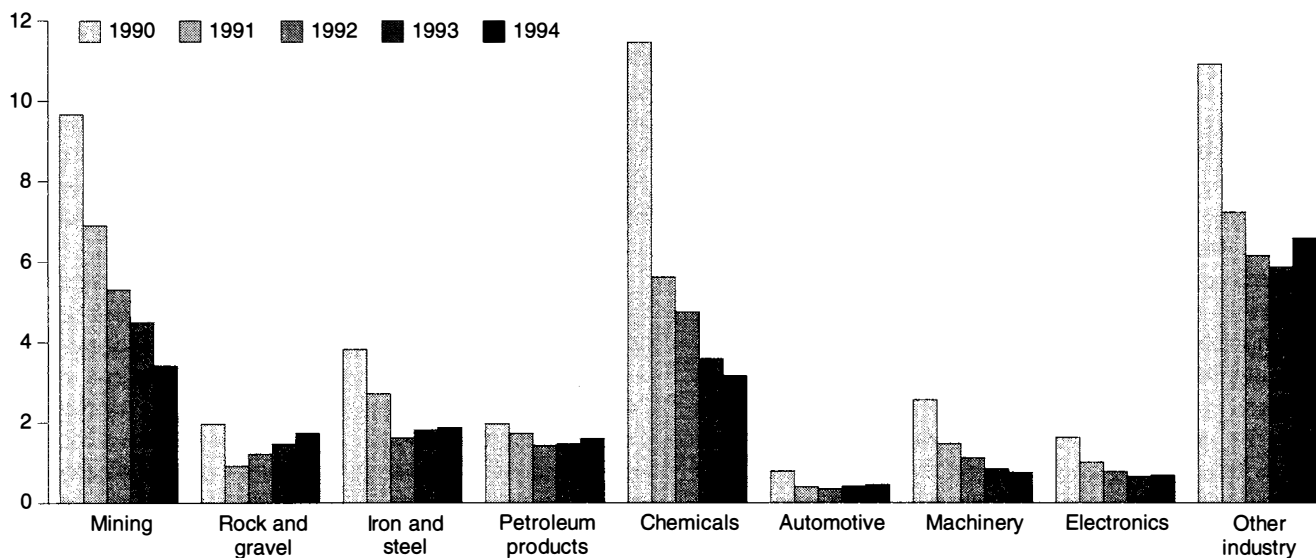
In no other location were these considerations more clearly expounded than in the "Productive Triangle Paris-Berlin-Vienna" proposal that was put forward by American economist Lyndon LaRouche in late 1989. The focal point of this "Grand Design" was massive investment in the modernization of the infrastructure and productive apparatus of an economic area which was approximately geographically described by the spherical triangle Paris, Berlin, and Vienna. In it, there exists, in the most concentrated area, a globally unique agglomeration of densely populated and highly productive industrial regions. A powerful leap of productivity of this central area, would be radiated out along development corridors into the various industrial concentrations of Eurasia; for example, let us specify just two development corridors: Paris-Berlin-Warsaw-Minsk-Moscow, and Frankfurt-Dresden-Krakow-Lemberg-Kiev. Within a specified time frame, the economic buildup along these routes could include

FIGURE 1
Industrial employment, new federal states, 1991-94
 (thousands)



Sources: German Federal Statistical Bureau, EIR.

FIGURE 2
Industrial electricity consumption, new federal states, 1990-94
 (terawatt-hours)



Sources: German Federal Statistical Bureau, EIR.

high-speed railroads, power-generating stations, telecommunications, and other infrastructure, the development of new population centers, plus small and medium-size industry.

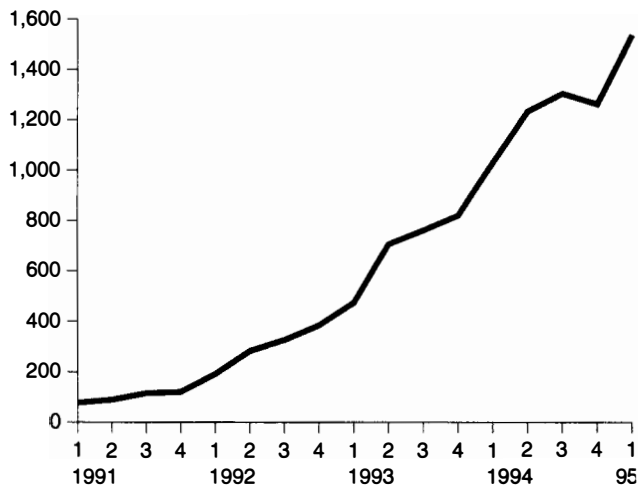
The opportunity is lost

Such a policy could have been seriously looked at by the federal government. For example, Alfred Herrhausen, the chairman of the board of directors of Deutsche Bank, called

FIGURE 3

Total number of business failures, new federal states

(number of failures in quarter)



Sources: German Federal Statistical Bureau, EIR.

for the creation of a development bank to serve as a model Bank for Reconstruction, for the purpose of financing infrastructure projects in central and eastern Europe. Also, a far-reaching cancellation of old debt that had originated under the communist system, ought to have flanked these efforts.

However, there was suddenly a precisely targetted propaganda campaign coming out of Britain, which painted every German economic initiative in the East as “proof” that a new “Fourth Reich” was about to be established. One member of British Prime Minister Margaret Thatcher’s cabinet publicly compared Chancellor Helmut Kohl to Adolf Hitler, and, he was elevated forthwith to the House of Lords. And then, in November 1989, Herrhausen was murdered, which assassination was officially pronounced (according to the accepted rules of political behavior) to have been perpetrated by members of a (nonexistent) “third generation” of the Red Army Fraction (RAF), i.e., the Baader-Meinhof Gang.

The German federal government paid careful attention to the lesson: Reunification would be permitted; however, for geopolitical reasons, instead of a “Marshall Plan” for eastern Europe, the International Monetary Fund was to constitute the overriding framework.

The pragmatic about-face conducted by the Bonn government, for the purpose of obeisance to the “balance of power” gameplan, constituted the cardinal mistake that first made the whole gamut of Germany’s economic problems in 1995 possible. Indeed, the disparity of living standards between western and eastern Germany, measured in terms of a per-capita consumption of goods and services, has slowly converged, down to the lower levels in the east. However, due to the catastrophic loss of industrial jobs, production has

dramatically fallen below consumption. While DM 470 billion (roughly \$294 billion) worth of products and services in total were consumed in the new, eastern states in 1994, the total value of goods produced, and services rendered, amounted to no more than DM 260 billion (\$163 billion). That means that if one were to think of the new federal states (the former East Germany) as a self-contained economic unit, the result would be a “balance of trade deficit” of DM 210 billion (\$131 billion), which would be an excessive level even for the United States, which has more than 15 times the population.

Capital goods production abandoned

Temporarily, the hole in production created by five years of the policy of the Treuhand agency (responsible for reorganizing former East German State-run firms) is being plugged up through gigantic public funds-transfers from the rest of the country. According to estimates of the Munich-based Institute for Economic Research (IFO), a private think-tank, altogether this amounted to about DM 600 billion (\$375 billion) in 1991 through 1994. The year 1995 will add on to that nearly DM 200 billion more. Therefore, one mustn’t reproach the chancellor for inordinate stinginess. However, the many billions are, first and foremost, only serving immediate consumption needs. The idea of reconstruction of an export-intensive capital goods production sector was dropped before it ever got off the ground, because of the desolate economic situation of most of the eastern European States.

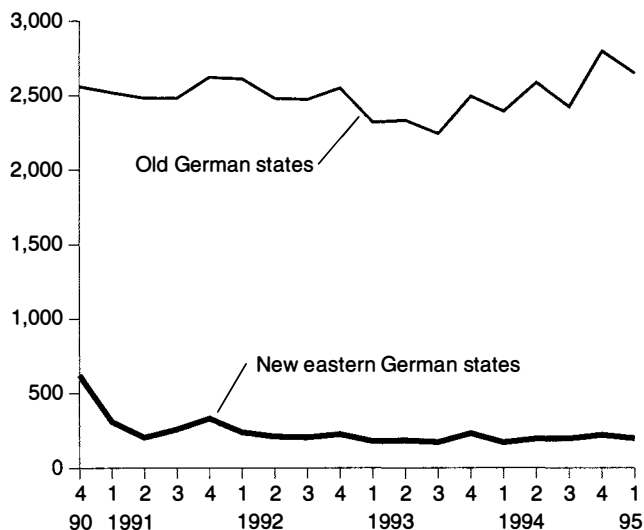
Following World War II, Germany was able to avoid being transformed into a deindustrialized “sheep’s meadow,” per the Morgenthau Plan’s intent. Nevertheless, if one compares the “Industrial Curtailment Program” of 1946 with the deindustrialization of the eastern German states, in only five years of a “free market economy,” the parallels become clear. The Berlin-based German Institute for Economics Research (DIW), a private think-tank, characterized the new economic structures of eastern Germany as a typical “dependency economy,” in which all of the industrial production is once again consumed locally. The export of goods with high value-added is not occurring. And this is in an economic zone which, prior to World War II, exhibited a higher degree of dependence on foreign trade than did western Germany.

The level of industrialization in eastern Germany, involving 48% of all employed persons, was even higher than in the territory of the old West German states (42%). Machine-building played an exemplary role. Taking former East Germany and West Germany as a whole, three-quarters of all office machines produced were manufactured within the boundaries of the former East German states. With regard to textile machinery and paper processing equipment, it was two-thirds; for printing equipment, nearly half. Despite Soviet demontage, in which factories were dismantled or removed, and decades of communist economic mismanagement, still the machine-building industry in Chemnitz and

FIGURE 4

Export volume per capita

(deutschemarks, by quarter)



Sources: German Federal Statistical Bureau, EIR.

Leipzig, the optics industry in Jena, the electronics industry in Erfurt and Dresden, the auto and truck assembly industry in Eisenach, and the shipbuilding industry in Rostock, all continued to maintain their leading role as capital-goods exporters in the Comecon sector. In the mid-1980s, about 40% of agricultural equipment, 50% of metal-forming machinery, 60% of cranes, and 35% of railway cars, all for export to the Soviet Union, had East Germany as their place of manufacture.

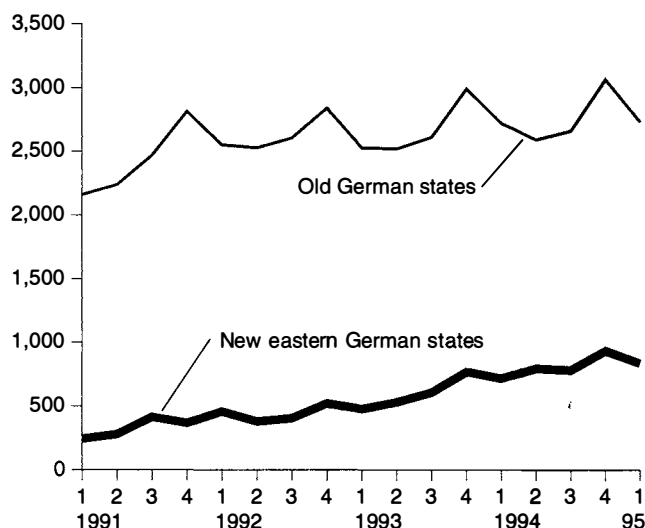
Trade relations disrupted

First, because of the interruption of eastern trade based on the transfer-ruble in the course of the German monetary unification, and, then, a little bit later, with the beginning of shock therapy in eastern Europe, the trade relationships were abruptly broken asunder. In the last quarter of 1990, exports from the new, eastern federal states to central and eastern Europe still amounted to DM 8 billion (\$5.3 billion), clearly surpassing those of the old, western federal states, of DM 6 billion (\$4 billion). However, in the course of 1991, the total exports of the eastern federal states collapsed by 54%; and overall, between 1990 and 1994, by around 80%. Today, as a rule, only those enterprises with more than 500 employees maintain a significant portion (about 32%) of their sales as exports. For business enterprises with fewer than 50 employees, the corresponding proportion is only 4%. Export-oriented medium-size industrial concerns (known as the *Mittelstand*), which, at least until the mid-1980s, used to be considered the benchmark of the West Germany economy,

FIGURE 5

Per-capita tax revenues, federal, state, and municipal

(deutschemarks, by quarter)



Sources: German Federal Statistical Bureau, EIR.

do not exist in eastern Germany, and under current conditions, cannot even be established. Even the transfer of hundreds of billions of deutschemarks, given this state of affairs, can hardly be expected to improve conditions very much.

When the Treuhand took over the State-run industries of East Germany in 1990, they still employed 4 million persons. Contrary to promises that 1.5 million of these jobs would be saved, the firms were mostly privatized and many jobs were lost. During the selloff, the Treuhand received DM 67 billion in net proceeds, while it had to shell out DM 295 billion in expenditures drawn by enterprises—DM 75 billion of that alone just in assuming the old, pre-unification debt of the enterprises. In the end, the Treuhand was left holding the bag for DM 230 billion of debt.

Nevertheless, the buyers of the industrial concerns made investment pledges of a total of DM 54 billion. The lion's share of the promised investments falls in the years 1995 and 1996. So, it will soon be seen, just what these promises were worth. Afterwards, in addition to considerable public measures to encourage investment in the goods-producing economy, there also were direct public investments into infrastructure. According to statements by the IFO think-tank, the State supported investments into the eastern German industrial economy of DM 54 billion in the years 1990 to 1993.

The money flowed from numerous sources. There were the "Common Task of Improvement of the Economic Structure" program; European Reparations Program credits, the German government-run Marshall Plan successor credit institution; the Ownership-Capital Aid Program; investment sub-

sidies; and special depreciation allowances. During the same period, in the new federal states, around DM 105 billion of public infrastructure investments were also made. Among these, DM 38 billion was put into transportation and DM 29 billion into telecommunications. So far, so good. Today, the telephones work better and there are also a couple of better roads. Yet, what is the situation with productive investments?

Investment in the services sector

Perhaps half of all investment in eastern Germany between 1991 and 1994 went into the services sector; in all, nearly DM 380 billion. Nearly 3.3 million people of the total of 6.3 million employed (excluding peddlers) on average in 1994, had jobs in the service sector—nearly 600,000 in the private sector and 900,000 in the public sector. In manufacturing industries, by comparison, investments were a much more modest DM 70 billion, at most DM 20 billion per year. Here, investment in the raw materials- and intermediate goods-industries are significantly dominant overall, absorbing nearly 50%. In the western part of Germany in 1994, by comparison, it was only 27%.

In the capital goods industry, it is exactly the inverse. While these make up half of all investments into manufactured goods in western Germany, in eastern Germany it is only one-quarter. In machine-building and in the electronics industry, in 1994, investments totaled DM 1 billion. Investments in automobile production, following the termination of individual larger projects, were again already strongly retrogressing, falling in 1994 to a total of DM 600 million. Overall, the eastern federal states' proportion of capital stock of the manufacturing industries in Germany is still retrogressing.

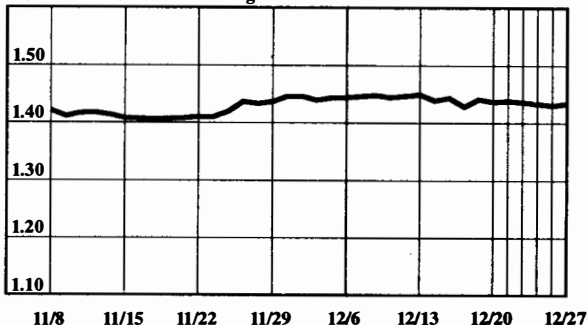
The destruction of industrial jobs, therefore, has still not reached an end. In particular, the number of jobs in steel and chemicals is continuing to decline, just as it is in the machine-tool industry. Despite the construction boom of the past years, and the corresponding demand for construction machinery, eastern Germany's establishment of its own independent production of construction machinery has not taken place. And this, even though the construction industry in the new states today has twice as much activity in total as that which had gone on in West Germany in the 1950s, during the high point of its construction boom. Altogether, in the eastern states, only 7% of employees work in industry, compared to 12% in the western states. While a good one-fifth of the German population is in the new states, this area has only 5% of total German industrial production. In electronics goods, it has less than 4%; in chemicals, 2%; and of the total German export trade, it has just 1.7% (see **Figure 4**).

No wonder that eastern tax revenue receipts per capita remain at a level several times lower than those of the western part of Germany (see **Figure 5**). This devastating industrial disintegration has to finally be brought to an end. Only if Germany rises to the historical challenge of the reconstruction of eastern Europe, can this be accomplished.

Currency Rates

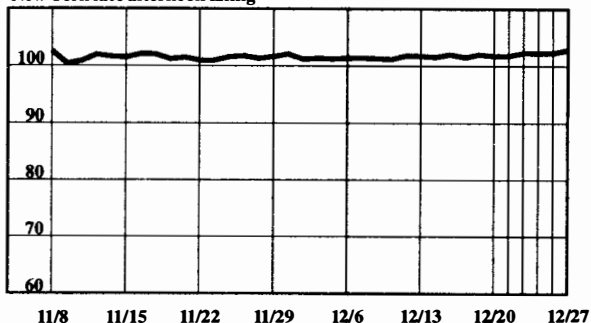
The dollar in deutschemarks

New York late afternoon fixing



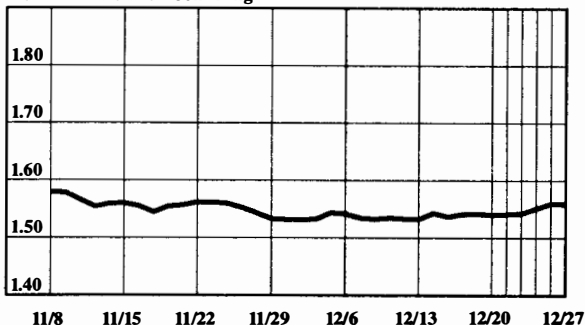
The dollar in yen

New York late afternoon fixing



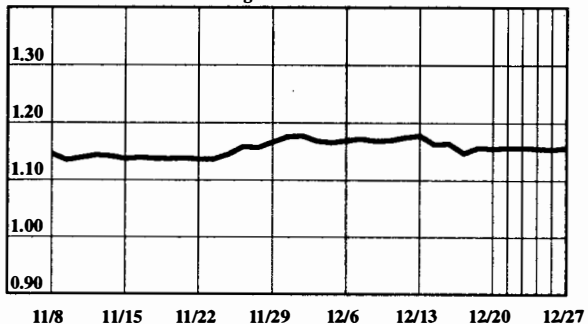
The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



The relationship between morality and economics in illegal financial flows

by Judge Carlo Palermo

Judge Carlo Palermo of Italy was a protagonist in the investigations of the mafia in Sicily. Following an attempt on his life, he moved to Rome and served on the judiciary committee in Parliament. He is now a member of the Trent city council and the regional council of Trentino, where he continues his anti-mafia activities. Below are his remarks to an international conference in Eltville, Germany over Dec. 2-3, co-sponsored by the Schiller Institute and the International Caucus of Labor Committees.

1. From crime to the problem of morality in economics

When it comes to problems related to organized crime, the prevailing approach—and Italy is no exception—is to view the leading criminal phenomena in terms of the most obvious activities (drug and weapons trafficking, terrorism) of the associations operating in the field: mafia, camorra, and drangheta.

Any other analysis is either completely missing, or is only touched upon on those rare occasions in which, more by coincidence than by deliberate intention, the object of investigation involves banking institutions and financial economic structures.

The basic reason for this approach lies in the common agreement that it is we need not, or should not, “touch” in any way the economic and financial equilibrium upon which national interests and the international balance of relations rest.

Again, in this generally accepted approach, what is not examined or faced is perhaps the most relevant topic in social relations today, that is, the problem of “morality” in economics.

As will become clear in this presentation, this is in fact a basic point which analysts and researchers should concentrate on, in order to understand the real substance of the relationship in today’s social life between man and society, and between East, West, and South, in particular after the fall of the Berlin Wall.

Just six years after that event, which appeared as the most concrete victory of humanity in our world, with the

overthrow of communist regimes and of the atmosphere of tension that had conditioned the first 40 years of the postwar era, today the new and old specters of racism, xenophobia, and international terrorism seem to stalk the world.

While in Bosnia, Rwanda, even Chechnya, more than 1 million Muslims have been massacred in the name of declared genocide, called by some “ethnic cleansing,” in another part of the world, on the nearby shores of the Mediterranean, other Muslims are dragging Algeria into a dramatic civil war whose aim is to establish an Islamic State and to defeat the French, the enemies of God. And, on the same shores, the traditional enemies of the Muslims, the Jews of Israel, kill their own head of State, promoter of peace with Palestine, through the hand of their own fundamentalist brothers.

This is happening, while in our country, Italy, the echo of the terrorist and mafia massacres of Capaci, Palermo, Rome, Florence, and Milan can still be heard.

Once again, terrorism, racism, and xenophobia are raised to the level of principles which call into question the values that are the essence of human dignity.

Why all this? Why are the Hutus and Tutsis massacring each other in Rwanda? Why are the inhabitants of ex-Yugoslavia doing the same thing? Why is there terror in Paris, Beirut, Algiers, in New York, Islamabad or Karachi? Why is the Mossad—the Israeli secret service—still choosing the path of homicide in the streets (on the island of Malta) to eliminate the head of Lebanese terrorism? Why are fundamentalist cells hidden in Italy today, as in the past, which organize terrorist attacks abroad, in France or in Bosnia? Why are we not able, even today, to shed light on the sinister massacres of the 1970s and 1980s, or on some of the most disturbing, extraordinary crimes, apparently committed by the mafia, but mixed up with obvious connections to activities carried out by our rogue secret services and by the masonry? Why have we perceived or intuited in the speeches of our political leaders many times—Moro speaking in favor of Qaddafi at the time of the Fiumicino Airport massacre, Craxi on the occasion of Habbash’s flight from Sigonella—above and beyond the obvious facts, aspects and internation-

al links which are obscure, murky, cryptic, and upon which we still cannot shed light?

The answer to these questions is evidently not simple, even though it is easy to surmise that there are “prevalent” interests, and factors pursued by the governments of the industrialized countries, by industry, and by financial and economic operators.

2. The new mafia of the East

In this context, there is no doubt that a transformation for the worse has taken place in the current international crime situation since the fall of the Berlin Wall. This has occurred as we have moved from one system of counterposed economies—justified by the balance of power paradigm—to an integrated system, in which the essential value to be pursued, worldwide, seems to be profit and power in and for itself. (“Balance of power,” means here the idea that the state of nature is not necessarily that of war, in the sense that State security can come from the balance of power rather than from the unbridled drive for power and war.)

The study of contemporary international relations reveals a new paradigm being consolidated, that of *transnationality*. In this paradigm, international relations are no longer carried out within the confines of the State, as they were in the past, but are pulled around by activities carried out by individuals, groups, and non-governmental organizations across State borders, activities which are prevalently economic, and often counterposed to and antagonistic to the institutional formations in power and to concrete national interests.

In these relationships, the continuing growth of interdependency among States (resulting from the spread of means of communication and transportation) is both the cause and means of multiplying easy illicit activities, especially through the splintering of criminal activities into thousands of tributaries, placed here and there in the world, linked up through computers—which makes it practically impossible to identify those responsible. Hidden behind a myriad of companies, they are active in various countries with economic and financial interventions into the international stock markets, buying State bonds, that is, with destabilizing or stabilizing activities, and conditioning certain forms or manifestations of power—economic, social, and political.

This degeneration is apparent in an analysis of the trends in international crime, in line with the new relationship established between the Italian and American mafias, on the one hand, and the Russian mafia, on the other, especially in connection to the most lucrative profits possible today, those linked to trafficking not only in drugs, but in weapons and nuclear weapons components.

The significant increase in interest in nuclear arms purchases on the part of Third World countries and numerous CIS [Community of Independent States] countries has determined, in fact, an increase in organized crime in western European countries, in which the Sicilian mafia, which has

always worked more closely in cooperation with international terrorism, has assumed a leading role.

With a vast, efficient communications network, the mafia has improved the volume and reliable availability of products, including nuclear materials, to radical Islamic states.

The emerging international system supporting nuclear trade by radical States, especially in the Middle East, follows a standard procedure: Nuclear materials and arms are bought throughout the CIS, both by officials of radical Islamic States, and by the local communications operators of organized crime, including groups from the Muslim world.

Consequently, the networks of Russian organized crime have been sending their merchandise toward western Europe, for a long time through Croatia, and sending the samples and relevant documents to financial centers, principally in Germany, where business is carried out through buying operations.

The radical States supply the mafia with drugs and counterfeit dollars at a reduced price for payment of nuclear merchandise.

The Italian mafia moves the drugs and recycled money through its international connections, with Russian groups that play an increasing role in these situations; then, some profits are diverted to various financial centers as payment, in the interest of the buyers.

The recent setbacks for the mafia in Italy, following the stepped-up fight against the armed wing of organizations which occurred after the recent Sicilian massacres, have provoked a shift in crime toward countries of the East. In this context, the characteristic way the mafia has changed, has been to move out of Italy into the rest of Europe and the East.

Hundreds of financial transfers and dirty money-laundering operations, as well as control over drugs and arms trafficking, have been centered in Germany. One special point is Kempen in southern Germany, where various mafia personalities have been directing a large network for some Sicilian families, with operational networks in Sicily, Milan, Zurich, Amsterdam, Hanover, Neumünster, Hamelin and Berlin.

Other major factors in the growth of the role of organized crime in the illegal nuclear trade have been related to crime networks in Chechnya, which were able to bring Middle East buyers into contact with Russian suppliers and organized crime intermediaries to form a solid, efficient system of nuclear trafficking.

It should be remembered that beginning in 1990, the Russian groups—*Organizatsiyas*—emerged as an enormous criminal entity organized with an international range of action and global importance. The Russian *Organizatsiyas* are implicated in many aspects of traditional organized crime, in some new sectors, and in the spread of nuclear arms and arms traffic. Their networks extend into the U.S.A.

The Italian mafia was the first organization to exploit this situation. The representatives of the various Italian mafia families have been extremely active in building bridges with clandestine criminals of the U.S.S.R. and eastern Europe. Consequently, the first contacts between Russian groups and organized crime in eastern Europe came through the Sicilian mafia. Their main instrument was the change in sea shipment routes for major drugs, from the Near East to eastern Europe.

Furthermore, the collaboration between Russian groups and the "old" crime families of the U.S.A., Italy, and the Latin American drug cartels, has been institutionalized and expanded since spring 1992.

In August 1992, these relations were consolidated in a secret encounter between the Italian mafia and the Russian *Organizatsiya* in Prague, which has become a beachhead for the advance of the Italian mafia into eastern Europe. According to discreet Russian sources, this encounter led to an agreement on the division of labor and responsibilities between the Russians and the Italian mafia.

On the basis of these agreements, the Italian mafia was to receive uranium, radioactive materials, and sophisticated weapons, stolen from Russian Army depots, and some depots of the former Soviet republics, in collaboration with secret service agents and high-ranking officials. In exchange, the Russia mafia was to receive drugs, especially cocaine, which it was to sell in eastern Europe, in Russia, and other former [Soviet] republics, or to smuggle into western Europe through Poland and the German border.

After Prague, another meeting took place in mid-1992 in Lucerne, Switzerland, among Italian, American, Russian, and Ukrainian mafiosi, on their collaboration in drug smuggling in western Europe, and in other associated activities like weapons smuggling.

Certainly, in autumn of 1992, Russian crime networks built an elaborate and vast system for smuggling diversified products between western Europe and the CIS countries.

In this context, the region that became the most important was the Balkans. For example, one group of nuclear traffickers unmasked at the end of October 1992 in Munich, Germany, was found to have had close contacts with a buyer from Croatia. On that occasion, 18 persons (one of them, a Catholic priest active in the Croatian cause) were arrested with 2.2 kg of enriched uranium in their possession. This elaborate, sophisticated network had at least 33 bases in Germany, Austria, and Switzerland.

Thus, since autumn 1992, when nuclear trafficking entered the arena, with international organized crime led by the Italians and Russians, Germany became the center of trade in radioactive materials, and the central site for taking care of major quantities of nuclear materials for military use, as well as for other nonconventional weapons.

The German investigating authorities revealed more than 100 cases of radioactive materials trafficking from the CIS

to the West in the autumn of 1992 alone, reaching over 120 cases at the end of 1992, with ever new trade in radioactive materials, arms, Semtex explosives, and drugs.

These organizations now are circulating enormous sums of money, recycling it worldwide, both through the banking system and outside it.

It is no coincidence that there is a proliferation of investigations, as even in Trentino today, in which what began as an inquest into drugs and bribery, led to dirty money-laundering operations, no longer through the traditionally known fiscal paradises, but rather through the new banking institutions of Prague, Budapest, and Moscow, not subjected to any controls except those of the new mafia families which had come to the fore with the support and connivance of the Italian mafia.

Certainly, with the reinforcement of banking regulations and surveillance in western countries, and with the general decline in profits from drugs and other "classic" criminal activities, one has to conclude that the mafia has begun to consider the arms traffic, especially the nuclear materials trade, as a means for recycling drug money and for obtaining higher profits than in the past, contributing to the creation of secret capital needed for investment in the most lucrative activities: pure speculation.

3. The system of speculative transactions

If all this is taking place at the international level (and investigations in various European countries point to the enormity of such traffic), one point to consider is that the difficult economic situations in certain countries, or the situation of war in others, are being used and exploited to create and feed the accumulation of illegal capital.

At this point, the other analysis has to be made, relative to the "less transparent" lucrative activities in the international financial and economic system.

In 1993, an Italian, Florio Fiorini, known in Italian news events and also internationally (the Sasea collapse, Crédit Lyonnais), provided an interesting explanation of this system. This person, financial director of the ENI [Ente Nazionale Idrocarburi Italiano, the national oil company] from 1971-82, and then international financial operator, said (in an interview in *Espresso*, March 21, 1993): "The financing of parties certainly was not unknown to ENI. In fact, it had been one of the basic components, since the time of [ENI founder] Enrico Mattei. On the other hand, how could ENI, an entity different from the State, come into being without 'greasing' the parties which allowed it to be born? The financing system was simple, and was based on the speculators and the central banks. In fact, one of the great powers of ENI was, and is still today, the weight of the currency market, that is, the exchange market.

"ENI bought, as it buys today, 25% of the dollars which are purchased in Italy, because it has to pay for national

energy needs. Furthermore, branches operated abroad in Germany, Switzerland, Austria, France. . . . It was therefore easy, thanks to the power of ENI in the currency markets, and to the privileged information associated with the position—contacts with central banks as well as with sheikhs—to speculate on exchange rates with profits paid by the speculators, which served for the needs of financing parties.”

Here we do not need further details. For the aims we have defined, what we want to point out is the shift (dictated by profit goals connected to power positions) from “real” operations, founded, that is, on concrete and real transactions, to profits acquired through financial operations of a speculative nature, on exchange rates and currencies.

The system described by Florio Fiorini, may assume greater significance if one considers that the main foreign “bank operators” that ENI used at the time were, on the one hand, Banco Ambrosiano, and on the other, BCCI [Bank for Credit and Commerce International]. That is, the two international private banks which, 10 years apart, experienced the most widespread, devastating failures, in which, as is known, managers and principals at all levels were implicated, whose responsibilities cannot be fully identified, for the past or the present, due to the high level of connivance and coverup.

4. The fight against economic crime

In conclusion, I would like to return to the main point mentioned at the beginning, that is, the question of “morality” in economics, a problem which is considered indispensable for the study of systems of fighting economic crimes.

I would like to recall an episode, concerning a simple verbal exchange I had in 1992 during a public debate with one of the most valuable Italian economists, Professor Savona. On that occasion, I recalled how, in the investigation of illegal drugs and arms traffic I conducted in the early 1980s, I once confiscated a strange piece of paper from an accused person. On the left there was a column of figures preceded by a dollar sign, and alongside it, future time frames. On the right, there was another column of figures preceded by the initials BP, which stood for “barrels of petroleum.” It was explained to me that this was a “simple” prospectus of futures on the London stock exchange.

In essence, the operators in question were not dealing in “real” petroleum transactions. They were making purely financial speculative operations, “playing” on the price of crude oil.

Beyond the problems of the source of funds used for such purely financial speculation of immense quantities, the real danger of such operations was evident, considering that, through those market operations, as for all the rest, not only could they earn immense profits without any corresponding, concrete activity; they could also, and did, effect considerable fluctuations in the “real” price of petroleum, and, there-

fore, in the “real” cost paid by various operators of various countries for their energy needs.

The effect of these operations, in essence, was to generate profits, and also to provoke the destabilization, and economic and financial conditioning of entire economies.

On the basis of these considerations and premises, I asked Professor Savona, at the debate mentioned, the following: “But, considering the dubious source of capital, real or fictitious, used in these international operations as well as in purchasing State bonds, which constitute the ordinary, normal avenue for recycling drug and weapons revenues; considering all this, did the competent authorities for surveillance and control, on the national and international banking level, study these components or not? Did they study the connections between legal and illegal capital? Were measures studied to combat such forms of economic criminality capable of producing devastating effects in the long term?”

Professor Savona’s answer was simple: “Where national and international interests at play are taken into consideration for the required support they provide to national economies, one must realize that the fight against economic criminality cannot be carried out, because the irreversible damage that would be produced to the national economies, would be greater than the minimal advantages which might derive from the partial and minimal results of a fight against economic criminality.”

Perhaps, the problem we are considering is summarized in this axiom. It is not an abstract logic, but very practical.

I will give an example of political choices related to the Italy of today. There is a need, reiterated by the Schiller Institute, for reinforcing transport corridors through the Alps, in particular, to allow Italy to interact with the Productive Triangle of corridors which LaRouche has proposed. Thus the need to build great projects, new tunnels, high-speed rail.

This certainly is one of the basic problems of inter-State relations of major importance.

At this point a hypothesis and a question arise.

The hypothesis is that those operators concretely interested in the realization of such great projects are not extraneous to, but rather part of the economic-financial system that one is trying to combat.

The question is: In this case, what can we do? Must the preeminent interest have the better of the other component, which would suggest a different kind of intervention?

And how should one intervene when one is dealing not with operators active in a single country, as normally is the case today, but with “internationals”?

So, I think these questions summarize the problems of today’s society, a society in which, considering the complexity of relations, of aims and causes, it is increasingly difficult to define the limits between the licit and illicit, between moral judgment and economic judgment, between “ideas” and practice.

Business Briefs

Infrastructure

Kinnock 'Green Book' urges policy change

On Dec. 20, European Union Commissioner Neil Kinnock presented his so-called Green Book on transport policy, which calls for "internalizing the external costs" of transportation. According to the Green Book, the "external costs" are the unpaid costs of transport, including the economic damage from traffic jams, traffic accidents, air pollution, and "noise emission."

The report estimates the "external costs" for the EU at about \$300 billion a year, about 90% of which is from automobile traffic. The report says that due to traffic jams, travel inside big cities is slower today than it was 100 years ago with horses.

The Green Book offers several proposals to reflect the "external costs" in transport prices; for example, by additional taxes and fees. However, a Green Book, in contrast to a White Book, is only a discussion paper. The Swiss daily *Neue Züricher Zeitung* described it as Kinnock's "vision for a new transport policy," which, for the moment, is far from a consensus among EU governments.

Asia

Philippines to allow speculation a freer hand

The Philippines Central Bank joined the ranks of financial lemmings on Dec. 18, issuing ground rules for a new era of market trading in the full range of derivatives. Wire services report that some foreign bankers are grumbling that the guidelines will stunt the fledgling swap and forward markets, in which time limits will be imposed. But as *EIR*'s Dennis Small told businessmen in Manila at the end of November, legalizing derivatives trading will only move the Philippines closer to the top of the list of countries likely to suffer a Mexico-style blowout in the near term.

The guidelines, modeled on the July 1994 recommendations of the Basel Committee on Banking Supervision, require any institution

trading in derivatives to have a minimum net worth of 200 million pesos (\$7.63 million), and no derivatives-related losses in the last six months. Traders are required to have a minimum of two years experience. According to a circular issued by Central Bank Gov. Gabriel Singson, the guidelines are aimed at shifting focus from regulating bank exposure to derivatives-related risk, to improving internal risk management "at all times."

Meanwhile, the government announced a new wave of privatizations, the *Manila Standard* reported on Nov. 25. A primary target is the Social Security system, along the lines of the Chile model, which *EIR* has exposed as a vicious looting of pensions to prop up the collapsing securities markets (see p. 9). Also targeted are major utilities, including the Philippine National Railways, Manila Waterworks and Sewerage System, National Power Corp., Local Waterworks Utilization Authority, and the Philippine Ports Authority. Previous privatizations, which began in 1987, were limited to government-owned firms which were failing.

Finance

Malaysia, Indonesia, and Thailand pledge reserves

At a meeting of 10 Asian central bankers in Hongkong on Nov. 20, Malaysia, Indonesia, Thailand, and Hongkong signed a joint repurchase agreement, "to help each other if their currencies come under fire from global speculators," the Dec. 7 *Far Eastern Economic Review* reported. The agreement came in the wake of the ongoing slide in the markets and the currencies of all four countries since the Mexico collapse.

Citibank's Alexander Erskine, from Singapore, praised the deal. "Hongkong is the main beneficiary of the agreements," which give the Hongkong banks a "warm feeling that they will have support if and when they need it," he said.

Meanwhile, Thailand has jumped in to bail out the stock market, the *Nation* reported on Nov. 17. The government is pumping \$1.2 billion into a fund for retail investors, and lowering the minimum initial margin for security

trading loans from 40% to 30%. The Thai, Philippine, Malaysian, and Taiwan exchanges have been in a sharp fall since August, generally blamed on a steady withdrawal of foreign investments.

Thai Finance Minister Surakiat Sathianthai told the *Nation* that the private sector demanded support from the government because they "do not have money to pay for the margin calls." The Bank of Thailand had announced a few days before that they would resist any government intervention or any call for lowering margin limits.

Nigeria

China rail deal expected to help revive economy

"The underinvestment of our rail sector has been our bane, and by contracting China to turn the sector around, our economy would also be turned around," Gregory Ilukwe, administrator of the Nigeria Railway Corp., said at a news conference on Dec. 14 on the \$520 million railway deal signed between Nigeria and China in Beijing the week before. "Railway is the answer to Nigeria's economic problems. Now, we are at the threshold of an economic revolution."

Under the contract, the Chinese State-run firm would overhaul Nigeria's railways, deliver an unspecified number of locomotives, and provide technical expertise. "People should not be scared that the Chinese are coming to take over Nigeria railways. Rather, both countries are going to be involved in a wide scope of cooperation, a new starting point for our rail system," Ilukwe said. He said two new rail tracks for the northern Nigerian axis would be constructed after the rail sector starts to function properly, to terminate at the capital Abuja and at the midwestern Benin City, tied to the southeastern Port-Harcourt axis. "For a start, their survey and design team will come to prepare ground for the 100 Chinese technical men who will do the major job of overhauling the rail sector."

Following the signing of the railway deal, a four-man Chinese delegation visited Nigeria "to explore areas of cooperation with Nigeria in the steel industry," Radio Nigeria reported.

Briefly

● **ALGERIA** signed a \$3.5 billion gas deal with British Petroleum in December, the London *Independent* reported. The new field in the Sahara is potentially one of the largest in the world. The deal underscores the British role in underwriting the hard-line policies of the Algerian government.

● **INDIA** is facing an AIDS epidemic that may "consume" as many as 10,000 Indians per day by the year 2000, Dr. I.S. Gilada of the independent Indian Health Organization warned on Dec. 8. Dr. Gilada's figures "fly in the face of reassuring official estimates of the National AIDS Control Organization," the *Hindustan Times* reported.

● **UKRAINE** President Leonid Kuchma told Chinese businessmen on Dec. 5 on a visit to Beijing, that Ukraine is eager to help construct a new Silk Road, Itar-Tass reported on Dec. 5. The reference to the ancient trade route linking Rome and China was part of Kuchma's bid for Chinese investment in Ukraine.

● **CARGILL** official Andreas Rickmers called for "big grain harvests in the coming year," because of the "dramatic supply situation." He told a meeting of the German Corn Committee in Heppenheit in November that in the long term, harvests would have to grow 1.8% a year to keep up with demand. It is necessary to "use technical progress intensively in all fields," he said.

● **AEROSPACE** industry employment has fallen 42% since 1989, the Aerospace Industries Association reported in mid-December. AIA President Don Fuqua reported that one of the most worrisome problems is getting young people to consider aerospace as a career.

● **SPAIN** is facing a wave of bankruptcies of companies highly exposed on short-term loans. On Dec. 15, it was reported that the Huarte group, the fifth-largest in the construction sector, defaulted on roughly \$315 million.

On Dec. 6, Junior Power and Steel Minister Iyorwuese Haghertold the World Bank representative in Nigeria, Trevor Byer, that Nigeria could not meet the bank's demand to raise electricity prices by 400%. "We will be imposing more economic hardship on our people," if we raise prices, he said.

Debt

Tunisian President urges African debt write-off

Tunisian President Zine al-Abidine Ben Ali, on Dec. 18, called on richer nations to write off the debts owed by low-income and emerging countries in Africa. "The situation facing certain regions, particularly in Africa, are quite frankly terrifying. . . . Is it possible to speak of the benefits of scientific progress and good citizenship, when whole populations are threatened with disappearance, in full view of all?" he asked.

Ben Ali was speaking before 500 delegates attending a meeting of the International Economic Association. According to news service reports, he also urged that interest on Third World debt be written off or used in projects to benefit the environment, employment, and basic infrastructure. The IEA congress is chaired by World Bank Vice President Michael Bruno.

Dope, Inc.

British banks expanding money-laundering plans

British banks are developing new high-technology money-laundering schemes, according to the Dec. 24 *New York Times*.

The pressure put on global money-laundering networks by the Clinton administration's war on drugs is forcing even the Cayman Islands to sign on to measures to restrict money laundering. But Ronald K. Noble, U.S. Assistant Secretary of the Treasury for Enforcement, says that "the list of countries where the line between government and organized crime

is blurred, is expanding at a disturbing rate." Noble and Treasury Secretary Robert Rubin traveled to Ibero-America in November to rally support for anti-money-laundering efforts, but those efforts may soon be eclipsed by "cyber-cash" systems being pioneered by British banks.

Mondex, an experiment of National Westminster and Midland banks, with British Telecom, is a scheme to market "smart cards," which can be filled with cash from bank machines or over the telephone from a bank account. Money can move from one card to another, in person or by phone, and the holder of the card can make purchases in total anonymity.

Stanley E. Morris, the head of Fincen, said, "The nightmare of it is that there is no registration of every transaction, the way there is if you use a Visa or Mastercard. . . . That's the drug kingpin of the future, the guy walking around with a chip in his pocket worth a few million."

Advanced Technology

16,000 mph maglev train foreseen by MIT

"A recent 15-year series of inquiries, carried out by MIT . . . shows us that electromagnetically levitated and powered trains flying through virtually airless tubes" could easily complete a trip from Liverpool to Boston in less than an hour, according to the latest assessment of the prospects for maglev trains using evacuated tubes, by Frank P. Davidson of the Massachusetts Institute of Technology, in the January issue of *Air & Space* magazine. "What's more, the technology to do so is nearly within our grasp," Davidson wrote.

The article references Robert Goddard's two patents, Robert Salter of the Rand Corp. and his recent studies and designs, plus a 900-foot-long, two-inch-diameter Ping-Pong-ball model, demonstrated at MIT in 1985, by Tom Stockebrand of Digital Equipment Corp.

Transatlantic tube flight would be achieved not by expensive tunneling, but by a "floating tunnel" anchored to the sea floor, floating 112 feet below the surface.

The economics of social justice for the Palestinians

by Muriel Mirak Weissbach

In the complex unfolding of the Middle East peace process, the most intricate, and painful problem to be solved is that of the Palestinian refugees. Here are persons who were driven off their land in 1948, and housed in refugee camps under the auspices of the United Nations Relief and Works Agency (UNRWA) in Jordan, Gaza, the West Bank, Syria, and Lebanon. They, their children, and now their grandchildren, still live as refugees, whether in camps or not, in these countries, joined by the refugees of the 1967 war as well as the Palestinian workers expelled by many Persian Gulf countries in the war against Iraq in 1991. Whereas refugees from 1967 and later have been granted the formal right to return to the occupied territories, now being handed over to the Palestinian National Authority, the refugees of 1948 have not. As a member of the Jordanian Parliament, Hon. Salih Shawaateh, writes in an article in this *Feature*, "There have been no signs of reference to the issue of the return of these refugees to their land in the Oslo 1 agreement, the Washington agreement, or in the Oslo 2." What is their fate to be?

The most striking feature of public response to the Palestinian refugee problem is the apparent lack of concern with it. No one wants to address it. Government and other bodies pretend not to know about it. Many are not informed, mainly because they do not wish to be informed. When Libya's Muammar Qaddafi expelled numerous Palestinian refugees, casting them into the no man's land between Libya and Egypt, he claimed that the reason for his wild gesture, was to embarrass Palestine Liberation Organization Chairman Yasser Arafat, and to force the issue. But even Qaddafi's vicious toying with human lives did not provoke the public outcry one might have expected, about the underlying drama of the Palestinian refugees. People do not want to look at the problem for a simple, very straightforward reason: To face the facts means to face the moral responsibility to devise a solution.

Therefore, putting out the facts is of primary importance. Persons in positions of responsibility, whether in the United States government departments directly



Palestinian refugees in Jordan stand in line to receive water. The supply of water is the most vital parameter for economic development among the Palestinians.

involved with the Middle East peace process, or in governments of the regional partners, or in the public more broadly, must be forced to face the reality. *EIR* is pleased to publish an article on the subject by Mr. Shaawateh. A Palestinian who won his seat in Parliament in the 1993 election, as a candidate from the northern city of Irbid, he is known for his commitment to be the voice of these refugees. "Today," he writes, "we look with deep concern to the rise of the state of frustration among the '48 refugees. . . . I consider it as my duty to make known the bitter and painful preoccupations of those refugees, particularly those of them who live in Jordan."

The table accompanying Mr. Shaawateh's article gives statistics taken from official sources, on how many Palestinian refugees there are and where they are currently located. The data show that there are over 3 million Palestinian refugees in Jordan, the West Bank, Gaza, Lebanon, and Syria, 31.7% of whom are living in refugee camps. In addition, there are refugees living in Egypt, Iraq, Australia, Germany, Canada, and the United States.

The policy issue

Telling the truth about the situation of these refugees is a necessary, moral act, but it is not enough. There is a policy question which must be addressed: How can these persons, whether from 1948, currently excluded from the peace accords, or from successive waves of refugees, be provided hope for the future?

The right to return has been solemnly guaranteed in a

series of United Nations resolutions. Resolution 194 of 1948, to which Mr. Shawaateh refers, establishes "that the refugees wishing to return to their homes and live in peace with their neighbors should be permitted to do so at the earliest practicable date, and that compensation should be paid for the property of those choosing not to return" by the "governments or authorities responsible." History has shown that resolutions passed by the U.N. (with the exception of those drafted to lend legitimacy to acts of aggression, as in the war against Iraq) are more often than not transformed into political footballs, to be tossed back and forth as the occasion dictates. Although the principles embodied in the resolutions on Palestinian refugees must be upheld, it is not appeal to the resolutions alone which will solve the problem.

The policy issue is straightforward: For the "right to return" to acquire actual meaning, it is necessary to introduce changes into the region, which will enable returning refugees to start a new life, better than the one they have been forced to endure thus far. To organize the transfer of refugees from camps in Jordan, for example, to similar camps in Gaza or the West Bank, is no solution. Returnees require houses, clean neighborhoods, schools for their children, hospitals, and productive jobs. It is only through this radical change in living standards that the attitude of many 1948 refugees, described by Mr. Shawaateh as frustration and rage, can be transformed into hope. This way, the fear that such frustrations in people might be exploited by political extremists, can be dispelled, by eliminating the causes of frustration.

The key to development: water

The key parameter for effective economic development, such as to provide an improved standard of living for the Palestinian population, is water. As Lyndon LaRouche, the author of the Oasis Plan for development of the Middle East, has never tired of repeating since he first addressed the issue in 1975, the entire Jordan River water system, including rivers and underground aquifers, is not sufficient to support the existing population there, much less, an increased number of people. Any discussion of “equitable sharing” of existing water resources is futile by definition, as there can be nothing equitable about dividing up a pie that is too small. The only rational solution lies in the creation of new sources of water, for industrial, agricultural, and domestic use, in massive quantities, such as to support not only the existing population, and that of returning refugees, but also the population of the future. This does not apply only for Jordan, Israel, and Palestine; even the Nile River system will not be able to provide the water required by growing populations there after the year 2007.

Such projects for creating new water resources have been on the drawing boards for decades. Specifically, the blueprint for regional development drawn up by LaRouche, has been circulating in the region for that amount of time. The summary version by Marcia Merry Baker included in this report, is a slightly edited reprint of an article which *EIR* published in September 1993, right after the news of the Oslo agreement between Israel and the Palestinians had been made public. It, and similar versions, have been the subject of intensive study among Palestinian, Jordanian, and Israeli circles, increasingly since Oslo I and the 1994 treaty between Jordan and Israel.

In both treaties, the economic foundations of peace are addressed, quite explicitly. The economic annexes to the PLO-Israel agreement highlight “cooperation in the field of water, including a Water Development Program,” as well as joint work for development energy, electricity, transport, communications, industry, etc. Specific mention is made in the annex, to the Mediterranean Sea (Gaza)-Dead Sea Canal, and to regional desalination programs. In the Jordanian-Israeli agreement, analogous, though less ambitious, plans for economic development are detailed, and mention was made of the Dead Sea-Red Sea canal project. Plans are defined for Israel to provide water to Jordan, in compensation for what it had appropriated in the past. One annex of the agreement outlines the allocation of water from the Yarmouk and Jordan rivers, in an “equitable sharing” arrangement, and a commitment is made for joint cooperation to find ways to supply Jordan with 50 million cubic meters per year more of drinkable water.

IMF policy stands in the way

Yet, two years after Oslo I and one year after the Jordanians made peace with Israel, precious little of this kind of economic development has taken hold. The Achilles’ heel of the entire process has been financing. Although generous

offers for funding were forthcoming from the international donors gathered in Paris or Washington, for Palestinian development, the World Bank succeeded in intervening to take control over their allocation and delivery (see *EIR*, April 7, 1995, “Is the World Bank Plotting Civil War in Palestine?”). In the absence of substantial funding, in the form of development credits or outright grants, the protagonists of the accords shifted their gaze increasingly to private sources of financing. In this process, roughly at the beginning of 1994, the International Monetary Fund mafia, which includes not only the institution per se, but the plethora of private banking interests, investment houses, and think-tanks huddling under its wings, succeeded in hijacking economic policy control over the process. By the time the agreement with Jordan was signed in late 1994, in fact, the IMF, together with the World Bank, had, for all practical purposes, taken over the economics of the peace process, and was handling it like a racket.

Nothing could illustrate the gangland-style takeover better than a review, which we include in this feature, of the major international conferences that have been dedicated to the theme of Middle East economic development. The first, hosted in Casablanca, Morocco by King Hassan, laid out a lavish display of regional infrastructure projects, which might have contributed to effective development, at least of Israel and Jordan, which were the leading players there.

One year later, in Amman, Jordan’s King Hussein played host to a second such conference, in which vast infrastructure projects, though still on the books, had been shoved onto the back shelves, while glittery tourist projects were thrust on display. The large infrastructure projects which had been presented in Morocco, had been whittled down to nearly nothing, in consideration of their costs, clearly “excessive” for any private investor. And, in lieu of public financing or development grants, the cry in Amman was private sector financing.

Finally, at the end of November 1995, the first conference took place of the countries of the European Union and of the Middle East and North Africa: the Euro-Mediterranean conference. Although not formally linked to the peace process, nor organized by the protagonist governments, as Casablanca and Amman had been, the gathering in Barcelona raised the expectations of many in the region, particularly among the Palestinians. It, too, was to prove disappointing, in that the same private sector bias prevailed, and the dogma of the “free market” reigned supreme. If in Amman the showpiece was supposed to be the Middle East Development Bank (a real misnomer: It is actually a merchant bank lending out at international market rates), the great achievement of the Barcelona meeting was the establishment, by 2010, of a free trade zone for the entire Mediterranean area.

It should come as no surprise, that the failure to deliver a peace dividend to the people, would backfire politically. Although Israel reportedly experienced a threefold increase in foreign investment, up to \$1.35 billion from January to November 1995, compared to \$441 million in the compara-

ble period of 1994, and \$304 million in 1993, the same was not true for Jordan or the Palestinian Authority. Jordan has increased its export earnings as well as tourism revenue, but none of this has been felt as beneficial by the average citizen, who has experienced inflation and lower living standards.

It has been in Jordan, in fact, that the opposition to the peace process has gained most ground. Up until the Amman conference, it might have been said, that the opposition to peace with Israel, or to “normalization,” though widespread, was essentially ideological in nature. It was led by political forces, like the Islamists, the Arab nationalists, and Hamas, who rejected the peace treaty on essentially dogmatic grounds. Their political rhetoric would not permit an arrangement with “the Zionist entity.” Following the Amman conference, however, the bone of contention between government and opposition became the economy and economic policy. It came to a dramatic head, when on Dec. 9, 1995, Laith Shubeilat, a former member of Parliament, was arrested on charges of *lèse majesté*, and undermining the national economy and currency. Regarding the latter, curious charge, Shubeilat had evidently rubbed salt into the wound, in public statements which challenged the government’s acquiescence to IMF and World Bank dictates, as part of the peace arrangements. A severe crackdown on Jordan’s professional associations and on the press, which had echoed such criticisms, signaled a dangerous escalation of tensions in the country toward outright confrontation. The entire conflict was being fueled as well from abroad, specifically from London, which was orchestrating psychological warfare campaigns against Jordan, accusing its leadership of plotting against Iraq, while fomenting a myriad of crises in Saudi Arabia, Yemen, Qatar, and so forth.

Although it was certainly not the intention of the prosecution, the arrest of Shubeilat has brought the entire issue of the “economic justice” of the peace process into the foreground. If a public figure is jailed because he has questioned the wisdom of the policies of the IMF, policies which have produced misery, famine, and devastation in literally every country in which they have been successfully imposed, then that means the question must be raised: Who is right? The IMF or those who reject the IMF? The massive support being expressed for Shubeilat inside Jordan as well as abroad, particularly from IMF victim nations, demonstrates the passion with which this issue—IMF free-market liberal economics and its consequences on the real economy—is becoming the enemy image of forces seeking development.

It is tragic that the economic policy fight should take on such forms, threatening the freedom and well-being of a public figure and the freedom of the press. That fight should be fought, and openly. For, to solve the urgent problems facing the Middle East in its quest for peace, it is more than ever necessary now to thrash out differences over the crucial issue of which economic policy is correct. Only through such a policy debate, can the means be found to provide justice for the Palestinian refugees.

Toward the return of the refugees of 1948

by Hon. Salih Shaawateh

The author is a member of the Jordanian Parliament.

Each stage in history has its distinct ideological, political, and economic elements, which become embedded in peoples who witness a period of special historical shift.

This is what was registered in the historical records following the surrender of Nazi Germany. We saw East Germany being forced, politically and militarily, into the socialist camp headed by the former Soviet Union, while West Germany came to be subjected to military occupation by the Western allies, and was denied the right to build any military force. These developments coincided with implementation of the Marshall Plan for economic reconstruction of Western Europe, in addition to the creation of the NATO alliance in 1945.

With the collapse of the Soviet Union in 1992, East and West Germany were reunited, and “Germany” regained its integrity after a period in which West Germany had become an industrial power from the 1960s and joined the Group of Seven.

Looking into the Arab world, we observe a different phenomenon. The Arab regimes remained ideologically and physically intact, despite all the defeats many of the leading Arab powers suffered. For example, the defeat in the 1967 war did not cause the collapse of Gamal Abdel Nasser’s regime, which had lost that war and with it Sinai and the Gaza Strip, which had been administered by that Egyptian regime since 1948. This could provide an explanation for the emergence of extremist movements in opposition to these (Arab) regimes in the Mideast region, since these movements believed that they were a better alternative to these regimes, and that their political programs could replace the ideologies of the regimes defeated in the ’67 war.

I do not wish to go into the details of this otherwise very important issue, since it is not the subject matter of this article. However, I referred briefly to the impacts which major historical changes can have on the nations of the region. This leads to the question: What is the future of those Palestinians who became refugees in other Arab countries since 1948? The fact is that many young people who belong to the second generation of the ’48 refugees have been asking me, and others on all different levels, this highly political question.

The peaceful, democratic struggle

I want to start by expressing my deepest concern about the fact that the international powers that are opposed to peace and stability in the region might try to create extremist movements, through recruiting the most frustrated among the '48 refugees. In appreciation of the trust and confidence the electorate has granted me, I present for discussion a political idea which is deeply bound up with those of international legitimacy, human rights, and democracy, so that it could become a framework for political activity for all the Palestinian refugees. I stress here that this idea is related "only" to the refugees of 1948, and therefore does not address those Palestinians living in the self-rule area. My feeling is that the Palestinian refugees who migrated to other Arab countries should demand the implementation of the United Nations' resolutions, particularly Resolution 181 of 1947 on the division of Palestine, and demand their right to participate in self-determination and to return to their land and properties as was expressed by U.N. Resolution 194 of January 1948.¹

Many calls have been pronounced here and there demanding the establishment of some movement or organization to crystallize and lead this political tendency. In Jordan, where democracy exists, we need not circulate these ideas secretly. They must be popularized under democracy, especially because they are based on international legitimacy. We realize that democratic practice is the key to the success of any movement which wants to mobilize the '48 refugees behind a political program aiming at guaranteeing their return to their homeland. This will mean that any such movement must declare from the outset that it will not resort to terrorist activities during its struggle for the people; both its slogan and goal must be: "the return to the land occupied in 1948 through the implementation of international resolutions, and by means of peaceful struggle supported by the Arab, Islamic and international peace-loving forces."

The dynamic basis for every terrorist movement is the state of frustration which the intellectual part of the masses

fall into, especially those sectors of it opposed to the authorities, the oppressed or impoverished strata of the people who are deprived of expressing their aspirations freely and democratically. From such an environment, the extremist groups in Egypt emerged. Their first victim was President Anwar Sadat, who made the first peace accord with Israel. He was the victim of the frustration which resulted from the agreement itself. Today, we are deeply concerned about the rising level of frustration among the '48 refugees. There has been no indication that the "Oslo 1" agreement, the Washington agreement, or the "Oslo 2" agreements referred to the issue of the return of these refugees to their land. I consider it to be my duty to make known the bitter and painful preoccupations of those refugees, particularly those living in Jordan.

No power on Earth can force any Palestinian to step back from demanding his unalienable national right to return to the home from which he/she was driven by force in 1948, especially as these rights were all recognized by U.N. resolution. However, what is most important now is what the Democratic Movement for the 1948 Refugees should commit itself to: It should resort only to democratic and peaceful methods in expressing its aspirations, and organizing the masses; it should also start with outlining its goals and political tendencies, that is, demanding the implementation of the U.N.'s resolutions, especially Resolution 181 on the division of Palestine and Resolution 194.

Notes

1. U.N. Resolution 194, in its 11th provision, "*Resolves* that the refugees wishing to return to their homes and live at peace with their neighbors should be permitted to do so at the earliest practicable date, and that compensation should be paid for the property of their choosing not to return and for loss of or damage to property which, under principles of international law or in equity, should be made good by the Governments or authorities responsible. *Instructs* the Conciliation Commission to facilitate the repatriation, resettlement and economic and social rehabilitation of the refugees and the payment of compensation . . ." (editors' note).

TABLE 1

Disposition of Palestinian refugees by selected locations*

Country or territory	Total number of refugee camps	Percentage living in camps	Population living in camps	Population not living in camps	Country or territory total
Jordan	10	19.5%	244,026	949,513	1,193,539
West Bank	20	25.6%	129,727	374,343	504,070
Gaza	8	53.1%	350,620	292,980	643,600
Lebanon	12	50.3%	175,426	162,864	338,290
Syria	10	24.4%	91,476	235,812	327,288
Totals	60	31.7%	991,275	2,015,512	3,006,787

* Not including Palestinians living in Iraq, Egypt, Germany, Australia, Canada, or the United States.

The Oasis Plan: Man-made rivers and growth corridors to span the deserts

by Marcia Merry Baker

The Oasis Plan outlined by Lyndon LaRouche refers to a program encompassing already-proposed water management, transportation, and other projects, combined with the large-scale use of nuclear power to desalinate water, to establish systems of canals, energy supplies, and new freshwater sources throughout the Middle East-North Africa region, through strategic growth corridors, on a scale equivalent to adding the water volumes of new, "man-made River Jordans." By this means, along with agricultural and industrial facilities, and the related provision of social infrastructure—housing, schools, health care, towns, cultural centers—the foundation is provided for economic development and durable peace.

We present here a summary picture of the priority projects for the region, and also a summary account of the means to provide the critical inputs for realizing these projects, from the output potential of the "Productive Triangle" region of central Europe.

Power to make water

First, consider what we can do with nuclear energy. Take an hypothetical case: Imagine an agro-industrial colony in the middle of a desert, in a location not conveniently reachable from a variety of freshwater management projects now on the drawing boards, but adjacent to salt water from the sea.

We take half a dozen high-temperature nuclear reactor (HTR) modules, of the type which today could be produced on assembly lines. We put together these modules into a power plant producing 1-2 gigawatts of electric generating power and an additional 1-2 gigawatts of usable heat output. We apply a portion of that electric and thermal output to desalinating seawater, using a combination of existing processes, at the rate of 70-100 cubic meters per second. This provides ample freshwater for the domestic, irrigation, and industrial needs of a self-sustaining agro-industrial colony of 1 million people—in the middle of a desert! The rest of the HTR power we use for pumping, between the sea and the location of our colony (at an elevation of, let us say, 400 meters). A few more nuclear units cover the electricity and

process-heat requirements of the colony itself. The entire complex, centered on the nuclear power sources, is an updated version of the 1950s "nuplex" designs of Atoms for Peace and Project Plowshare.

Two dozen of such large-scale HTR desalination centers could produce rates of freshwater flows equivalent to that of the Nile and Euphrates combined—a man-made river system!

Project designs for smaller, modular HTR units are at the ready-to-go engineering stage from the German firm Siemens and the Swedish-Swiss combine Asea Brown Boveri; and also from California-based General Atomics. The HTR modules possess characteristics of stability and inherent safety which make them ideally suited for the region.

For example, the General Atomics power plant design, first proposed for a Pacific coast location in southern California, has four modules (each at 135 megawatts-electric), located underground, for a total power output of about 540 megawatts; which gives a net electrical output of 466 megawatts, after fueling the attached multi-stage flash distillation process for desalting sea water. In the most advanced design, electrical power can be drawn off the helium gas cycle directly, without the need for turbine generators. It would take about 22 of this type facility to provide the volume of water equal to the current 3,500 million cubic meters of renewable water in the Jordan River Basin—in other words, a second Jordan River.

Complete desalination units, including nuclear power sources, can be built in assembly-line fashion, and shipped into place on floating platforms for rapid transport and installation. The technology and most of the development work for such mass-produced units are already complete.

This application of nuclear power illustrates what can be done more generally, with the quality of productive power which nuclear technology embodies. Apart from the unlimited potential of desalination, it is eminently possible to transfer huge quantities of freshwater from areas with a surplus of such water—above all, the tropical rain regions of Central Africa—into the Sahel, North Africa, and even into the Middle East. Projects to accomplish this, through systems of

canals, reservoirs, and pumping stations, have long been on the drawing boards.

The Great Projects

Engineering plans exist for the following projects:

- Transferring water from the Zaire (Congo) basin, out of the Ubangi River system, into the Lake Chad basin to stabilize the lake and provide water resources for Sahel development.

- Capturing more of the White and Blue Nile rivers to improve the headlands and downriver regions.

- Developing the groundwater resources from underneath the Sahara, from North Africa across to northern Somalia, and under the Arabian Desert. In particular, there is a plan for the Qattara Depression in northern Egypt, where a huge dry hole is a made-to-order lake bed for seawater to be transferred in via a 35-mile canal from the Mediterranean. In Libya, 1992 saw the opening of the "Great Man-Made River" project, in which water is pumped up from under the Sahara and carried by a huge underground pipeline to population centers on the Mediterranean coast which are otherwise running out of water.

- The centerpiece projects of the entire region are proposed canals that would connect the Dead Sea either to the Mediterranean, or to the Red Sea, or to both, serving as seawater channels, along which nuclear-powered desalination units can provide the water resource base for development corridors throughout the region. **Figure 1** shows schematically the possible routes of these canals.

Through these and related projects, significant improvements in the water supply of the Middle East and North African nations could be realized within a few years, with dramatic improvements accruing by the turn of the century.

Man-made rivers and lakes

Thus, with plentiful power, a network of man-made rivers and lakes can be created to span strategic regions of North Africa and the Middle East, with water from the Mediterranean, Red Sea, Persian Gulf, and Arabian Sea. Then, at selected inland points, nuclear-powered desalinated seawater can provide required volumes of freshwater, that, in turn, can be piped, stored, and used as a new water resource base.

Where necessary, seawater must first be raised through pumping to points from which the water can then flow through the canal system of channels and lakes, or storage basins. The power for this can be supplied by nuclear reactors. Where the creation of canals and storage basins requires large earth-moving operations, nuclear excavation can be employed with advantage.

The volumes of salt water channeled inland from the seas will serve several purposes. First, they supply the desalination plants and various industries along their banks and shores. Second, they provide a means of transport, together with the canals. Third, the water from these lakes enhances

the water cycle of the atmosphere; and there are potential hydrostatic benefits for the groundwater.

Along the canals and reservoirs we can construct "nuplexes"—complexes of nuclear power and various sizes of desalination units, generating freshwater for the spectrum of uses required—"protected" desert agriculture (hydroponics, drip-irrigation, greenhouses, etc.), food processing, industrial and chemical processing, and residential. Extensive tunnel and piping distribution systems can provide freshwater farther away, to more distant areas, thus creating "green bands" of growth based on new "artificial rivers."

The courses of the seawater canals, and the locations of freshwater creation and potential "green bands" must be determined on the basis of geographical, geological, and infrastructural considerations, bearing in mind the future growth of population and transport.

The ability to provide freshwater in the indicated fashion also points to the future potential of beneficial modifications of the climate in the region. Evaporation from lakes and reservoirs, and above all, transpiration from plants and the other effects deriving from large-scale, irrigated, intensive agriculture in desert areas, greatly enhance the natural processes for generation of rain. Provided that water management and agriculture expand in parallel with the increase in rainfall, this process becomes self-accelerating. The throughput of water among the atmosphere, sea, land, and biomass grows to the point that the deserts tend to diminish, in favor of a milder, "Mediterranean" climate.

Inputs from the 'Productive Triangle'

The most essential precondition for the proposals outlined here, is the realization of Lyndon LaRouche's infrastructure development program for the "Productive Triangle"—the three corners of the spherical triangle defined by the cities of Paris, Berlin, and Vienna. The fate of the Middle East is inseparably linked to generating a new "economic miracle" in central Europe via high-speed rail and magnetically levitated rail systems and a renaissance of nuclear energy. **Figure 2** shows the core region of the Productive Triangle, and radiating outward, spirals of development corridors along the centers of population and economic activity.

Given the collapse of the U.S. economy, it is continental Europe, together with Japan, which must provide the decisive margin of technology for developing the Middle East. This includes the mass production of nuclear modules and desalination units over the next 15-20 years.

In this context, we must massively upgrade the transport infrastructure between North Africa, the Middle East, and the Productive Triangle region in Europe. This must include connections to the southern tip of Spain, a bridge to Sicily, high-speed rail connections to Istanbul, and connections to the Black Sea.

Among the proposed elements of this transport grid (**Figure 3**) are:

FIGURE 1
Selected infrastructure projects for the 'New Mideast'

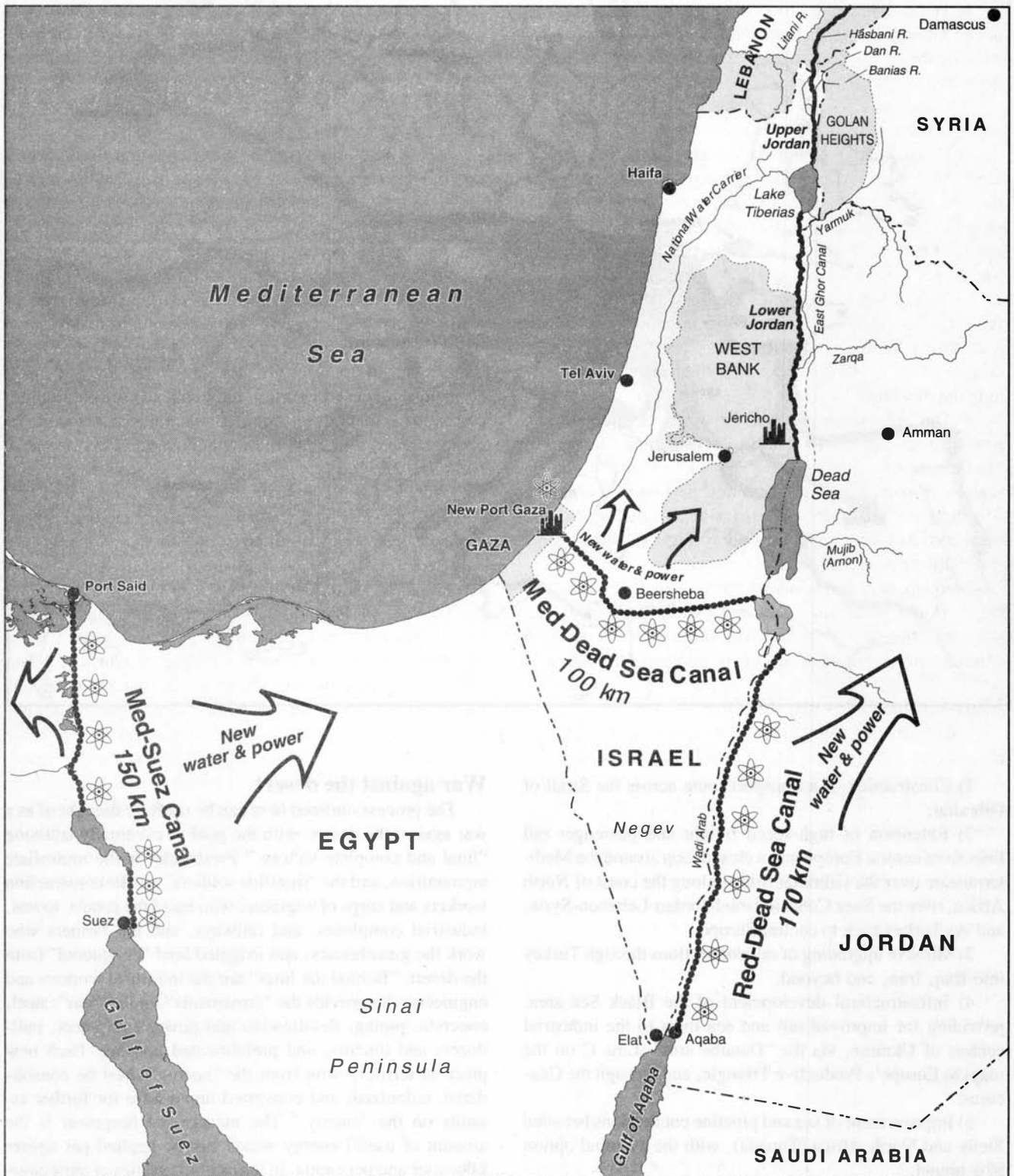
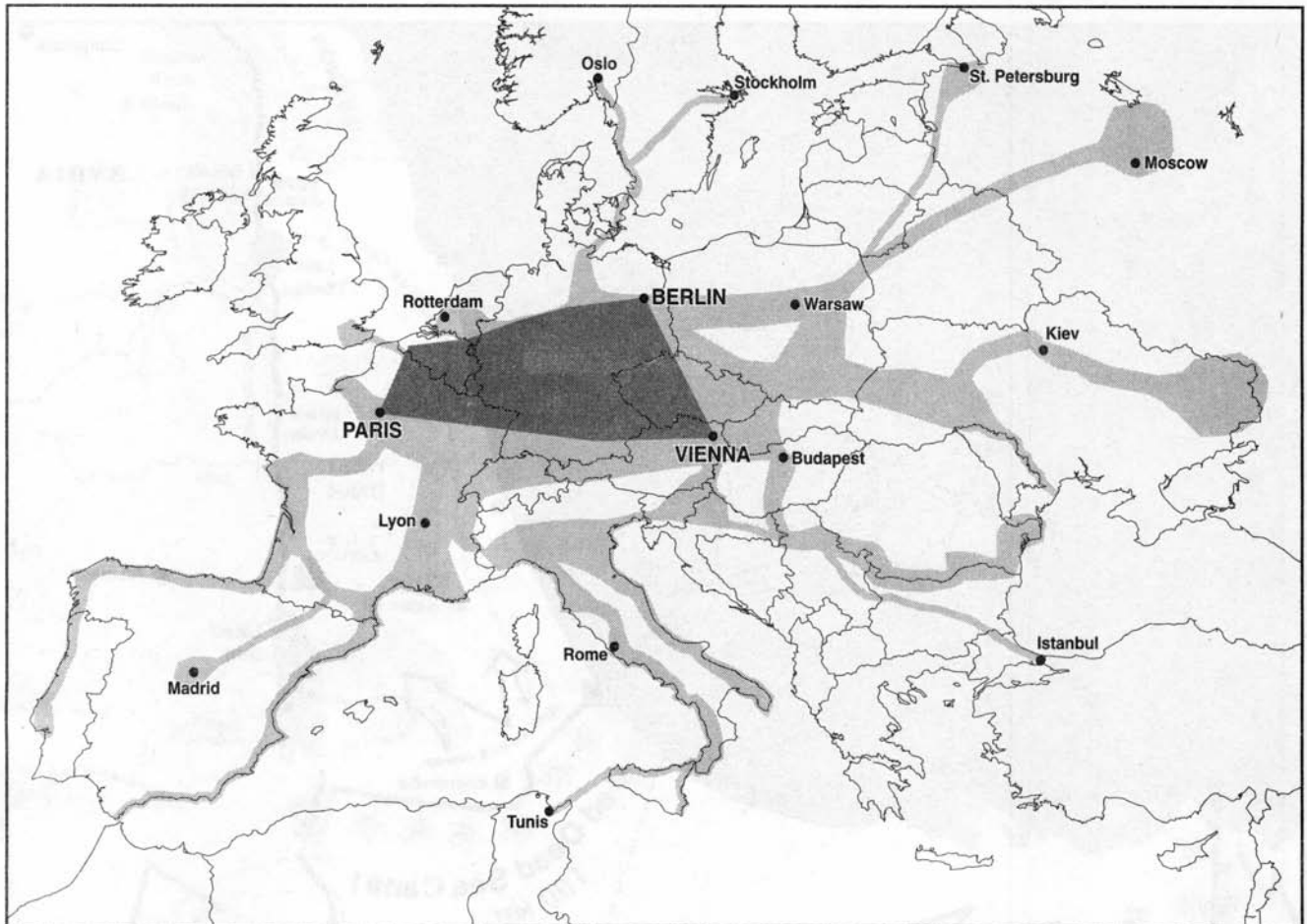


FIGURE 2

Spiral arms extending from the European 'Productive Triangle'



1) Construction of a transport route across the Strait of Gibraltar;

2) Extension of high-speed freight and passenger rail lines from central Europe into a closed loop around the Mediterranean: over the Gibraltar bridge along the coast of North Africa, over the Suez Canal to Israel-Jordan-Lebanon-Syria, and via Turkey back to central Europe;

3) Massive upgrading of rail connections through Turkey into Iraq, Iran, and beyond;

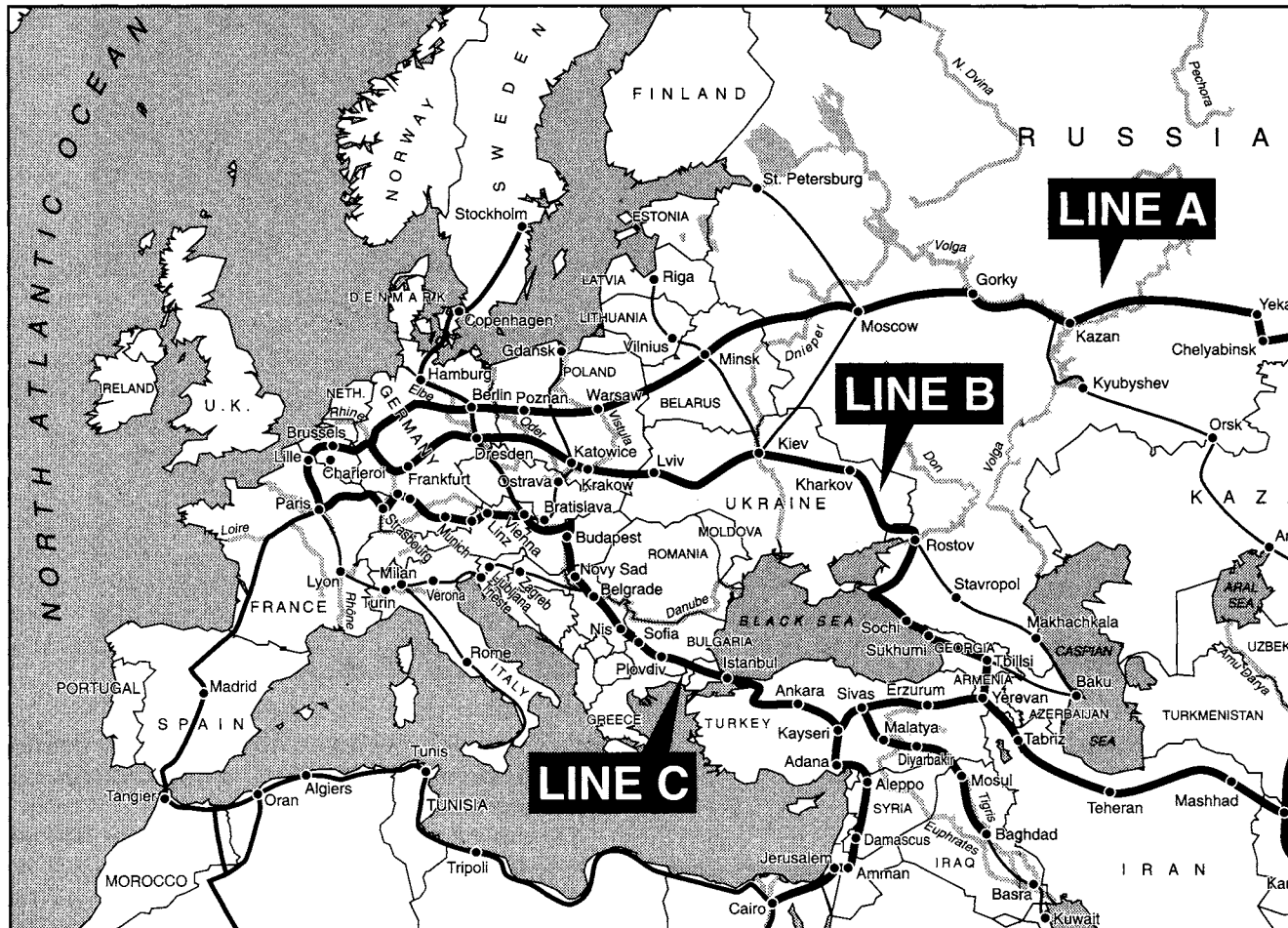
4) Infrastructural development of the Black Sea area, providing for improved rail and sea links to the industrial centers of Ukraine, via the "Danube arm" (Line C on the map) to Europe's Productive Triangle, and through the Caucasus;

5) Improvement of sea and pipeline connections between Sicily and North Africa (Tunisia), with the eventual option of a tunnel.

War against the desert

The process outlined here can be usefully thought of as a war against the desert, with the goal of eventually attaining "final and complete victory." Freshwater is the immediate ammunition, and the "frontline soldiers" are the construction workers and corps of engineers who build the canals, towns, industrial complexes, and railways, and the farmers who work the greenhouses, and irrigated land "conquered" from the desert. "Behind the lines" are the industrial workers and engineers who provide the "armaments" for the "war": steel, concrete, piping, desalination and power equipment, bulldozers and tractors, and prefabricated housing. Each new piece of territory won from the "enemy" must be consolidated, colonized, and converted into a base for further assaults on the "enemy." The measure of firepower is the amount of useful energy which can be applied per square kilometer and per capita, in terms of intensities of agricultur-

FIGURE 3
Eurasian rail system would link up with the Mideast



al, industrial, and infrastructural activity.

Just as with real armaments, increasing the firepower is a question of the level of technology. In the face of such a formidable enemy as the deserts of North Africa and the Middle East, we would be foolish not to employ the most modern arms available—"nuclear weapons," such as the high-temperature reactor, combined with advanced desalination technologies, and so forth.

The ability to use these weapons of modern technology depends on the education, training, and moral qualities of the soldiers and those who must supply and maintain such weapons. To these are added the scientists and engineers who must constantly develop and perfect new weapons in the course of the war. Ultimately, it is the productive power of society, the expansion of its economic base, which determines whether or not the protracted war against the deserts will end in victory.

Social infrastructure

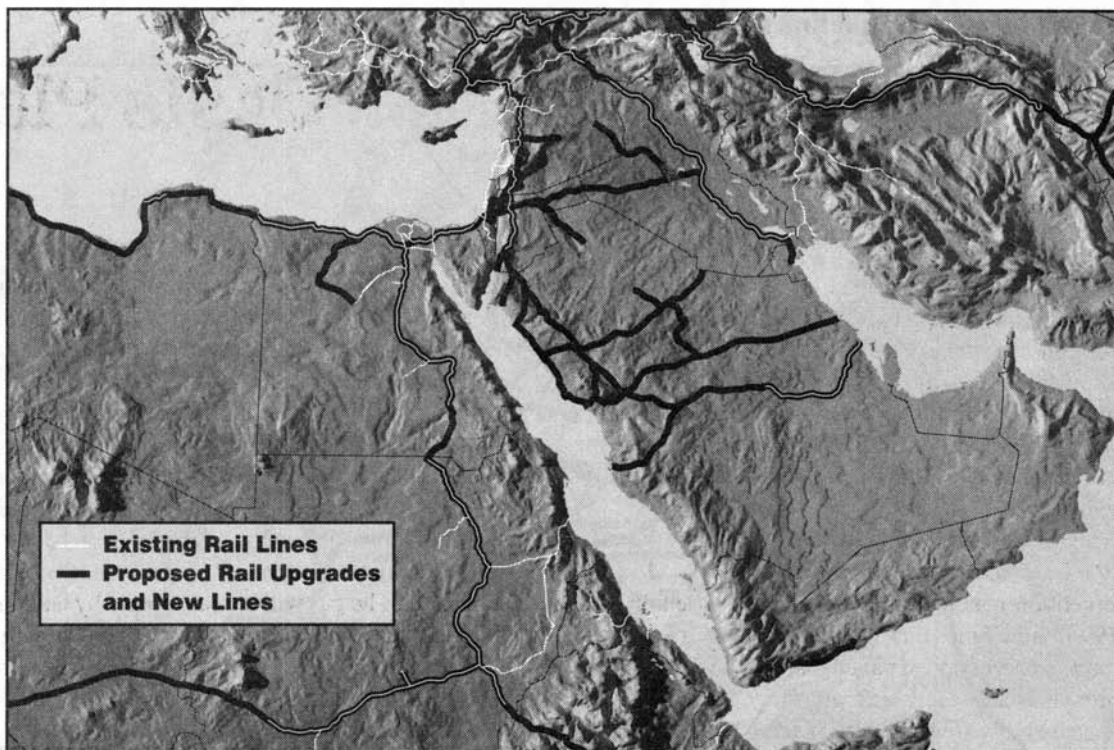
Ranking equally with the need for water in the region is the need for provision of housing, health care, education, cultural and religious centers, and all manner of social infrastructure. Despite strife and economic hardship, several local examples of new town development show the way.

For example, in the east Egypt desert, in the 1980s, agriculture complexes were created from the ground up, located at chosen sites convenient to new experimental agriculture development zones. Power was supplied for pumping groundwater. Where for the past 5,000 years only desert brush grew, water was supplied, and soils "created" by a scientific sequence of cropping, resulting in humus formation and good yields.

Wholly new towns were designed and built for the new residents, accounting for dwellings, schools, shops, religious and cultural centers, with attention to the architectural

FIGURE 4

Greater Middle East, existing and proposed rail development (Arab League)



features. Now the design and construction of new towns becomes the foremost Great Project of the accords.

Let's complete the projects!

An immediate goal is to complete the rail lines along the main routes of Istanbul-Baghdad-Basra-Kuwait, Aleppo-Damascus-Amman-Jiddah-Mecca, Alexandria-Qattara, and Heluan-Bahariyah-Qattara.

Since the conceptual work done by the Arab governments in the 1970s (Figure 4), additional useful projects have been envisaged. Resuming work on the Syrian-Jordanian segment of the old Hedjaz railroad, in connection with a Jordan Valley development project with extended operations at the ports of Tripoli, Haifa, and Aqaba and with the modernization of rail links between these ports, would create a joint region of rapid economic growth that could define mutual, sound interests in peace between Israel and its Arab neighbors.

Furthermore, direct cooperation between the Suez Canal and the port of Aqaba could serve the development of a riparian urban culture along the western rim of the Arabian Peninsula, from Aqaba to Jiddah and Aden, and launch a mirror development on the western rim of the Red Sea, along the eastern African coast from Suez to Djibouti.

The natural extension westward of Egypt's Qattara development project would be the construction of a trans-Maghreb rail route from Alexandria to Oran to Tangier, along the

Mediterranean coast of northern Africa, and the construction of another rail link from the Nile to the Lake Chad development project in northern Central Africa.

The creation of a rail ferry link from southern Italy and Sicily to the Libyan port of Tripoli, plus the drilling of two rail tunnels below the Strait of Gibraltar in the west and beneath the Dardanelles in the east (modelled on the Channel Tunnel between France and Britain), would establish three central connections of modern transport infrastructure among Africa, the Middle East, and the envisaged Productive Triangle in central Europe.

Generally speaking, the main trans-Arabian rail routes should be laid out in a two-track mode, at least, and eventually even in three or four tracks, to provide a basic, future-oriented rail grid that could last for the next 100 years. Electrification and broadening of many old tracks from the 1,000 mm gauge to the European standard gauge of 1,435 mm width is necessary to link the entire rail infrastructure of the North African and Middle Eastern regions to the modern rail grid of Europe.

If done properly, concentrated investments in the transport infrastructure, with emphasis on modernized and high-speed railroads, could lay the groundwork for a great region of economic cooperation among Europe, Africa, and the Middle East that would finally make the Mediterranean a lake of peace and development.

Mideast development efforts fall short of LaRouche's Oasis Plan

by Muriel Mirak Weissbach

The Mideast peace process opened up the possibility for a vision of global development to become reality. The expectations were high that such great projects, as those sketched out in LaRouche's Oasis Plan, would be launched, as soon as humanly possible. LaRouche himself urged the regional partners to break ground fast, in Gaza, for example, on the port construction, to show the population that life was changing for the better.

The story of how the vision of great projects was sabotaged by the International Monetary Fund (IMF) and World Bank intervention has been told, in gruesome detail (*EIR*, April 7, 1995): how funds that should have flowed to finance the Gaza port, construction of paved roads, schools, housing, and so forth, instead were blocked through diabolical cunning and outright cheating. Or how funds which could have been made available through the World Bank for vast canal projects, as contemplated in the Jordanian-Israeli accords, for example, were withheld on the grounds that such "castles in the desert" were not priorities.

Yet, it would be a lie to assert that no infrastructure projects have been planned and started. On the contrary, ground has been broken in the Jordan River Valley for a series of sizable projects. Other projects, for energy and raw materials supply, are moving from the drawing boards to the construction sites. A glance at a few of these projects will clarify, by comparison with the LaRouche approach, what the problem is.

Oil and natural gas

Take the example of energy. At the first economic conference of the Middle East and North Africa group, held in Morocco in 1994, though many regional infrastructure projects were presented, no mention was made of nuclear energy utilization. By the time the Amman conference took place a year later, the mere suggestion that nuclear plants could provide electricity, as well as power for running desalination plants, was greeted with either rage, ridicule, or embarrassed silence. The decision had been made and communicated through U.S. State Department sources, as well as political institutions in Germany, to the peace partners, that the region would *not* be allowed to utilize this energy source.

In addition to oil, natural gas was another option. At the Amman summit, great enthusiasm was generated by the news

that Qatar had signed a \$5.4 billion deal to provide Israel with natural gas. A Memorandum of Intent, signed by Israeli Minister of Energy and Infrastructure Dr. Gonen Segev and Enron Qatar LNG Marketing Ltd., stipulated that natural gas reserves from Qatar's North Dome Field would be sold to Israel, through the Enron subsidiary. The natural gas would be liquefied at a new plant in Ras Laffan, and regasified at a site to be selected on the Mediterranean, then shipped to Israel. In an interview to the Arabic financial daily *Al Aswaq*, Qatari Foreign Minister Sheik Hamad bin Jassim bin Jabr Al-Thani said, "The gas will be transported by tankers to Aqaba port"—although other options were open. To satisfy Israel's need for natural gas, the deal was fine. But it ended there.

FIGURE 1
ENI's Levante gas project configuration

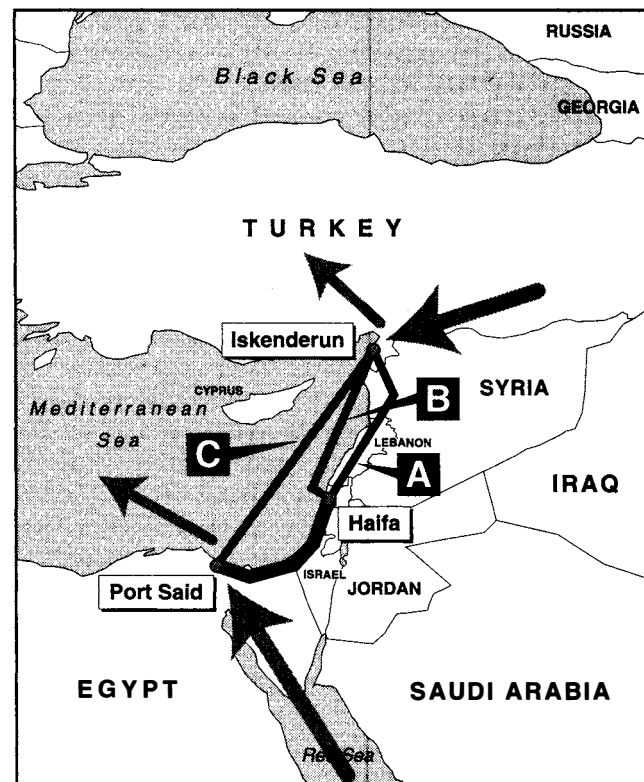
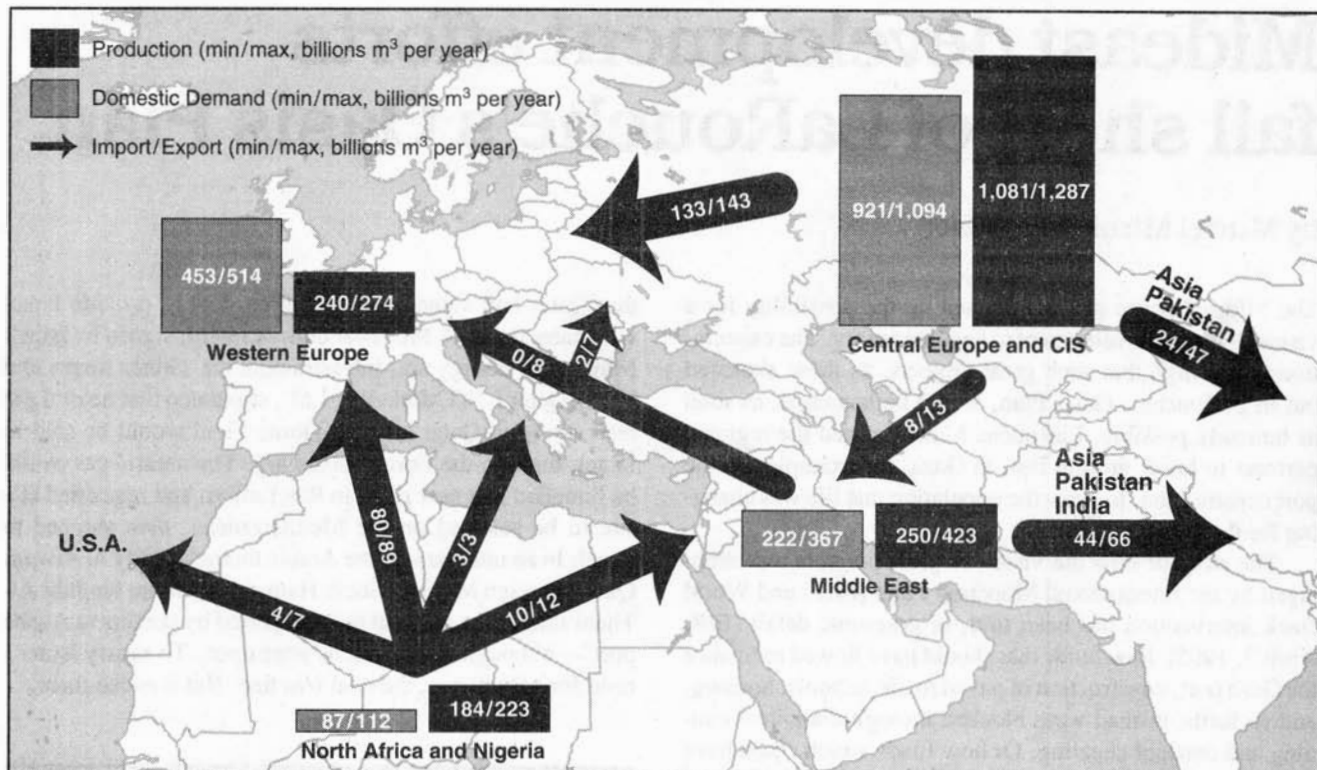


FIGURE 2

ENI's plan for natural gas trade by the year 2010



At the same conference, the Italian energy company founded by Enrico Mattei, ENI, presented a proposal for natural gas supply, not only to Israel, but to all the nations in the region that lack this raw material. The ENI proposal envisioned construction of pipelines northward from Port Said in Egypt, which would be the collection point for gas coming from Egypt as well as Gulf countries in the future. As Dr. Luigi Meanti, chairman of ENI SPA, told *EIR*, "We are dealing with a very straightforward situation today: There is the availability of gas in Egypt and the desire on the part of Egypt to export gas toward the east; there is a large country, which is Turkey, which is a big gas importer. Since it is a large country with a rather advanced degree of industrialization, it could constitute the basis for large quantities of gas." He continued, "Then there are the countries along the route, countries that have no gas, like Lebanon, Israel, the [Palestinian autonomous] territories, Jordan (which has gas, but very little). There's a country, Syria, which has a certain amount of gas which it consumes, but which has not developed gas consumption very much. Therefore, there exists the possibility of building a common infrastructure. It is not gigantic, it is a matter of 550 kilometers of pipeline." Out of these considerations, ENI developed the Levante Gas Project.

The concept of "building a common infrastructure" is crucial: Not only does it enhance the commitment to peace, as all those participating benefit from the project, but it creates

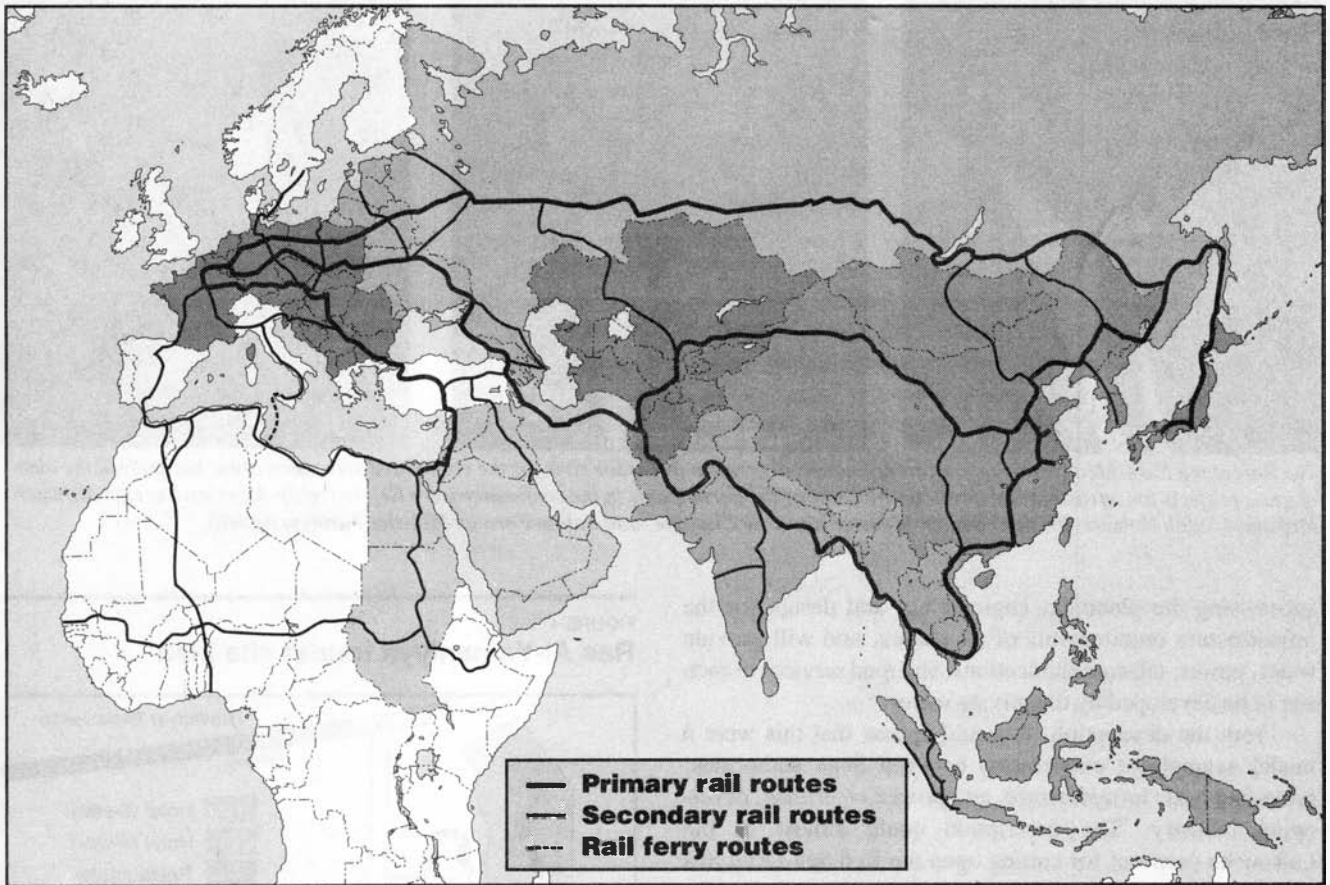
a "development corridor" along its route. As Dr. Meanti recalled, Italy's postwar experience in reconstruction was based largely on gas: "We were fortunate enough to have significant quantities of gas available," he said. "We had the opportunity to produce networks to make it available to industry. Industry gained tremendous advantages from this." The central point is, he continued, that "there were industrial localities which were born because there was gas available. Gas is a great catalyst, to create industries. And this is what is important. It is especially appropriate for small and medium industries, because a single fuel can be used for all applications." Thus, in ENI's view, such a pipeline design would lay the basis for generating industrial development along its path. This is more than merely supplying gas.

ENI's concept of generating industrialization through gas pipeline networks is not limited to the immediate area of the peace process, but is embedded, so to speak, in a Eurasian vision of pipelines, some under construction, some already functioning, others on the drawing boards (Figures 1 and 2). This Eurasian network is understood, correctly, as the backbone of an industrial development process. The pipelines are not merely supplying natural gas, but are defining the routes along which cities and towns, utilizing the gas for industry, would grow up.

It is no wonder that the ENI project was rejected out of hand by Enron executives at the Amman conference.

FIGURE 3

Proposed 'Eurasian land bridge' rail development



Railroads

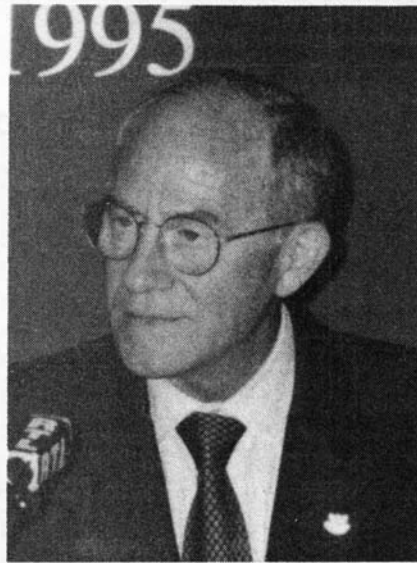
Another example of generating industrial development through infrastructure, is rail. The LaRouche "Productive Triangle" program foresees three vast east-west rail lines, along the ancient silk routes, as well as crucial link-ups with a trans-continental African rail network (Figure 3). The points of connection are located along the ring around the Mediterranean: A southern European track crosses through Spain into Morocco, and sweeps across northern Africa through Cairo into the Middle East, while the other track coming down through the Balkans and Turkey completes the ring. The projected rail-ferry from Sicily to Tripoli in Libya provides another link. Without this kind of rail network, improvements in trade among the nations of northern Africa cannot be made. Furthermore, as rail networks have historically shown, such transportation lines define the locations for new cities and towns, with their industrial and agricultural activities.

At the Amman conference, little or nothing was said about regional rail networks, whereas such transportation constitutes the precondition for increased trade and industrialization. When *EIR* raised the question at the Barcelona

conference, whether, in addition to the airport and seaport improvements that were noted in the final communiqué, there had been discussion of rail systems, Italian Foreign Minister Susanna Agnelli threw up her hands. "Rail?" she asked incredulously. "We are in the Mediterranean. We are talking about an area around a sea. This is water. You can't use trains to cross the sea!"

Get-rich-quick schemes

One more example of infrastructure should be considered, which indeed is being taken seriously in Jordan. This is the infrastructure for the Jordan Valley Authority and for the Aqaba Regional Authority. The JVA, which was established in 1988, is directly under the jurisdiction of the Ministry of Water and Irrigation. As described in the official Jordanian program from the Amman conference, "Building a Prosperous Peace," the authority "begins at the Syrian border in the north, covers the entire Jordan River valley, the northern edge of the Dead Sea, the lower parts of the Yarmouk and Zarqa River basins, and extends to the eastern edge of the Dead Sea." Furthermore, the JVA "is responsible for



The Barcelona Euro-Mediterranean conference vowed to create a free trade zone for the entire Mediterranean area, but shelved the idea of great projects for infrastructure development. Among the participants in the conference were (left to right): Algerian Foreign Minister Mohamed Salah Dembri, French Foreign Minister Hervé de Charette, and Italian Foreign Minister Susanna Agnelli.

supervising the planning, engineering, and design for the infrastructure requirements of all phases, and will provide water, power, telecommunications, and road services to each site to be developed by the private sector.”

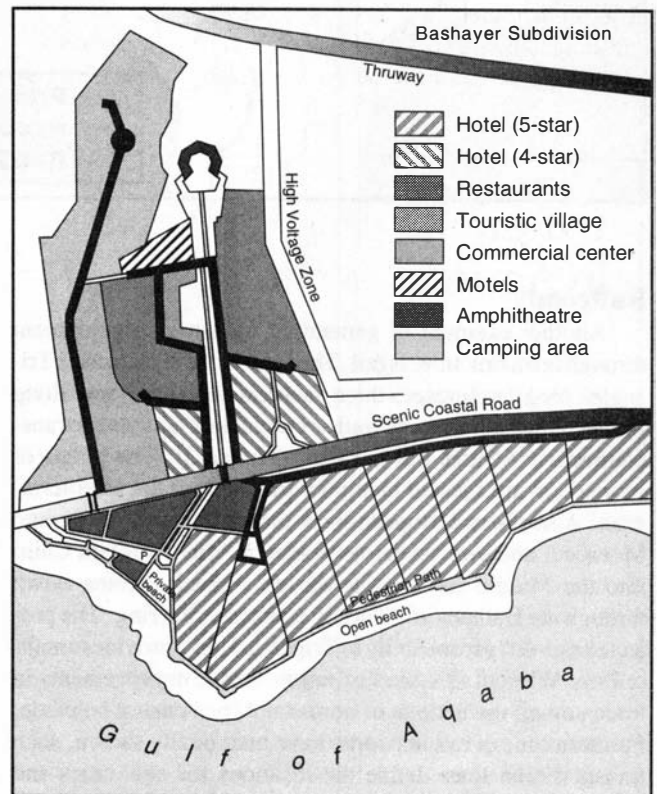
From the description, it would appear that this were a model example of cooperation between State authorities, providing basic infrastructure, and private enterprise, developing industry. The description could almost fit the LaRouche proposal for cutting open the Red Sea-Dead Sea Canal, floating nuclear-powered desalination units along it, so that towns and cities on both sides could flourish. This is, after all, the idea of infrastructure for industry.

The only hitch is that the “industry” in question here is tourism. The Dead Sea Tourism Project Master Plan, as it is called, was adopted in December 1994 by the JVA. It includes four sites for tourism, involving “the construction of 15,000 hotel rooms and 18,000 housing units along this 60-kilometer stretch of beach by the year 2010.”

Similarly, for the Aqaba area, the Aqaba Region Authority “has prepared a master plan for the tourist sector” in the area bordering Israel and Saudi Arabia, in the southern part of Jordan. The South Coast Master Plan “focuses on four major developments: Ras Al-Yamaniyya to the north; Qaboos Tourist Village in the center; the golf course and resort project in the south, and the Disney-style amusement park located to the south of the planned golf course.” Ras Al-Yamaniyya is to have eight five-star hotels, with 250 rooms each, three four-star hotels with 200 rooms each, as well as a tourist village, a camping area, and so forth (Figure 4).

Within the entire array of projects presented by Jordan at the Amman summit, those relating to tourism represented the lion’s share of projected investment; the tourism sector had projects totalling investments of over \$1 billion, as com-

FIGURE 4
Ras Al-Yamaniyya tourist site plan



Source: Aqaba Region Authority.

pared to \$705 million each in minerals and industry, and in water projects. The reason why the tourist sector should enjoy such attention, in a country where a quarter of a million

Palestinians live in refugee camps, is simple: "It is expected that the 6.3% annual growth in hotel rooms seen over the past ten years will increase dramatically, as will the current average occupancy rate of 65% and the current average daily tourist spending rate of US\$96." Jordanian planners consciously make the comparison with Israel's tourist "industry": "To further clarify the underdeveloped nature of Jordan's Dead Sea area, a comparison with Israeli Dead Sea tourism figures is instructive. Recent information provided by hoteliers indicates that Israel has some 2,000 rooms situated on the Dead Sea oriented toward the health/beauty market. Collectively, the hotels are averaging a 75% occupancy rate, with some visitors spending in excess of US\$3,000 per week on hotel accommodation, meals, and health/beauty services." The background piece concludes: "There are an additional 1,300 rooms now under construction on the Israeli side of the Dead Sea, with another 3,000 rooms in the design/permit stage, involving major chains such as Hyatt and Holiday Inn. By contrast, Jordan at the present time has only approximately 100 rooms available on the Dead Sea."

The *Jordan Times* reported on Dec. 10, that Tourism and Antiquities Minister Abdul Ilah Al Khatib predicted a meteoric rise in tourism revenues. One million foreign tourists in 1995 were expected to bring in \$723 million—a 24% increase over 1994. Based on this trend in the peace dividend, 5 million foreign tourists are expected by the year 2000, "making tourism the biggest hard currency earner in Jordan's economy," according to the *Jordan Times*. "Jordan," it con-

tinued, "wants to catch up with Israel, which had a record 2.17 million visitors in 1994 and \$2.75 billion revenue."

The fallacy of such "get-rich-quick" thinking was debunked by LaRouche in an interview which appeared during the Amman summit, in a special English-language version of *Al Aswaq*. LaRouche pointed out that the IMF and World Bank for the last 25 years had "almost consistently demanded that so-called 'developing nations' avoid any significant investment in infrastructural development, and place the emphasis upon the general use of cheap-labor investments, with special emphasis upon the promotion of cheap-labor-based tourism as a source for gathering hard-currency receipts." This "tourism-pivoted cheap-labor-investments policy," he said, had become dominant because of the credibility accorded it in the academic community and the insistence with which international institutions pushed it. "The facts," he said, "do not support the propaganda," as shown in the fact that nations "lured into such tourism-centered orientations, end up looting their people and their land, in real terms."

When one considers what the impact would be, of a comparable financial effort to achieve the construction of roads, telecommunications, water facilities, and energy, to build new towns and cities, or even to expand existing ones, to house those who are now living in temporary dwellings, one begins to understand why many people in the region do not find the economic fruits of peace to be so sweet. One grasps as well the urgency of addressing the issue of economic policy in a serious manner.

LaRouche program debated in Amman, Barcelona

Although not present personally at the Amman summit on the Middle East and North Africa, or the Barcelona Euro-Mediterranean conference, Lyndon LaRouche was the subject of animated debate among the thousands of political figures and businessmen present. During the three-day conference held in the Jordanian capital, the Arabic language daily *Al Aswaq* issued a special English-language edition for the conference, called "Amman '95." On the first day of the conference, it featured an article from *EIR* on the critical economic policy issues which would be at the center of debate: a dirigistic approach to regional infrastructure versus the "free-market" approach of the International Monetary Fund, the World Bank, and the World Economic Forum, the sponsoring organization.

On the third day of the meeting, portions of an interview with LaRouche appeared in the daily, entitled: "LaRouche: A Vision of Regional Development." In it, the physical economist developed the parameters for a

financial institution that would issue credits for real development in the region. LaRouche defined the comparative economic advantages of the area as three: "First, that the region is one of the chokepoints, between the Mediterranean and Indian-Pacific littorals, and, for that reason, also one of the world's highest economic potential 'land-bridge' regions. It is here that produce of the two oceanic basins, a large portion of the world's sea-borne exportable wealth, comes to port regions bringing together an array of primary and semi-finished products which are the required supply for a great industrial center. Second, that the population has the potential for supplying a skilled, high-technology labor force. Third, that the nations of the region are highly motivated to succeed, by the fact that the present levels of population could not survive in decency without acquiring such development."

At the Barcelona conference, *Al Aswaq* issued a special round-up from Amman, as its contribution to the discussion in Spain. The issue, 2,000 copies of which were distributed, carried an *EIR* summary report on the Amman summit, as well as the complete text of LaRouche's interview, which also appeared in *EIR*, Nov. 17, 1995.

Arrest of Laith Shubeilat places Jordanian democracy in jeopardy

by Hussein Nadeem

Laith Shubeilat, the leading figure in the Jordanian opposition, was arrested on Dec. 9, 1995, and accused of having slandered the king, as well as having undermined the economy and currency of the nation. The mode of his arrest, the political circumstances surrounding it, and the implications of the charges, have raised a furor in the country and abroad.

According to reports of his colleagues, wife, and lawyer, Shubeilat was arrested in an unconventional manner. His home and office were subjected to search and seal operations on the part of the authorities, without his permission or valid search warrants. As his wife declared in a press release (see *Documentation*), the prosecuting authorities attempted to arrest her son and the family's chauffeur, and succeeded in confiscating documents and Mr. Shubeilat's car. One colleague of Mr. Shubeilat was confined to a room, while the search of the office was conducted.

When he was informed of the facts, Shubeilat called an impromptu press conference, to explain to the media why he was being arrested, and then turned himself in. He was taken into custody for two weeks, without bail, although the charges do not justify such treatment under Jordanian law. He was interrogated daily until Dec. 19, when he refused to answer questions he said were not related to the accusations. Although suffering from chronic arthritis and arthrosis, Shubeilat has been held in solitary confinement in an unheated cell, without warm water. He was denied for several weeks the right to be visited by his wife or other family members.

As Rima Shubeilat points out in her declaration, it is not clear why the authorities should conduct searches and confiscate material, considering that the charges brought against him were reportedly based on remarks he had made during a public lecture. The lecture in question had taken place one full month earlier, on Nov. 7, in the northern city of Irbid. In it, Shubeilat reportedly presented a critical view of the history of the Hashemite dynasty. The lecture, which was public, was later published, so there was no apparent need to conduct searches.

Challenge to IMF austerity policy

The basis for the remaining charges, of "undermining the country's financial status" and "shaking the confidence in

the Jordanian dinar," as summarized by the *Jordan Times* account on Dec. 12, appears to be a series of statements, again made in public, by Shubeilat regarding the effect on Jordan's economy of the measures introduced by the International Monetary Fund (IMF).

On the "recommendation" of the International Monetary Fund, Jordan has lifted protective tariffs and many subsidies, liberalized investment and tax laws, and loosened restrictions on foreign purchase of land in Jordan. It has started privatization of State-controlled industries. The effects of such measures have been the same in Jordan as they have in virtually all other countries where they have been applied: inflation, lowered living standards, currency devaluation. Shubeilat, as the president of the Jordanian Engineers Association, was joined by other professional unions in resisting efforts to impose the IMF measures. Simultaneous with his arrest came the news that the government was preparing amendments in legislation governing the activity of the unions, and was about to introduce changes in press law, to limit criticism of government policy.

As Shubeilat said, in his press conference prior to being arrested, the unions were being threatened with political curbs, because they "have been leading the struggle of the professionals, and the masses behind them, to protest the low living standard, rise of prices, collapse of wages, and the handing of the professionals to foreign investors as cheap labor."

Shubeilat also talked about the Middle East and North Africa economic summit, held in Jordan in late October. The associations had boycotted the summit, limiting the participation of professionals. At the summit, the full array of IMF measures for a "free-market" economy was presented and accepted by the gathering. Shubeilat said, "At the Amman conference, foreign investors celebrated this 'economic feast' and the victory of the slogan, 'profit is the absolute value,' while every other concept of development which has become coupled with the term 'social development,' a nice name which they mention to the unions, falls apart around that slogan. They do this in order to prevent anyone from stopping their looting the country. If the State truly says that the political conflict is gone and the means of conflict now is

economic, then the unions must have a political representation because they are the people's biggest partner and the most targeted by the conservatives, market economy capital, and the International Monetary Fund." Shubeilat was quoted as forecasting that the prices of bread and water would increase dramatically within weeks. He said he believed that, if present trends were to continue, then popular protest against declining living standards could not be ruled out. The reference was to widespread riots and demonstrations that broke out in 1989, precisely in response to such IMF-style austerity measures.

Thus, his rejection of "free-market" economics is the real basis on which the charges have been levelled. Although it can be demonstrated, that it is the IMF policies which have produced the deleterious economic effects mentioned, the authorities have attempted to lay the blame on the person

who has spoken up about it. This is perhaps the first time that a public figure in Jordan has been incriminated for having told the truth about the IMF.

Shubeilat has denied all the charges brought against him. If convicted, he could face up to three years in prison. If further charges are added to the indictment, relating to incitement to insurrection, sedition, or the like, he would risk a more severe punishment of 20 years to life in prison.

A political hot potato

Immediately following the arrest, the associations and many political figures mobilized for Shubeilat's immediate release. The case quickly turned from a legal and security issue into a major political question, which aroused the concern of most of the population, especially the professional and political circles, regarding the political and economic

Who is Laith Shubeilat?

Laith Shubeilat is a 52-year-old Jordanian, from a prominent political family. His father was close to the king, serving as a minister as well as an ambassador for several years. Laith Shubeilat entered Parliament as an independent Islamist in 1989, when democracy was reintroduced in Jordan. He was elected by an overwhelming mandate, from voters in the Third District of Amman. His was the highest total for any single candidate, which made him the most popular personality in the country, outside the royal family.

In 1992, Shubeilat was arrested and charged with plotting the overthrow of the monarchy. He was accused of belonging to a group called Shabab al Nafeer (the Vanguard of Islamic Youth). After a railroad trial before a security court, which involved testimony by phony witnesses, he was convicted, and sentenced to 20 years of hard labor. Later, he was freed under the terms of a general amnesty granted by the king.

Shubeilat refused to run for re-election in 1993, in protest against the change in electoral laws, which he denounced as a blow to Jordan's democratic system. After thus leaving a political career, Shubeilat was elected president of the Jordanian Engineers Association (JEA), the most powerful of the dozen or so professional unions which represent the country's doctors, engineers, lawyers, and so forth. From that position, he has become the de facto leader of the opposition to "normalization" with Israel.

Shubeilat has campaigned in Jordan, and throughout the Arab and Islamic world, against the policies of the



Five days before his arrest, Laith Shubeilat was told by a government minister that "it would be better" if he did not run for re-election as head of the powerful Jordan Engineers Association.

International Monetary Fund, and for a new, just world economic order. Although he differs with Lyndon LaRouche on Middle East policy, Shubeilat campaigned for LaRouche's liberation and exoneration, organizing broad support throughout the Muslim intelligentsia. Shubeilat has also been active in efforts to forge an ecumenical alliance of the monotheistic religious traditions, on the basis of a commitment to the principle, that all men are created in the image of God the Creator. He has lectured widely throughout the world, and has authored numerous articles and essays.

future of the country.

Numerous committees were established, on the public as well as the professional unions level, calling for freedom for Shubeilat. Working groups were set up within the associations to deal with various aspects of the case. At least 32 lawyers declared their willingness to join Shubeilat's main lawyer, Jawad Younis, in his defense. Among them was Ahmed Obeidat, a former prime minister of Jordan.

More significant is that his case has become the major issue in the debates of the Jordanian Parliament, especially the economic deterioration of the country which Shubeilat had been criticizing. Reports in the Jordanian daily *Ad-Dustour* on Dec. 14, confirmed that a hot debate took place between the representatives in Parliament and the prime minister on the issues of rising prices and falling wages.

On Dec. 12, a message denouncing the arrest of Shubeilat was sent by the Assembly of the Professional Unions to Prime Minister Zaid Bin Shakir. The unions, which represent the physicians, dentists, pharmacists, lawyers, civil engineers, and agricultural engineers in Jordan, whose members number 35,000 of the best educated people in the country, said that the charges against Shubeilat had to do with his having expressed his opinion, which is a freedom protected by Jordanian law. They supported Shubeilat's analysis of the deteriorating living standard, collapse of wages, and spread of poverty in the middle class, and they demanded his immediate release.

A message by the Federation of Arab Engineers was sent to the government demanding the release of Shubeilat. The statement reminded the government of the economic and political role the professional unions have played in Jordan, and highlighted Shubeilat's role in this. The Arab Organization for Human Rights in Jordan also issued a release, declaring that the way Laith Shubeilat was arrested and his house was searched was a great violation of human rights. The organization asserted its belief that the motives for the arrest were "purely political."

Many other associations, unions, political parties, groups, and individuals in Jordan, the Arab world, and in Europe have supported the views of Laith Shubeilat on economic policy and bolstered his criticism of the kingdom's foreign policy, especially regarding Iraq. Among these groups are the Association for Opposing Zionism and Racism, Jordan; the Spanish United Left in Parliament; the Green List in the Jordanian Engineers Association; the Public Council of the city of Tufaila; the Professional Unions of the city of Irbid; nine opposition parties in the Jordanian Parliament; the Federal Union of Lebanese Engineers; former Jordanian Prime Minister Ahmed Obeidat; and Father George Al-Far, head of the Hajazin Christians; the international Schiller Institute; and, three leading Academicians from Moscow.

Kuzin, a democratic activist in Moscow, sent a letter to Jordanian Prosecutor General Mahmoud Mansour Obeidat,

to protest Shubeilat's arrest. Kuzin writes that he was the "cofounder in 1988 of the Democratic Union Party, the first anticommunist party in the U.S.S.R. during perestroika." Kuzin stresses that the fight against International Monetary Fund policies waged by Shubeilat, is of vital importance for Jordan. "For you," he writes, "it is useful to learn from our experience. Even such a rich country as Russia now is almost totally plundered, its industrial potential is going to zero, its population is rapidly dying out due to the generalized application of the IMF's 'free market' economic doctrine."

As soon as the support came pouring in, the authorities moved to suppress it. Reports from Amman indicated that in the third week of December, Jordanian newspapers were silent about the case, and many foreign newspapers were not available in the country. Persons distributing material in support of Shubeilat's freedom were put under pressure. Such tactics underlined the point evident from the onset, that the fate of Shubeilat carries with it the fate of democracy in Jordan.

Documentation

Rima Shubeilat appeals for her husband's release

Rima Shubeilat, the wife of Laith Shubeilat, issued the following statement on Dec. 18.

Laith, the defender of the poor and the conscience of the Jordanian people, is still under arrest and put under serious psychological conditions. His children and wife are denied the right to visit him, while pressure is increasing on his friends and relatives to prevent them from supporting him. The State's media and press present only the government's viewpoints and the prosecutor's. All which appears in the press is material aiming at defaming my husband, and at the same time praising the attitudes through which the government wants to direct the "facts."

I look with concern and suspense at what the Prosecutor General said to newspapers. He claims that he did not try to arrest my son, Farhan, and use him as a hostage a few hours before Laith's arrest. He also denied arresting the family chauffeur, and confiscating papers that belong to my husband. What happened that day, was that at 7:00 a.m., which is the time when my children go to school, the Prosecutor General, Mahmoud Mansour Obeidat, came together with a

police force to our house and demanded that they search the house. I asked him to present a search warrant, and he replied that "being Prosecutor General, he needs no written permission." The car and chauffeur were taken and released three hours later. Documents and other written material belonging to my husband were confiscated.

My concern and fear come from a previous experience when my husband was arrested for a serious political charge. The prosecutor, then [in 1992], said that Laith's car was in "safe hands." Shortly after that, the prosecutor came out in public saying that "many surprises are on the way," and that he had in his possession "large amounts of evidence." Each of these "surprises" was related to a date following the date of his declaration. Later, witnesses came "on their free will" to testify falsely against my husband, in a clear fraud. That was used to sentence my husband to actual physical death, despite the psychological impact which this had to defame him. Later, the charge of insulting the king was made to mobilize public emotions against Laith. Moreover, other charges were glued to the list of charges: insulting the government of Iraq, which had a great impact on the Jordanian people who sympathized with Iraq. After this tragi-comedy, the prosecutor contradicted all the previous charges by inventing a new charge: "conspiring to blow up the U.S. Embassy in Amman"(?!). The case of falsifying

the testimony of the witness, Ali Shakarshi, was revealed by his German attorneys, immediately after Shakarshi went back to Germany (where he used to live). Laith, later, presented the documentation on the fraud committed against him to the Jordanian Parliament, trying to save our country's pride. Copies of these revelations were sent to international human rights organizations and people in Jordan and abroad as well.

If the charge against my husband is *lèse majesté*, then, practically, he must have had done that *in public* before the date of his arrest. So, why should the police search Laith's house and office, and why should his and his colleagues' office be closed that day, in addition to closing the telephone transmission and insulting the employees? Should a man in the position of chairman of the Engineers Union of a country be arrested in a lawyer's office arbitrarily, instead of summoning him through telephone or mail, according to the law? It must be also borne in mind that the Prosecutor General has practiced pressure and suppression against my husband in order to derive a testimony for a felony which he had not committed, at the same time that we, his family and his attorneys, were not allowed to visit him.

I appeal to all Parliament members, humanitarian organizations, and unions to do their best to ensure the immediate release of my husband.



LaRouche Campaign Is On the Internet!

Lyndon LaRouche's Democratic presidential primary campaign has established a World Wide Web site on the Internet. The "home page" brings you recent policy statements by the candidate as well as a brief biographical resumé.

TO REACH the LaRouche page on the Internet:

<http://www.clark.net/larouche/welcome.html>

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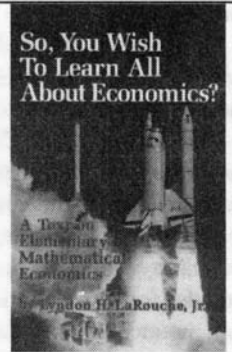
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Samuel Ruiz is an agent of the British monarchy

by Gretchen Small

A new Interfaith Peace Council, founded at Windsor Castle Nov. 27-30, 1995, and run by agents of the British royal family, confirms, down to the paycheck stubs, *EIR's* charge that the narco-terrorist Zapatista insurgency in Chiapas, Mexico, is an operation directed by the British monarchy as a test case for separatist wars against the nation-state worldwide.

The Council also demonstrates how the Chiapas project is run by some of the British Crown's most kinky, earth-worshipping, genocidal kooks around.

The Council chose Chiapas as one of its first targets. The *Comandante* of the Chiapas Zapatistas, Bishop Samuel Ruiz, is a Peace Council member, and his top aide, Gonzalo Ituarte, joined him at the founding meeting. British controllers of the Council say they will "put Chiapas forward as an international model for reconciliation and dialogue," and the Council has announced that it plans to hold its next meeting, a year from now, in San Cristóbal de las Casas, Chiapas. Council organizers would not reveal more specifics on their plans for Chiapas, but they do assert that they plan to carry out "quiet diplomacy, including confidential (non-publicized) message-carrying between the leaders of warring factions" in situations of conflict.

According to insiders at the Windsor Castle meeting, Ruiz believes the Peace Council has already helped him at home, as the government and the Catholic Church in Mexico have been forced "to take notice" of his membership.

"Take notice" they should—of who and what pulls Ruiz's strings. Within days of the Zapatista uprising which began on Jan. 1, 1994, *EIR News Service* stated that this was *not* an indigenous revolt, but de facto "a foreign invasion," run by, among others, the British Crown, with the strategic objective of breaking up Mexico, and handing over Mexico's

oil to foreign companies, including British companies. For the past two years, *EIR* has insisted that those who proposed "negotiating" with the Zapatistas, including in the U.S. State and Defense departments, are doing London's dirty work (see *EIR*, March 31, 1995, "Terrorist International at Work: The Chiapas Model," and Nov. 10, 1995, "New Terror International Targets the Americas").

The inner cabal

The Interfaith Peace Council, made up of 13 "world spiritual leaders" to start (they plan to expand membership to some 25), held its founding meeting in St. George's House of Windsor Castle, a policy-planning center for the British monarchy and for imperial policy, where Prince Philip often presides over cultish "religious" ceremonies. The press release announcing the birth of the Peace Council declares "the population explosion" to be one of the seven causes of world conflict, along with "patriarchal domination," which they will combat.

Organizers of the Council report that the Dalai Lama, an agent of the British royal family since World War II, played a leading role in putting the group together. Former Costa Rican President Oscar Arias Sánchez, a leader of the Inter-American Dialogue, worked closely with the Dalai Lama on the Council project, according to informed sources, who add that Arias and the Tibetan leader are "very close." Under Arias's direction, the Council committed itself to fight for the "demilitarization of nations."

Joining them on the Council is Elise Boulding, head of the International Peace Research Association and a top strategist for British intelligence's psychological warfare division, the Tavistock Institute. One of Boulding's specialties, outside of promoting feminism, is the deployment of non-gov-

ernmental organizations (NGOs) against the nation-state.

Two other members—the supreme patriarch of Cambodian Buddhism, Samdech Preah Maha Ghosananda, and the High Commissioner of India to the U.K., L.M. Singhvi—are patrons and activists of the Alliance for Religion and Conservation (ARC), which the Queen's consort, Prince Philip, founded in May 1995.

Prince Philip's pagans

Prince Philip, notorious for his stated wish to be reincarnated "as a deadly virus, in order to contribute something to solve overpopulation," took the lead, in 1986, in building a global "religious" movement for his program of returning the world to pre-feudal barbarism. Select world spiritual leaders, including the Dalai Lama, attended the 25th anniversary celebrations that year of Prince Philip's World Wildlife Fund, to discuss forging an alliance of the ecological movement and those world religions which agree to eradicate the concept that Man, made in the image of God, is capable of understanding and improving the universe through his creativity. The central tenet of Philip and his minions, is that human beings are "the enemy or tyrant of most forms of life," and therefore must be radically reduced in numbers, by whatever means, including eliminating mankind's capability to intervene in the universe through industry and science.

Prince Philip declared in a May 1990 speech to the North American Conference on Religion and Ecology in Washington, D.C., that he seeks to foster "the pagan worship of natural phenomena," over "the more intellectual monotheistic philosophies of revealed religions," as a highly efficient means to achieve his program of killing off billions of people.

The Interfaith Peace Council is the latest spin-off of this project. The Council is run by a small network of kooks who work with Gerald Barney, the director of the project which produced the genocidal *Global 2000 Report*, in 1980. Few were invited to the Windsor Castle founding of the Peace Council—organizers say they sought to foster "intimacy" among members—but Barney was one of the few "resource people" who attended.

The *Global 2000 Report*, produced for President Jimmy Carter by a team directed by Barney, called for reducing the world's population by at least 2 billion human beings—a policy to which Barney is still dedicated, now in coordination with Prince Philip's pagan kook networks. (Barney claims to have been very much influenced by feminist theologian Sallie McFague, who holds that it were more "relevant" to see God, not as Father, Son, and Holy Spirit, but as "friend, mother, and lover.")

Chief among these networks is the Council for a Parliament of the World's Religions, which works closely with Barney. The Council organized the Chicago 1993 Parliament of World Religions, a malthusian New Age conference called to celebrate the 100th anniversary of the first World Parliament of Religions, held in Chicago in 1893. That 1893 Parlia-

ment was credited by its sponsors—which included the Theosophical Society, the Transcendentalists, and the Bahai cult—as a milestone in the introduction of "Eastern spirituality" into the United States.

The 1993 Parliament was fully in line with that objective. Dominated by the United Nations' satanic Temple of Understanding, the British World Congress of Faiths, and liberation theology gurus (the Boff brothers, Gustavo Gutiérrez, and Hans Küng all played a leading role, with Küng drafting the final declaration adopted by the Parliament), the meeting offered workshops on such topics as "Circumcising Earth and Her People," "Towards an Eco-Kosher Judaism," "Of Saviors, Avatars, and Incarnations," and "Gnosticism and the New Myth of Consciousness."

Daniel Gómez-Ibáñez, the executive director of that Chicago Parliament of World Religions, is now the executive director of the Interfaith Peace Council. It was Gómez-Ibáñez who invited Barney to draft a shorter, more "activist" version of *Global 2000*, called *Global 2000 Revisited*, to be presented as a text for discussion at the Chicago Parliament, and who invited Barney to participate in the "intimate" founding of the Interfaith Peace Council.

Religion of the British Empire

Gómez-Ibáñez works closely with another trustee of the new Peace Council, the chairman of the World Congress of Faiths, the Rev. Marcus Braybrooke. Braybrooke, an Anglican priest, secured St. George's House at Windsor Castle for the founding meeting, through the good offices of the Anglican Church, whose head is Queen Elizabeth II.

Braybrooke's World Congress of Faiths was founded in 1936 by leading British intelligence operative Sir Francis Younghusband, for the stated purpose of expanding the British Empire. Younghusband was a strident advocate of Cecil Rhodes's "forward school" of British imperialism, and became the chief British intelligence operative in the Tibet-India-China theater during the late 19th and early 20th centuries. Younghusband led a bloody invasion of Tibet in 1903-04, sponsored by Lord George Curzon, one of the masters of British "Great Game" diplomacy for Asia. (Curzon's daughter, Baroness Ravensdale, chaired the World Congress of Faiths for a period after World War II.)

By the 1920s, Younghusband had become a fervent advocate of Earth Mother worship, and authored a book, *Mother World*, outlining what today is known as the Gaia cult. He shifted his activities on behalf of the British Empire, from military invasions into "religions." His friend, the evil Bertrand Russell, praised Younghusband's work for making "a religion of atheism."

In 1924, in a speech to the founding of a precursor to the World Congress of Faiths, the Society for Promoting the Study of Religions, Sir Younghusband outlined his view that "the British Empire should be a mighty agent in leading the nations of the Earth," and for that end, "religion . . . [is]

an instrument which . . . could with proper use be made superlatively effective.”

That is the project that Ruiz and his Zapatistas are part of today.

Documentation

Kooks in and around the Peace Council

Tenzin Gyatso, the 14th Dalai Lama, has been an agent of the British royal family since the days of Britain's Governor-General Lord Louis "Dickie" Mountbatten in India in World War II. He operates today under the direction of Queen Elizabeth's consort, Prince Philip, and his World Wide Fund for Nature (WWF), and played a leading role in organizing the WWF's 1986 Assisi "religions" meeting. No mere bird-protection society, the WWF is the royal family's most important intelligence agency. Most recently, the Dalai Lama's image as a spiritual leader concerned with human rights took a hit, when it was revealed that he had personally trained leaders of the killer Japanese Aum sect, which carried out the poison gas attack on the Toyko subway in March 1995.

Oscar Arias Sánchez, the former President of Costa Rica and 1987 Nobel Peace Prize laureate, has taken the lead in a number of British Empire policy fronts. His Fundacion Arias has taken up demilitarization as its primary obsession; he is active in the Inter-American Dialogue's Task Force on Cuba; and he serves on the board of the International Commission on Human Rights (ICHR), a commission established by the Parliament of Canada, which has supported "liberation struggles," with a special emphasis on indigenous insurgencies, from Burma, to Indonesia, Brazil, and Rwanda. The ICHR intervened on behalf of Ruiz's Chiapas insurgency from its outset. Arias's ties to the British Crown extend back at least to his Presidency, when his government hosted a conference on "Sustainable Development and Economics," one of the largest environmentalist gatherings of the postwar period, addressed by Prince Philip, and dedicated to establishing tighter command over the international malthusian and ecological movements.

Elise Boulding, the wife of Club of Rome economist Kenneth Boulding, is a wild Benthamite Quaker who works closely with Britain's Tavistock Institute. She founded the International Peace Research Association in 1965 with the help of Anatol Rapaport, editor-in-chief of the Tavistock Institute's *Human Relations* magazine. Boulding describes herself as "a networker." What she means by that, can be

seen by examining the reports, published in 1991 in *Human Relations*, of a November 1989 conference on how NGOs can be used to crush the nation-state. Organized by the Program for Social Innovations in Global Management (SIGMA) at Case Western Reserve University in Ohio, the Tavistock conference drew psychiatrists, sociologists, and political activists from 44 countries to discuss how NGOs can foster "global consciousness" against the nation-state. Boulding's contribution to the event, was a speech criticizing European Christian evangelization as "domination and exploitation," in which she praised the "new forms of universalism" which developed in Britain around the so-called "peace churches," and forecast that the 1990s would be a period of the greatest social transformation since Ghengis Khan's ravages in the 13th century, in which the NGO will be "the instrument of change."

Hans Küng, while not a member of the Interfaith Peace Council, is a leading figure in the British Crown's pagan "religious Empire" project which spawned the Council. Küng has played a leading role in organizing the liberation theology project for which Bishop Ruiz works. A follower of the Nazi existentialist philosopher Martin Heidegger, Küng is a member of the international advisory board of the Temple of Understanding, the cult based at the United Nations which was spawned by the Lucis Trust, formerly known as "the Lucifer Trust." Interfaith Peace Council member Rev. Thomas Keating, former abbot of the Cistercian St. Joseph's Abbey, served as president of the Temple of Understanding in the 1980s. The Temple and Braybrooke's World Congress of Faiths work closely together, not only co-sponsoring the Chicago World Parliament of Religions, but also jointly publishing a magazine, *World Faiths Insight*, from 1981 to 1991. Küng has been a participant in the yearly "Younghusband Lectures" organized by the World Congress of Faiths, and delivered the 1989 Lecture. Küng's 1991 book, *Global Responsibility*, proudly bears a preface written by "His Royal Highness, The Duke of Edinburgh," endorsing his diatribe against "economic progress" as a "scholarly contribution" to the health of the planet.

The Millennium Institute. The insane esotericism motivating Ruiz and his British buddies is captured by the activities of the Millennium Institute, an outfit founded by Gerald Barney, with Peace Council Executive Director Daniel Gómez-Ibáñez as its treasurer, and supported by the Council for a Parliament of World Religions. The Institute is currently organizing for a "Millennial Moment rite of passage," as part of its campaign to force through Global 2000's antihuman program. As one of its first acts, the Interfaith Peace Council endorsed the Millennium Institute's call for a "summit" in the year 2000, in Pingvellir park in Iceland ("the place where the East and West tectonic plates meet"), where spiritual leaders and heads of State can "step across, ritually, into a new era," and thereby "surmount our psychological and institutional barriers to change."

U.S. demands serious narco-corruption probe

by Andrea Olivieri

The Dec. 14 vote by a subcommittee of the Colombian Congress, shelving a corruption investigation of President Ernesto Samper Pizano “for lack of evidence,” forestalled the threat of immediate impeachment against his narco-government, but has done nothing to end the political crisis afflicting the nation. Indeed, that crisis has been heightened, as anti-drug forces both inside Colombia and in official Washington have dismissed the whitewash of Samper as “not serious,” and demanded that the investigation into narco-corruption continue.

President Samper immediately interpreted the vote by the so-called “Accusations Committee” (a committee heavily dominated by Samper’s followers in the ruling Liberal Party), as a mandate for consolidating his own dictatorial rule. In a nationally televised address the next day, Samper declared war on his political opponents: “I want to notify those who, following this ruling, persist in compromising my honor and in discrediting the government, that I will not hesitate to use all the legal means at my disposal to stop them from doing any more harm.”

Samper’s threats are by no means confined to “legal” reprisals against his enemies. Colombians remember only too well the Nov. 2 assassination of Alvaro Gómez Hurtado, a former Presidential candidate who had taken the lead in opposing Samper’s corrupt reign. The newspaper of the murdered Gómez, *El Nuevo Siglo*, was quick to editorialize on Dec. 18 that “no pressure, not even from the highest levels of the regime, will silence us or prevent us from continuing our journalistic mission to defend the principles of morality in government.”

In particular, Samper and a close circle of advisers have targeted Prosecutor General Alfonso Valdivieso, who has been pursuing his own corruption investigation into the country’s political elites, and who is already responsible for jailing three of the most important campaign aides from Samper’s 1994 Presidential campaign, for accepting millions in illegal contributions from the Cali cocaine cartel.

A late-November attempt by Samper’s forces to oust Valdivieso from his post was rebuffed by the Council of State, the country’s highest magisterial body, and Valdivieso’s tenure is now confirmed for three more years—if he manages to survive. The magistrates who voted in Valdivieso’s favor have reported receiving death threats similar to those which

various journalists have received, including *EIR*’s Bogotá correspondent.

Heat from Washington

The outrageous vote by the Accusations Committee has actually intensified the pressure on Samper coming from the Clinton administration. In an interview with CNN shortly after the vote, U.S. Assistant Secretary of State for International Narcotics Matters Robert Gelbard commented: “It’s evident that the investigation was not serious. . . . This committee’s effort unfortunately shows that there are still certain people linked to drug traffickers in power.”

Gelbard’s statements triggered a furious response. Samper demanded an immediate retraction; his lawyer charged the Clinton government with using “legalistic colonialism”; his foreign and defense ministers labeled Gelbard’s statement “intolerable interference in Colombia’s internal affairs”; and Colombian Ambassador to Washington Lleras de la Fuente suggested that Gelbard was speaking only for himself.

That illusion was dispelled the next day by State Department spokesman Nicholas Burns, who declared, “When Gelbard speaks on the record, he speaks for the U.S. government.” U.S. Ambassador to Colombia Myles Frechette also stood behind Gelbard, making it clear that the United States had no intention of easing up. In fact, Frechette noted U.S. plans to revive the issue of extradition of Colombia’s drug traffickers. Extradition was banned in Colombia in 1991, when the drug cartels managed to bribe the majority of delegates at a Constituent Assembly.

The permanent interment of Colombia’s extradition treaty with the United States was a key element in the pact Samper struck with the Cali Cartel, in exchange for the estimated \$6.2 million that helped buy him the Presidency. The other element of the deal involved full implementation of the surrender arrangement fashioned by Samper’s predecessor, César Gaviria Trujillo, now the secretary general of the Organization of American States. The surrender package included a reasonably short prison term to “appease” the United States and the international community, no confiscation of the druglords’ fortunes, and legalization of the cartel’s business holdings.

That deal is, however, under attack by the Clinton administration, which is demanding lengthy prison terms or extradition of the imprisoned cartel bosses, and passage of legislation to allow for confiscation of their tremendous wealth. Their “legitimate” business holdings are already under fire from Clinton’s Oct. 22 Executive Order, which ordered a severing of U.S. commercial ties with scores of Colombian companies and individuals believed to be drug cartel fronts.

Another powerful pressure point in the hands of the Clinton administration is the annual procedure certifying countries deemed cooperative in the war on drugs. In 1995, Colombia squeaked by with a “national interest waiver,” designed to give Samper the benefit of the doubt. His government comes up for consideration again in March.

Israel-Syria peace talks move ahead

by Jeffrey Steinberg

High-level representatives of the Syrian and Israeli governments met behind closed doors at the Wye Plantation in Maryland Dec. 27-29, for the first of a series of negotiating sessions that many believe will produce a far-reaching peace accord by the spring of 1996. At the conclusion of the talks, hosted by the Clinton administration, the delegates returned home for consultations. On Jan. 3-6, they were to be back in the United States for follow-on talks. On Jan. 10, U.S. Secretary of State Warren Christopher is scheduled to travel to the Middle East.

This intensive diplomacy was initiated within days of the assassination of Israeli Prime Minister Yitzhak Rabin on Nov. 4. At the Rabin funeral, senior U.S. officials, including President Clinton, conferred with Rabin's successor Shimon Peres, Egyptian President Hosni Mubarak, and other Arab leaders, to chart out a fast track for peace between Israel and Syria. According to Israeli sources, unofficial emissaries from Saudi Arabia and even Iraq were at the Rabin funeral, and all expressed a willingness to abet the reopening of Israel-Syria peace negotiations. Reportedly, President Clinton also received promises of support from the Russian government to exert pressure on Syrian President Hafez al-Assad.

Talks between Tel Aviv and Damascus had broken down early in 1995 over a number of security issues. Prior to his assassination, Prime Minister Rabin had narrowly focussed the Syrian negotiations on security issues.

Negotiations broadened

But, following his confirmation as prime minister, Shimon Peres broadened the negotiations to include a comprehensive peace accord, encompassing economic ties, energy cooperation, and water management. Following a meeting between Israeli and Syrian Foreign Ministry officials during a Mediterranean-European economic conference in Barcelona, Spain, in November, Peres traveled to Washington for two days of meetings with the Clinton administration. During a Dec. 11 White House meeting with the Israeli prime minister, President Clinton had a 12-minute telephone discussion with President Assad. The next day, it was announced by Secretary of State Christopher that bilateral negotiations would begin in late December near Washington, D.C.

During his visit to Washington, Prime Minister Peres emphasized that much more is at stake in the negotiations than a bilateral peace settlement. By striking a comprehensive peace accord with Syria, Israel would, in effect, have ended the state of conflict in the entire Middle East region. He told the U.S. Congress, during a Dec. 12 address to a joint session, that he envisions a comprehensive regional peace accord before the end of the century, involving all 20 nations of the Mideast, including the Arabian Gulf states. In private discussions at the Pentagon, according to Israeli sources traveling with the prime minister, Peres spoke of a regional security pact, modeled on NATO, that would bring about a permanent end to the conflict in the Mideast.

To achieve this vision of Mideast peace by the year 2000, Prime Minister Peres is willing to make significant concessions to win a quick peace accord with Syria, Israeli sources say. Peres has already indicated that he is willing to completely remove all Israeli forces from the Golan Heights on a much shorter timetable than his predecessor, if the United States will provide sophisticated airborne radar systems to Israel that will allow for monitoring of Syrian military buildups. He has also indicated that Israel will pull its troops out of southern Lebanon, if Syria will take responsibility for cracking down on terrorists in the area that conduct frequent attacks against Israeli territory. By de facto acknowledging Syria's dominant control over Lebanon (for the time being), Peres is laying the basis for Lebanon to be immediately drawn under the umbrella of an Israel-Syria peace deal, thus speeding up the timetable for Israel to secure safe borders on all sides.

Peres assigned one of his most trusted colleagues, Uri Savir, the director-general of the Foreign Ministry, to handle the Wye Plantation talks with Syria's ambassador to Washington, Walid al-Moualem. Savir was the chief negotiator in the Oslo talks with the Palestine Liberation Organization. According to Israeli sources, Savir has developed deep personal ties to the leadership of the PLO, and is convinced that an understanding can be reached among the leaders of Israel and all of the Arab States.

'Peace dividends' needed

The challenge is to quickly bring the "peace dividends" to the majority of people in the region, so that the collaboration that has been struck at the leadership level can be established at the grass-roots level as well. If the Israel-Syria deal moves forward, this "peace dividend"—rapid economic development and measurable improvement of the conditions of life for the majority of Arabs and Jews—will pose the greatest challenge of all. This will pit the regional leaders, whether they know it or not, against the British oligarchy, the Club of the Isles, the International Monetary Fund, and the World Bank. And at that moment, the United States will be faced with the greatest challenge yet in this administration's pursuit of just, lasting peace in the Mideast.

Psychiatry in Russia today

Gabriele Liebig, editor-in-chief of the German weekly Neue Solidarität, reports on her tour of Psychiatric Clinic No. 3 in St. Petersburg.

During my trip to St. Petersburg at the beginning of October 1995, I had the opportunity to visit the largest of the city's seven psychiatric hospitals. State Psychiatric Clinic No. 3 is the largest hospital in St. Petersburg. The gigantic clinic complex, with an area of 25 hectares, is responsible for several districts of St. Petersburg, for 2 million out of the city's 5 million inhabitants. Presently 2,150 patients are being treated there.

It is Saturday and we are on our way to see chief physician and clinic director Vladimir Gerhardovich Agishev. On the hospital grounds approaching the entrance, we meet several people who are raking the autumn leaves, but who do not look like groundskeepers at all. It turns out that the clinic doctors are doing it on their own time: They are using their free Saturday to get a little extra money, by doing some work that needs to be done around the clinic. Inside the clinic grounds, we also see patients at work. They are repairing the stone steps leading up to one of the main buildings. They are coming right around the corner with a load of fresh mortar, which they are transporting, not in a wheelbarrow, but in a wooden crate being carried with poles.

Dr. Agishev is a congenial man around 60 years old. His patronymic, "Gerhardovich," hints at a German origin. He completed his psychiatric specialization 34 years ago, and has been actively working in a clinic for the past 31 years. He studied at Yekaterinburg (formerly Sverdlovsk) with Prof. Pyotr Malkin, and later in St. Petersburg. He has headed up the Psychiatric Clinic No. 3 for about the last seven years. In speaking about the clinic, he displays sad dissatisfaction, especially about the backwardness resulting from the shortage of funds and the miserable accommodations for the patients, mixed with a certain pride in what they are still able to accomplish, despite the adverse circumstances.

The clinic employs 100 psychiatrists and 40 additional physicians, besides about 10 psychologists who assist the activities of the psychiatrists. There is a severe lack of manpower, especially of nurses and orderlies.

Of the approximately 13,000 patients admitted here each year, the average patient will receive treatment for less than two months. Patients suffering anxiety disorders will usually spend not quite three weeks, while schizophrenia patients often remain for several months. The clinic maintains a special section for war veterans, soldiers who became mentally

disturbed, who were in the Afghanistan War or with the Spetsnaz troops. There are also delinquents among the patients, who have been declared by a court to be mentally incompetent. Unless they are extremely violent, they will not be segregated from the rest of the patients.

The clinic was founded 125 years ago, as a model for psychiatric treatment: A large number of charming small and medium-sized houses were built, some of wood, others of stone, along with a small wooden church, and the entirety within the setting of an expansive park. Unfortunately, today it no longer looks that way. The former park has come to look in some places more like a junkyard. The wooden houses are only partly still used as ward-buildings. Some of them are completely dilapidated, others can only be utilized for storage. Even the modern buildings, from the 1960s, are already in need of renovation. However, the city government of St. Petersburg lacks either the money or the political will to do this.

Twenty per dormitory

Vladimir Agishev is very unhappy about the miserable accommodations for his patients. However, he cannot do much to change it, and has to be satisfied with the fact that the central heating was renovated not very long ago. Just recently, the head of the clinic was in Germany for a few weeks, and inspected several psychiatric clinics in and around Munich. "In Munich, only one or two patients share a room, and each room has its own bath. How lousy it is for our patients by comparison. I would give anything to be able to change it for the better."

Dr. Agishev takes us through several wards, and everywhere it is the same: more than 20 beds, packed one right next to the other, in a dormitory, which has no door, so that the extremely disturbed patients can be more easily monitored. The urinal is only blocked by a half-height tiled wall, so the odor from it permeates the whole dormitory. Seventy men all have to use a single toilet. We only saw one bathtub; it was right next to the admitting room. Newly admitted patients are often very unkempt, and the first thing is to put them into the bathtub.

Instead of their own clothes, the severely ill patients who spend most of the time in bed, mostly wear a sort of lined sleeping gown that appears to have been fashioned out of old



A patient at the St. Petersburg psychiatric clinic (left) stands before his paintings, on display in the clinic's greenhouse. Despite great adversity, the clinic staff is committed to providing what the director, Dr. Agishev, calls "care and accommodation in keeping with human dignity."

curtains. The problem is that many patients are brought in wearing filthy rags, and usually don't have anyone who might be capable of supplying them with clean clothes.

"At least one thing we were able to achieve for our patients," Dr. Agishev reports. "Every ward has its own fenced-in garden, where the patients can sit on the bench if the weather's good, take a stroll, or do gardening." The gardens grew out of an initiative of the clinic and several doctors, whereby the topsoil and wire fencing were acquired in a somewhat adventurous manner. The people are proud of the success of the gardens; however, their full utilization is limited by two factors: a shortage of staff and of warm clothing. In the summertime, you can go outside and take a walk in the clinic garb, but in October, it is already too cold to do so.

A couple of years ago, the Orthodox church was reopened. Every Sunday there are worship services, but, excepting the high holidays, only about 20 of the more than 2,000 patients attend them.

Hardly a single physician has expectations for any kind of improvement coming from actions by the government. There is some doubt about the wisdom of the bureaucratic City Council decision-making, since the hospital's over-aged central kitchen was officially closed back in 1989 without any provision for building a new kitchen having ever been made. The patients, however, must somehow have something to eat, and so the officially closed kitchen has continued in operation for the past six years.

Near the entrances to several buildings, we observed a kind of flat, weather-beaten wooden cart. Dr. Leonid Nikitich Valuy, a psychiatrist who has been working at Psychiatric Clinic No. 3 for decades, later explained to us that these

carts are used to transport food to the various wards. "Formerly horses used to pull these carts. In recent years, we were no longer able to continue the upkeep of horses. Now, patients perform this labor."

The patients do this work of their own free will and for a small compensation, a sort of pocket money. The same holds also for the labor in the clinic's own workshop. Unfortunately, a portion of the workshop building has meanwhile been privatized—sold—and the patients no longer have it at their disposal. Dr. Agishev regrets this: "Before, when the workshop still functioned, various things were made there, like bed linen, and then sold. Out of the proceeds, we were then able to buy a piano for one ward, or a television set for another. But that was in the past."

Despite the tremendous poverty, the clinic is kept clean, and many of the wards are decorated with vases of flowers and climbing plants. Paintings are hung on the walls, mostly the work of patients. We met one such artist in the greenhouse, the most beautiful place in the entire clinic. In the midst of cacti and succulents, he was sitting and painting quite a lovely little oil painting. A whole series of his paintings is displayed on the wall. This patient had taken part in the war in Afghanistan.

There is also a library and a room where films can be shown or concerts performed. "Previously, we had frequent concerts here, which were always a beautiful change of pace for the patients. Now, however, we are at the point where, without money, nobody wants to come here to perform," laments Dr. Agishev, who for years now has not gotten any money for new beds or other items for the institution.

I ask Dr. Agishev: "If you were in charge of psychiatry

for all of Russia, what would you change?" He answers, "Above all, I would make sure that we could fulfill the right of all of our citizens to medical care in the psychiatric domain. I would see to it that our patients received care and accommodation in keeping with human dignity, which is simply not given today. Our patients are supposed to be rehabilitated here; how is that possible under the present conditions? Indeed, we don't even have the necessities required for us to provide the minimal medical treatment."

No money for medicine

The Russian health system overall is close to breaking down. In many general hospitals, medicine is so scarce, that the patients not only have to pay for it themselves, but they even have to get their relatives to go procure it for them. Officially, hospitalized mental patients are dispensed their medication without charge, and even outpatients with schizophrenia or a similar diagnosis have a right to free prescriptions. But the reality looks different. Each pharmacy has one section for free prescription medicines and another one for clients who pay cash. Most of the time, the medication in question is not in stock in the section of the pharmacy which is paid for by the State, so the patient then has the choice of either buying it in the other section, or forgoing it altogether.

There are scarcely any neuroleptics to be found in the pharmacies any longer; they can only be bought on the black market. There, five ampoules of the long-lasting neuroleptic haloperidol decanoate now cost 300,000 rubles, nearly equal to the monthly salary of a senior physician at Psychiatric Clinic No. 3.

"All psychopharmaceuticals are very expensive in comparison to the extremely poor incomes of our patients. Thus, what has happened is that thousands of schizophrenia patients can no longer be given certain medications that are the basic required treatment. As a consequence, considerably more of them will wind up back in the clinic again. Five or six years ago, we had 2-3,000 patients per year who were admitted with the diagnosis of schizophrenia requiring hospitalization. Compared to that, there were 3,600 in the past year. These are not newly ill patients; we know most of them. Since they cannot receive their medications, their condition deteriorates to such an extent that they have to come back to the clinic."

While we are standing right alongside the entrance, an unconscious man is transported past us on a primitive wooden carrier: He had swallowed multiple lethal doses of sleeping pills. Since he lives nearby, they brought him here to the clinic. The man's prognosis is not very good, since there is no resuscitation room here, where, for instance, electrical heart massage could be administered. Dr. Agishev is hoping to be able to redress this situation in the coming year.

Not some kind of a warehouse

In addition to the seven psychiatric hospitals, there are also nine homes for the incurably insane in St. Petersburg.

Psychiatric Clinic No. 3, by contrast, is not some kind of warehousing facility; despite all of the difficulties, it lays claim to being able to successfully treat mental illness.

I asked the doctors to characterize how the scientific approach of Russian psychiatry differs from that of other countries. Dr. Agishev described the "nosological approach" of Russian psychiatry (nosology means theory of disease): "We try to find the cause of the patient's disease, instead of merely treating symptoms. So we are trying to find, for example, the infectious agents causing the disease. In this sense, you could say that we have a materialistic approach. Professor Chistovich has put forward the view that mental diseases are usually caused by some kind of infectious agents.

"Russian psychiatry, which is based on the German and Russian scientific tradition, has diagnosed mental illnesses since the turn of the century according to their nosological form, rather than by particular symptoms. In this sense, Russian psychiatry is closer to German than to the Anglo-American approach. For us, sophisticated-sounding diagnoses like 'personality disorder' or 'anxiety condition,' rather than neurosis or schizophrenia, are just as inadequate, as if one were to reduce influenza to a head-cold syndrome. On account of this, we are only able with great difficulty to get used to the new method of the most recent 'international classification,' which was introduced in the United States and which is now supposed to be introduced here as well. I consider this classification, according a list of syndromes, to be a step backward, scientifically. We are being ordered from Moscow to introduce this western model here, nonetheless."

Dr. Valuy describes his profession in this way: "To be a psychiatrist, more creativity is required than for doctors of any other medical profession. This is due, first of all, to the peculiarity of mental diseases themselves, which always have many faces, and in every patient assume a different particular form. Every patient is different. Secondly, you have to know how the medication works in different individuals; in one case, it will work very effectively, but in another patient, despite the same diagnosis and dosage, it will be completely contraindicated, not work at all, or even make the situation worse. Most important, certainly, is that if you are treating a mental illness, you are not only dealing with a specific underlying biological trigger, but also with the personality of a concrete human being. One must know how he or she was brought up, what kind of education they have been through, and what experiences have shaped their lives. All of this influences the clinical picture the disease presents, and has an impact on the prognosis of the patient."

The controversial subject of electroshock therapy also came up in the discussion. Dr. Valuy said that due to the shortage of money and lack of personnel, today neither electroshock nor insulin shock therapy was being employed any more. In earlier years, however, he didn't have unfavorable experiences with their use: Patients who had been suffering from depression often lived for eight or nine years without

any new attacks. Any temporary disturbances of the memory would disappear after a while. By the way, he said, one shouldn't underestimate the dreadful side-effects that psychopharmaceuticals can sometimes have.

Dr. Agishev, like Dr. Valuy, called special attention to the benefits of the Soviet system of medical record-keeping. The way it works makes it possible to preserve a complete general medical history, as well as a history of the psychiatric illness, because individual physicians and hospitals will continue to have responsibility for all residents of a specific district. Thus an attending physician is able to develop a dynamic picture of the course of illnesses over several decades of a patient's history, including which therapies have been successful or not so successful. This system is not computerized.

"If a patient is taken to the clinic, then it will first be determined whether or not he has ever been hospitalized before, and if so, where. One can then obtain the medical illness history, which already supplies valuable information concerning the patient's previous history of acute illness," Professor Valuy commented. "Since a patient, according to the old system, always goes to the same doctor and is treated by the same hospital, in the ideal case, the course of an illness can be traced from earliest youth." A colleague of Dr. Valuy tells about the medical record of a patient who was hospitalized for treatment 64 times and whose records accordingly included 64 reports, starting when he was 11 years old.

Even if those concerned with western-style data privacy would have their hair stand on end by merely considering the Russian system, it is of great service for the physician trying to discharge his duty, and quite extraordinary for the psychiatrist. On the other hand, in the West, where a patient runs from one doctor to the next with a specific symptom of disease, each one has to begin all over again with the diagnosis.

Abuse of Soviet psychiatry

The further question arises, that the medical record-keeping system, which dates from the 1930s, can be misused and was misused. We asked Dr. Agishev about this delicate issue, and in particular about the abuse of Soviet psychiatry.

He acknowledged point-blank that there had been abuse, and that it was not without some basis that Soviet psychiatry presented a terrifying enemy image, not only to the West, but inside Russia itself. "There was a series of cases like that of Gen. Pyotr Grigorenko, who was committed to a psychiatric institution, although many psychiatrists maintained that he was not mentally ill.

"In other cases," Dr. Agishev went on, "dissidents would be confined to a psychiatric institution on the basis of a court decision. Here the blame therefore falls upon the judge, not the psychiatrist, who must also ask himself whether the dissident in question (who perhaps does not have the strongest physical constitution) might not be better off in the psychiatric ward, than in the extremely harsh conditions of a forced-

labor camp."

Then he enumerated a whole series of cases in which international human rights organizations intervened in favor of dissidents who did, in fact, need psychiatric treatment: "Already in the year 1935, the famous St. Petersburg professor Raissa Golant identified a Mr. Feinberg as suffering from schizophrenia. In the 1960s, Feinberg joined up with a dissident movement, and human rights advocates claimed that he was institutionalized purely for political reasons. Then he came to London and had to go back into the [mental] hospital. Quite similar was the case of another patient who had killed a nurse in a hospital in Central Asia. His sister entreated that he be taken into our hospital, because she herself worked here. In the West, however, he was considered to be politically persecuted. Finally, he left, along with his sister, to emigrate to London, where, after only two weeks, he again had to enter a psychiatric hospital."

Finally, Dr. Agishev mentioned two assassins: Viktor Ilyin, who had shot at Leonid Brezhnev in 1969; and Aleksandr Shmonov, who tried to shoot Mikhail Gorbachov in Red Square. Shmonov was in a special institution in Moscow for four years. Finally, he founded a political party which campaigns for the right of every Russian citizen to declare his own plot of land to be "autonomous" territory.

"Viktor Ilyin, who tried to shoot Brezhnev, spent nine years at a special institution in Kazan. Then he was transferred to our clinic. A high-ranking military collegium was invited here once and rescinded the order committing him here, releasing him. While he was in the hospital, he conducted himself quite calmly and continually occupied himself with building perpetual motion machines of various sorts. In 1989, he made his opinions known publicly regarding the debate over a new constitution, which he said must unconditionally include an article that morally unfit political leaders ought to be shot. So we then admitted him again, but after two years he was suddenly released. He lives not far from here. The hospital staff helped him get a place to live, because his mother didn't want to take him in anymore."

The social question

The biggest external factor that has to be taken into consideration when treating his patients, is the social aspect, Dr. Valuy explained: "We are of the view that we are responsible for our patients, not just when they are here in the hospital, from the moment of their admission up until their release, but that we must also be concerned about what becomes of them after their release. Today the social problems are more acute than before: unemployment, poverty, the high cost of living, the shortage of housing. We have to be concerned about the conditions under which a patient is going to live."

There are absolutely no patients at Psychiatric Clinic No. 3 who are well-off. Such people go to a section of the Moscow Bekhterev Institute, or else are treated by private physicians. All the patients here are poor, to a greater or

lesser degree.

The question of housing has especially emerged in the forefront of social problems during the course of the privatization process, Dr. Valuy explains: "Children and the mentally ill are the most likely to suffer from the situation since apartments were first allowed to be bought and sold a couple of years ago. One alcoholic father sold his apartment in order to get money to spend on booze, and his children were thrown out on the street. Because of this, a law was passed around the same time, which made it illegal for an alcoholic with children to sell his apartment. However, for the mentally ill, no such law exists." Ownership-transfer contracts involving mentally ill persons—for instance, someone in a manic flight of fancy about privatizing his dwelling—are not deemed illegal, for the purchaser can always claim that the seller's illness was not mentioned. According to the views of legal experts, objections would be raised, were proof of mental health to be required for sales contracts to be binding, on the grounds of violating people's rights.

Even in apartment swapping, criminal activity often arises, reports Dr. Valuy: "One of my patients wanted to swap his large apartment for a smaller one. He obtained 5 million rubles for the difference in value and an address. He went there and the criminal's accomplice showed him his new room. Thereafter, the fellow went on a drinking binge and wound up being taken here to the clinic. When we came

to talk about releasing him, it turned out that someone else was living in his new room. We asked at the central registration office and found out that other people were in fact already registered there, in the very same apartment. The swindlers had sold the apartment twice. Now it has been legally established that in order to register a new address, a police certificate must be presented, to the effect that the dwelling really is unoccupied."

Dr. Valuy makes no secret about the fact that he doesn't think much of the Gaidar-Chernomyrdin economic "reforms." A new decree has been enacted, according to which no person lacking a fixed place of residence can hold claim to a pension. "If our patients should thus lose their place of residence, they also lose their pension, which in any case is already quite meager. We have a whole number of patients whom we are not able to release, because we do not know where we should release them to. Someone who has no family, and lives in a communal residence, for example, will frequently have the unfortunate experience that the others want to get rid of him. Nowadays it boils down to the fact that you can make some money out of living space. This can become a motive for the other people who live there to throw him out, not only because of his problems, but in order to get his room."

The question of changing this overall situation for the better is, to be sure, a case for politics, and not psychiatry, to solve.

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Istanbul	2400	Toronto	1700
Jakarta	0500*	Vancouver	1400
Jerusalem	2400	Vladivostok	0800*
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International Intelligence

Cairo points to London's harboring of terrorists

The Egyptian Interior Ministry issued a communiqué Dec. 13, according to several Arabic papers, declaring that 58 members of a large network of "Jihad" terrorists had been arrested. The group's leader (also arrested) is a naturalized British citizen, Akram Abdelaziz Mahmoud Al-Sharif, who is married to a British woman and works as a taxi driver in Britain. The Interior Ministry claims that Al-Sharif "received training on the group's organizing in the United Kingdom, and was ordered by the Jihad leader, Abdelmeguid Abdelbari, living in London as a political refugee, to organize and establish a base for launching terrorist attacks and suicide bombings in Egypt."

"Cairo is especially concerned about two men who are based in the U.K.: Abdelmaguid Abdelbari and Yassi al Serri, both leaders of the Jihad group which claimed responsibility for last month's bombing of the Egyptian embassy in Pakistan," said a report in the London *Financial Times* of Dec. 14.

Mont Pelerinites to stir cauldron in Cancun

The Mont Pelerin Society will bring together the proponents of drug legalization, racism, and slavery at its upcoming conference in Cancun, Mexico on Jan. 14-17. Under the title of "This Hemisphere of Liberty," the gathering will include racist Charles Murray (author of *The Bell Curve*); Nobel Prize-winner in economics James Buchanan; drug legalizer Mario Vargas Llosa of Peru; and Chilean economic model propagandist Hernan Buchi. All together, this is the worst assortment of the defenders of von Hayekian fascist economics and plans to destroy the sovereign nation-state.

This conference, which is to be held under conditions of great secrecy, will focus particularly on Ibero-America, according to the printed agenda. There will be presenta-

tions on "The Tequila Effect, Reflections on the Mexican Crisis," and "Federalism, Democracy and Liberty." Pseudo-Catholic Michael Novak will address the panel on "Liberty and Hemispheric Liberalization." The head of the CATO Institute, Edward H. Crane, will be there, along with Leonard Liggio of the Atlas Economic Research Foundation, and Johns Hopkins University's Steve Hanke, currency speculator and promoter of the British Empire's currency board strategy, who advises Argentine Finance Minister Domingo Cavallo, among others in Ibero-America. Not to be left out are the backers of the drug-traffickers' "informal economy," such as Peru's Enrique Ghersi, of the Institute of Liberty and Democracy. The latter is run by George Bush's favorite economist, Hernando de Soto.

One of the attendees from the U.S. side is Jerry Jordan, head of the Cleveland Federal Reserve Bank, who is also head of the Mont Pelerin Society's U.S. branch, according to the conference agenda.

Anti-terrorist agents coordinate in S. America

Special agents of Peru, Bolivia, Panama, and the United States met in Lima, Peru for several days to coordinate anti-terrorist intelligence, the daily *Onda* reported Dec. 20. Coordination with intelligence services in Colombia and Uruguay on regional terrorism is also under way, it was reported separately.

This renewed regional anti-terrorist coordination was ostensibly provoked by the evidence of the international terrorist network behind a large MRTA operation captured Dec. 1 in Lima, and occurs in an environment shaped by *EIR's Special Report* on "New Terror International Targets the Americas." The report, published in English and Spanish, is circulating throughout the region. Seminars to present *EIR's* terrorism overview, together with U.S. Presidential candidate Lyndon LaRouche's strategic document, *The Blunder in U.S. National Security Policy*, have thus far been held in

Argentina, Brazil, Colombia, and Peru.

EIR documented that no "national" terrorist group has existed in the region for at least the last three decades, but rather local deployments of an integrated, centrally deployed terrorist force, under London's control, persist. Every aspect of *EIR's* map of the São Paulo Forum presented in that package has been confirmed in the new MRTA investigations, including demonstrating the special role of the British-created Basque separatist force ETA, in coordinating terrorism in the Americas.

The man who arranged arms shipments for the MRTA operation is exemplary of the network described by *EIR*: Miguel Cruz Suárez was a member of the Chilean MIR terrorist group in the 1970s; when the MIR was crushed, he left South America for Spain, where he joined ETA; he later moved to Nicaragua under the Sandinistas, and took on Nicaraguan nationality. He also operated with El Salvador's FMLN. When caught shipping weapons to the MRTA, ostensibly a "Peruvian" organization, Cruz Suárez was operating out of Panama, coordinating international sales of the "demobilized" weapons of the FMLN!

Peruvian police and military captured the MRTA cell, shortly before it planned to seize the Congress, hold hostages, and negotiate political concessions, including the release of its jailed leadership.

Oops! Is Mr. Clean Hands a little bit dirty?

Former Milan prosecutor Antonio Di Pietro, the initiator of the so-called "Clean Hands" investigations that destroyed Italy's political system in 1993, has been indicted by State prosecutors in Brescia on three counts of corruption. The indictment of Di Pietro, who has recently launched a political career, comes after a months-long investigation and refers to events that occurred before 1993.

These events allegedly show that Di Pietro used his judiciary power in order to get personal favors.

Australia, Indonesia seal security pact

Australia and Indonesia signed a security agreement that could see both countries defend each other if challenged, it was announced in Melbourne on Dec. 18. The result of 18 months of secret negotiation, the treaty was signed at the State palace in Jakarta by the foreign ministers of both countries, in the presence of President Soeharto and Prime Minister Paul Keating.

This treaty is regarded to be as big as the ANZUS (Australia, New Zealand, and United States) pact of 1951. However, the negotiations were completely secret, and the wording of the new treaty was not made public until after the signing. This has caused outrage in the Australian parliament.

Flood devastation and hunger in North Korea

Red Cross officials recently returned to Beijing after over a month in North Korea, have been able to view and film some of the most impoverished areas of North Korea, which the government had to open up due to the national food disaster, after the worst floods of the century last August. According to a report in the Dec. 19 London *Independent*, at this point, 130,000 people face famine, and 500,000 are homeless in the North Korean winter, where temperatures can fall to minus 20 Centigrade (-4°F) in the winter. Grain stores were widely destroyed.

North Korea had already been suffering from years of poor harvests, and the food situation is extremely bad, said Dr. Piero Calvi Parisetti, head of the Red Cross delegation to North Korea. "It is so extensive, the flood damage. We visited quite a number of places and everywhere we went we saw massive destruction." Both the northern areas bordering China, and places south of Pyongyang, near South Korea, have been left devastated. "Now it is clear that aid will be needed for much longer—almost certainly until the next rice harvest in the fall of

1996," Dr. Calvi Parisetti said.

Representatives of the U.N. Food Program report that "hunger is widespread and malnutrition already a problem" in the regions affected by the floods. "Famine conditions have been noted in some areas."

Pontiff decries slaughter of children

Pope John Paul II called for the protection of children, in a statement released Dec. 12, and accused governments of allowing them to suffer a "veritable slaughter." "Sadly, millions of the world's children are innocent victims of war. In recent years, millions of them have been wounded or killed: a veritable slaughter. The special protection accorded to children by international law has been widely disregarded. Children have become targets of snipers, their schools deliberately destroyed, and the hospitals where they are cared for bombed. . . . The deliberate killing of a child is one of the most disturbing signs of the breakdown of all respect for human life. . . . Heads of state and ordinary citizens . . . are called upon to make a contribution to peace and to give no support to war."

In the same statement, the pontiff denounced the child-sex trade as "utterly despicable." He also noted that millions of "street children" are forced to live by their wits in a state of total neglect and are "considered by many as refuse to be eliminated."

In the developed countries, the pope said, parents cannot allow material possessions to substitute for child rearing. Such children "are forced to grow up in dismal loneliness. . . . Left to themselves, such children usually find their main contact in television programs which often present unreal and immoral situations which they are still too young to assess properly."

A Unicef report released Dec. 11 states that in the last decade, 2 million children have died, up to 5 million have been disabled, a million orphaned or separated from their parents, and another 10 million psychologically traumatized directly because of wars.

Briefly

● **PRINCESS DIANA** and Prince Charles are seeing the same Jungian headshrinker, the French daily *Libération* reported on Dec. 11: He is Alan McGlashan, a "respectable 90-year-old London psychoanalyst."

● **CARLOS SALINAS**, the former President of Mexico, is in Cuba, confirmed the Mexican daily *El Universal* on Dec. 13. The once leading Ibero-American Bush Baby, now dogged by corruption charges, went to Havana to "make investments."

● **ROME** and other big Italian cities were hit by public transportation sector strikes, starting Friday, Dec. 15, in protest against the government's rigid privatization policy.

● **AN ARGENTINE** publication, *Informe Reservado*, reproduced a two-page *EIR* article by Dennis and Gretchen Small, entitled "London: Irregular Warfare Against the Greater Fatherland," together with a map showing "zones of new conflict" overlapping with the activities of the narco-terrorist São Paulo Forum.

● **EIGHTY-SEVEN** countries voted against, abstained, or simply didn't show up for the vote on Nigeria's condemnation at the United Nations on Dec. 13.

● **KISSINGER** tricked Thailand into support for the Vietnam War, charged Thai former Foreign Minister Thanat in a televised interview on Nov. 28. He also said that Kissinger lied in his memoirs that he traveled to China through India, when in fact he went through Thailand, where Thanat hosted a dinner for him.

● **ANWAR HADDAM**, the chairman of the Algerian Islamic Salvation Front's Parliamentary Committee in the United States, publicly denounced the crimes committed by the Islamic Armed Groups (GIA). Speaking in Washington on Dec. 19, he described the leadership of the GIA as "a group of fanatic murderers," according to *Al Hayat*.

Gingrich holds government hostage, as backlash grows

by William Jones and Susan Welsh

As 1995 drew to a close, President Clinton and the nation were still being held hostage by the Conservative Revolution gang in the U.S. Congress, led by Speaker of the House Newt Gingrich (R-Ga.) and his bloodthirsty freshmen Jacobins. But a backlash is building against the Gingrich program of gouging entitlements such as Medicare, Medicaid, and Social Security, while giving a tax-break bonanza to the rich.

The new president of the AFL-CIO, John Sweeney, threw down the gauntlet to the Conservative Revolution in a speech on Dec. 15, warning that the trade unions would begin targeting districts of those Republicans pushing the conservative agenda. Speaking at the National Press Club in Washington, D.C., Sweeney said, "I don't think that the majority of the Congress was elected to cut back on all of the social programs that this nation has built up over the past 50 years, and I would look forward to seeing some Republicans elected who would be more progressive in dealing with the economic issues and the other issues that America's workers are so concerned about." He added that "until that time, we will have to continue working with those members of the Democratic Party who are supportive of those issues and who do want to realize that there is a crisis with working families all across the country."

The Schiller Institute, founded by Helga Zepp LaRouche, has launched a national mobilization to defeat Gingrich and his policies. The Institute sponsored an ad in the *Washington Post* on Dec. 12, signed by 100 state legislators, former U.S. congressmen, and civil rights and labor leaders, exposing the unconstitutionality and immorality of Gingrich's actions, including his shutdown of the federal government.

At a press conference sponsored by the Schiller Institute in Memphis, Tennessee on Dec. 28, elected officials and

constituency leaders mobilized support for the anti-Gingrich effort. The speakers were state Rep. Joe Towns of Memphis; Danny Todd, president of Firefighters Local 1784; and Clyde Sanders, vice-chairman of the State Legislative Committee for the American Association of Retired Persons (AARP). Also attending were two former state representatives, Alvin King, a founder of the Tennessee Black Caucus who served in the legislature for 24 years; and Ira Murphy, a former state legislator and General Sessions judge. The speakers stressed that no budget can be balanced at the expense of the poor, working people, the sick, and the elderly. AARP representative Sanders stressed the devastating effect of the budget cuts on seniors, citing the impact of cuts in Medicaid and Medicare. Sanders urged all seniors to write and call their congressmen.

On the same day, New Hampshire state representatives Roland Hemon (D-Dover) and Normand Bergeron (D-Nashua) joined William Ferguson of the Schiller Institute in a press conference at the State House in Concord, on the theme, "Defeat Newt Gingrich, Defend the U.S. Constitution."

Shutdown at Christmas

The crisis in Washington took a new turn just before Christmas, when the Gingrich-led Republicans refused to pass a continuing resolution that would keep the government open. The "Grinch who stole Christmas" was living up to his reputation, furloughing some 260,000 federal workers right before the holiday. In spite of the fact that some among the Republican leaders had gotten "burned" by the public reaction to their previous shenanigans in November, in which they sent 800,000 federal workers home, and were keen on avoiding a similar debacle right before Christmas, irate freshmen Repub-

licans, now wielding considerably greater clout under Gingrich's House rules, held a press conference on Dec. 20 in which they threatened to sabotage any agreement.

The day before, on Dec. 19, the President had met with Republican leaders and reached a tentative agreement. The President said that the House Democratic leadership would present alternative budget proposals that would take some of the edge off the draconian cuts proposed by the Republicans. By the end of the day, all parties were signalling that an agreement to end the five-day government shutdown was at hand. Then suddenly, 30 conservative House Republicans, led by Rep. Jerry Weller (R-Ill.), held their press conference, in which they vowed to block any continuing resolution until a budget agreement containing their agenda had been reached. Not only were the freshmen intent on forcing the administration to accept some \$270 billion in cuts in Medicare and Medicaid, but they also insisted on their tax give-away to the "big bucks" backers who financed their elections.

President Clinton condemned the "anti-government" obstructionism of the Republican Congress, saying, in a press conference, he would not sign any budget dictated by those who "really want to end the role of the federal government in our life." He pointed out, "A lot of them will be happy about this [government shutdown], because they don't think we ought to have a government up here anyway."

Earlier, on Dec. 15, the President had made clear his own position. "I have sought reasonable discussions and honest compromise," he said. "Congress has simply refused to pass this year's budgets and has forced the government to operate on a series of temporary approvals so that they can use the threat of a shutdown to pressure me and the congressional Democrats into approving long-term reductions in Medicare, Medicaid, education, and the environment, that we believe strongly are not good for America."

The President indicated that he was not going to sacrifice his commitment to essential entitlements such as Medicare and Medicaid. On Dec. 18, the President underlined his commitment by vetoing two of the appropriations bills sent to him by Congress, and promised to veto a third. He vetoed the appropriations bill for the Veterans Administration, Housing and Urban Development, and Independent Agencies, which would have eliminated his national service program, AmeriCorps, and included major cuts in important social programs. He also vetoed the Interior appropriations bill, which included significant cuts in a number of environmental and water purification programs.

A method to the madness

On the floor of the House, Majority Whip Tom DeLay (R-Tex.) responded by saying that the Republicans would continue to delay a continuing resolution until a budget agreement had been reached, thereby keeping over 250,000 federal workers out of their jobs and in total uncertainty over the Christmas and New Year's holidays.

The ironic reality of the budget "mania" sweeping Capitol Hill, is that the very measures taken to "balance" the budget will lead to a greater budget deficit. As Presidential candidate Lyndon LaRouche commented on Dec. 28, "When you cut entitlements to senior citizens, the chain-reaction effect on the economy is such, that you will lose more revenue at the combined federal, state, and local level than you will ostensibly 'save' by your cuts."

There is, however, a "method" to the madness of Gingrich's House Jacobins. In addition to the gouging of Medicare and Medicaid, the Gingrich Republicans are also planning a tax break for their wealthy backers, in the form of tax rebates and a reduction in the capital gains tax.

The real reason behind freshman "balking" over an agreement, is that the promised "tax break" would become the inevitable victim of any budget compromise. Maryland Democrat Albert Wynn, interviewed on Fox Morning News on Dec. 29, nailed freshman Republican leader Jerry Weller on this issue. "As far as the tax break is concerned, I've said on the House floor, 'We could have a deal, if you'd eliminate the tax break for people over \$75,000 a year,' " Wynn said. "The Republicans don't want to do that. They want to keep that tax break. And that's what's costing \$270 billion in Medicare cuts. So, for them to say that we're actually increasing it, is really not fair." Weller could only squirm in his seat, claiming that the tax break was not going to the "wealthy."

Fight over the debt limit

Conservative Republicans seem intent on bringing on a financial crash as soon as possible. At the same time that House Republicans have forced a government shutdown, they are also refusing to extend the federal debt limit. Since the debt limit was reached in mid-November, Treasury Secretary Robert Rubin has had to juggle some accounts under Treasury control, in order to continue to finance government operations and to prevent the United States from defaulting on its debt, a move that would likely trigger an international financial blowout.

House Ways and Means Committee Chairman Bill Archer (R-Tex.) is demanding that Rubin cease these operations, threatening to challenge them on constitutional grounds. Writing to Treasury Secretary Rubin on Dec. 26, Archer warned, "I have been advised, that any additional steps that you may take will raise significant, and perhaps insurmountable, legal and constitutional questions." House Banking Committee Chairman Jim Leach (R-Iowa) whined that the Treasury's action, "while ostensibly prudent," has had "the effect of deferring fiscal discipline and delaying achievement of a balanced budget." Responding to these "considerations," the House on Dec. 14 passed H.R. 2621, a bill that would prevent Rubin from doing what he had to do on Nov. 15 when the federal debt reached its limit: disinvest funds from two of the federal trust funds, in order to make payments on government obligations.

RTC report exonerates Clintons in Whitewater

by Edward Spannaus

A multimillion-dollar report prepared for the Resolution Trust Corp. (RTC) by a prominent outside law firm, says that President and Hillary Clinton had little knowledge and no control over the Whitewater development project in which they invested, and that there is no basis for the RTC to sue the Clintons. The report also recommends that the RTC end its Whitewater investigation.

The existence of the RTC report, which has not been made public, was first disclosed in a news article buried in the *Wall Street Journal* on Dec. 18, and was immediately hailed by the White House and by congressional Democrats as exonerating the Clintons from charges of wrongdoing around the Whitewater-Madison affair.

President Clinton himself, during an interview with the *Los Angeles Times* on Dec. 20, called it "amazing" that so many media outlets did not find it newsworthy to report that the RTC had absolved him and his wife of any criminal or civil liability in the Madison-Whitewater investigation. The President joked that "it seems to be a secret around here."

No evidence of wrongdoing

The report was prepared at a cost of \$3.6 million over two years by the Pillsbury, Madison and Sutro law firm for the RTC, and its conclusions are said to have been adopted by that agency, which went out of existence on Dec. 31. The RTC is a federal agency created in 1989 to dispose of the assets of failed savings and loan banks.

The report not only concludes that the Clintons aren't liable for the losses of Madison Guaranty Savings and Loan in Arkansas, but it also states that the Whitewater development project didn't harm Madison. The claim that Whitewater contributed to Madison's losses, which had to be bailed out by taxpayers, has been a central ground for the Senate Whitewater hearings and other investigations. The RTC report portrays the Clintons as largely ignorant of the matter for the first seven years of their investment, and says that there is no basis to assert that the Clintons knew anything of substance about how James and Susan McDougal ran the Whitewater project, or about any alleged financial improprieties.

Sen. Chris Dodd (D-Conn.) declared that the RTC report "exonerates the Clintons," and read excerpts from the report during Senate debate on Dec. 20. He quoted the report as

saying: "There is no basis to charge the Clintons with any kind of primary liability for fraud or intentional misconduct. This investigation has revealed no evidence to support such claims, nor would the record support any claim of secondary or derivative liability for the possible misdeeds of others.

"It is recommended that no further resources be expended upon the Whitewater part of this investigation."

Dodd noted that the report was prepared by a Republican former U.S. Attorney, Jay Stephens; other senators noted that the Pillsbury firm has strong Republican ties.

Additionally, according to the *Wall Street Journal*, the RTC report states that there is no evidence, "except an unsubstantiated press report," that Clinton, as governor of Arkansas, pressured then-judge David Hale to make a \$300,000 loan to Susan McDougal. The *Journal* noted that Hale's assertion that he was pressured by Clinton is the only direct allegation of wrongdoing against the President, and that it is a major focus of Independent Counsel Kenneth Starr's investigation. Moreover, the RTC report finds no evidence that Clinton had any knowledge that funds for a 1985 campaign fundraiser may have come from an illegal source.

But, in what one congressional source called "an effort to throw cold water" on the RTC's findings, the rabidly anti-Clinton *Washington Times* ran a bizarre front-page story on Dec. 26 headlined: "RTC Report Didn't Clear Clintons." The article claims that the RTC never sought to link the Clintons to any civil liability. What the article never explains is why the RTC would have spent two years and \$3.6 million on a such a report if it never had any intention of bringing such a civil action. The article also claimed that the report does not affect the RTC's criminal referral to the Justice Department, now being investigated by Starr. This may technically be true, but since the standard of proof for criminal liability is far higher than that for civil liability, the RTC report dramatically undercuts the likelihood of any criminal charges being brought against the Clintons.

'Whitewater fixation'

During the Senate debate on the Whitewater subpoenas on Dec. 20, a number of senators criticized what they termed the "Whitewater fixation" of the Senate. David Pryor (D-Ark.) presented a chart showing that the Senate in 1995 held 34 hearings on Whitewater, 6 on Medicaid, 4 on education, and 1 on Medicare. "This is the priorities of this particular Congress thus far, in 1995," Pryor said.

While various Republican senators have attempted to compare Whitewater to Watergate, President Clinton, in his *Los Angeles Times* interview, ridiculed such efforts, noting that Watergate concerned abuse of Presidential powers and criminal conduct in the White House. "There has not been a single, solitary soul [to] accuse me or my wife of doing anything illegal, not only in the White House, [but in] in the Presidential campaign, or in the governor's office," the President said.

Senate Ruby Ridge report whitewashes U.S. Department of Justice

by Edward Spannaus

On Dec. 21, a subcommittee of the Senate Judiciary Committee issued its report on the 1992 Ruby Ridge, Idaho shootout. The 156-page report of the Subcommittee on Terrorism, Technology and Government Information is the result of 14 days of hearings and an extensive investigation into the deadly fiasco in which three persons were killed in two separate shooting incidents.

From the standpoint of congressional oversight, this is perhaps the most in-depth examination of the FBI and other law enforcement agencies to be undertaken in two decades, yet the committee went out of its way to suppress the evidence before it in order to protect the Bush Department of Justice (DOJ). And it never even scratched the surface on the DOJ's permanent bureaucracy.

The report's conclusions

On Aug. 21, 1992, federal Marshals, conducting a clumsy reconnaissance of the mountaintop retreat of self-professed white separatist Randy Weaver, provoked a shooting incident in which a Marshal was killed, as was Weaver's 14-year-old son. After the shooting, the FBI's Hostage Rescue Team was deployed to the scene, and the next day an FBI sniper shot and killed Weaver's wife Vicki, while she was holding their infant daughter.

In releasing its report, the subcommittee noted that Ruby Ridge has come to symbolize "human tragedy and government misconduct," and it described the three deaths that occurred there as "senseless."

The report finds fault with the actions of the FBI, the Alcohol, Tobacco and Firearms (ATF) division of the Treasury Department, the U.S. Marshals Service, and the U.S. Attorney's Office in Idaho. The report is also critical of Randy Weaver himself for not complying with the original arrest warrant issued for him.

The major conclusions of the report are:

- ATF: "Mistakes and misinformation promulgated by ATF were a substantial contributing factor to the Ruby Ridge tragedy." The ATF's actions constituted entrapment of Weaver, or something very close to entrapment. Furthermore, the ATF repeatedly circulated false and misleading information about Weaver.

- FBI: The FBI failed to carry out a negotiation strategy, and instead precipitously rushed into a confrontation with

Weaver. The Rules of Engagement given to the FBI Hostage Rescue Team were "inappropriate and unconstitutional." The second sniper shot, which killed Vicki Weaver, was in violation of the U.S. Constitution.

The subcommittee was unable to determine who had approved the FBI's Rules of Engagement, and it faulted FBI officials Danny Coulson and Larry Potts for negligence or worse, and for not taking responsibility for the actions of their subordinates. It also faulted FBI Director Louis Freeh for his promotion of Potts to the position of deputy director of the FBI.

The FBI's own internal reviews of Ruby Ridge were "seriously flawed," and the report stated that there is "an institutional bias against subjecting FBI agents to the same degree of searching and skeptical scrutiny that others investigated by the FBI are subjected to."

But the report also praised FBI Director Freeh for his subsequent promulgation of new rules governing the use of deadly force, and his efforts to rein in the Hostage Rescue Team. It also praised Deputy Attorney General Jamie Gorelick, and Barbara Berman, the DOJ official responsible for the preparation of the Justice Department's comprehensive and highly critical report on Ruby Ridge.

ATF on the chopping block

The softest target for the committee was the ATF. Its days as a separate federal law enforcement agency may be numbered, judging from comments made by members of the committee at the press conference releasing their report, who said that they will hold further hearings to consider whether the ATF should be abolished altogether.

Sen. Arlen Specter (R-Pa.), who chaired the hearings, criticized the ATF for building Randy Weaver "into a major menace by saying that he had prior convictions and was a suspect in a bank robbery case." Specter noted that even after it was shown that the ATF had put out false information on Weaver, ATF Director John Magaw read a statement to the hearings saying that everything that ATF did was appropriate. "I think additional hearings need to focus on the broad range of what ATF has done, not only here but in Waco [Texas] and in Tennessee and on other matters," said Specter.

At their press conference, members of the Senate Judiciary subcommittee also patted themselves on the back repeat-

edly for the oversight they had just exercised, boasting that the type of oversight of the FBI carried out by the committee has never before happened.

Sen. Herb Kohl (D-Wisc.), the ranking minority member of the subcommittee, praised FBI Director Freeh, who, he said, “came before us and, unlike so many others, accepted responsibility, admitted errors, and implemented vitally needed changes.”

“For perhaps the first time in its history,” Kohl said, “the FBI and its director have had to stand before the public and be held accountable for their failure to live up to their own highest standards. This experience has been unique. It never would have happened under J. Edgar Hoover . . . and it’s not happened, to my recollection, for as long as the FBI has been there.”

(In fact, the FBI was subjected to broader scrutiny during the post-Watergate hearings of the Church Committee in the Senate and the Pike Committee in the House, which hearings exposed the FBI’s “Cointelpro” program of disruption of political and civil rights groups.)

Sen. Larry Craig (R-Id.), who is not a member of the subcommittee but who participated in the Ruby Ridge investigation because the events had taken place in his state, said, “This is one of the few times since I’ve been here we’ve actually sat down and taken something from beginning to end and had real, significant oversight. . . . I think we should be doing more of that, not just in law enforcement.” He said that there are a lot of areas in which this is necessary, and added that “if the Congress does not want to become just totally irrelevant—that’s probably not the best word to use, but doesn’t become ineffective—it has got to go back to this kind of oversight.”

Sen. Patrick Leahy (D-Vt.) said that during his 21 years in the Senate, “we have gone further and further away from doing real oversight. We have what become, frankly, press pop kind of hearings, where somebody wants to get across some basic point, whatever it might be. Liberals and conservatives both do it. They accomplish very little. . . . We ought to have real oversight.”

Oversight failure

However, both the Senate investigation and the final report missed the target in two essential respects.

First, the Senate hearings never examined the role of the Justice Department. The lack of interest in the DOJ’s role is even in contrast to the scrutiny which some top DOJ officials were put under in the Waco hearings in July. Of course, in the Waco hearings, this was not done for reasons of cleaning up the Justice Department; Republican senators grilled Clinton administration appointees Janet Reno and Webster Hubbell at length, in a transparent effort to embarrass the Clinton administration.

The political dilemma facing the Republican majority on the Judiciary subcommittee is that the Ruby Ridge incident occurred under the Bush administration. Thus, even though

the hearings produced some evidence indicating Justice Department involvement, this was never followed up—at least not in the public sessions.

Second, even such evidence that did come out in the hearings, which was extremely damaging to a couple of Bush administration DOJ appointees, was ignored in the final report. Two glaring instances were that of former Deputy Attorney General George Terwilliger, and that of former U.S. Marshals Service Director Henry Hudson. In fact, in both cases the subcommittee report blames the FBI for inaccuracies in FBI “302” reports, in order to protect these two officials.

George Terwilliger

As Deputy Attorney General from 1991 to January 1993, Terwilliger served directly under Attorney General William Barr, and he was directly responsible for supervision of all criminal investigations conducted by the Justice Department and the FBI. Incredibly, he testified that he knew nothing about the shootout, and that he had left for vacation with his family on Aug. 22, spent the week travelling from one lodging site to another in Grand Teton and Yellowstone national parks, and never once checked in with his office, or even saw a newspaper or heard a radio or TV broadcast about the Ruby Ridge shootout.

This was despite the fact that FBI supervisor Douglas Gow had testified that he briefed Terwilliger in Washington on Aug. 21, and that an FBI supervisor in Idaho had remarked at the time that Terwilliger was involved.

Sen. Dianne Feinstein (D-Calif.) put this under the category of “plausible deniability,” and expressed amazement to Terwilliger that “neither the Attorney General nor the Deputy Attorney General knew anything about it.” Terwilliger responded that he would be very surprised if Attorney General Barr had not been getting situation reports as they came in, but this opening was never followed up by the members of the subcommittee.

Senator Craig was the most skeptical of Terwilliger’s testimony during the hearings. Craig noted reports that there were at least 20 contacts “with the Bush Justice Department” over a 24-hour period on Aug. 21-22. Craig also referred to the testimony of the FBI supervisors at Ruby Ridge who had stated at the time: “Terwilliger’s involved now.” Craig lectured Terwilliger: “I was just across the mountain in Idaho while all this was going on. It was on the national nightly news. . . . It was, by testimony yesterday, one of the most significant, if not one of the most dangerous, involvements of HRT. Four-hundred people had assembled at the base of this small mountain, or outcropping of rocks, or ridge. . . . It was catching the attention of a nation for a period of some days, and yet you heard nothing about it.”

There is no reference to any of this in the subcommittee report, except in a discussion of FBI “302” interview reports. Terwilliger’s credibility, which suffered enormously during his testimony, was left unscathed in the final report. Barr was never called to testify at all.

Henry Hudson

Henry Hudson, a United States Attorney in Virginia under the Reagan and Bush administrations, and then appointed by George Bush to head the U.S. Marshals Service in 1992, also received kid-gloves treatment at the hands of the subcommittee.

By any reasonable account, Hudson was caught lying during his testimony in the hearings. On Sept. 12, Hudson gave testimony that directly contradicted a contemporaneous FBI report summarizing what Hudson had once told FBI investigators. Senator Kohl brought this out most forcefully, in regard to the denial by the Marshals Service that they knew that Randy Weaver's teenage son Sammy had been shot and killed on Aug. 21. Kohl read to Hudson the following passage from the "302" report of an FBI interview with him:

"While en route to FBI headquarters on August 21st, John Twomey, a Marshal, briefed Hudson on the facts that Kevin Harris had shot Bill Degan, the Marshals returned the fire, and that it was believed that Sammy had been wounded. Mr. Hudson stated that it was his understanding in the early hours of the crisis that Cooper and Roderick saw Kevin Harris standing over Degan's body and that the younger Weaver had been shot."

When Kohl confronted Hudson, asking how he could say he did not know Sammy had been shot until several days after the incident, Hudson responded that he was "perplexed" about the "302," and claimed that it was "inaccurate."

Hudson lied a second time, when Senator Craig asked him if, in his years of experience in law enforcement, "were you or your service ever involved in a situation or an incident in which in total people deployed, you arrived at the number of 400?"

Hudson answered, "No," not just once, but twice.

What Hudson omitted was the raid in Leesburg, Virginia on Oct. 6-7, 1986, directed against Lyndon LaRouche and his associates, which, by all official accounts, involved well in excess of 400 law enforcement personnel. Hudson, as the U.S. Attorney for the Eastern District of Virginia, was in charge of that operation. The Leesburg raid, like the Weaver raid, also involved the FBI's Hostage Rescue Team, and, with all of Hudson's publicity-hogging at the time, it is not something he would have forgotten. But it was probably not something that the senators wanted to pursue, either.

Hudson was also criticized a number of times during the hearing for the inflated and exaggerated briefing which he gave to top FBI officials on Aug. 21, 1992, after the first shooting at Ruby Ridge. FBI officials Larry Potts and Danny Coulson both blamed Hudson for giving a false picture to the FBI regarding what had happened. Coulson told the subcommittee hearings that they had been told that Weaver was a Special Forces-trained soldier, and that Weaver had pursued, chased, and routed six heavily armed, well-trained U.S. Marshals, and that they were kept pinned down on the mountain 10 to 12 hours.

Under questioning, Potts defended the FBI's initial re-



Former U.S. Attorney Henry Hudson, who led the railroad prosecution of Lyndon LaRouche, escaped blame for his role in the Ruby Ridge bloodbath in the Senate report. Shown at a Republican leadership breakfast in Arlington, Virginia in 1989.

sponse by saying that this information had come directly from Hudson, who, Potts explained, was the director of the United States Marshals Service, a former U.S. Attorney, a former local prosecutor, and someone who was used to dealing with law enforcement information.

While the subcommittee report concluded that the FBI had been misbriefed about the situation, contributing to its exaggerated response, the report inexplicably failed to lay the blame for this at Hudson's doorstep.

The DOJ permanent bureaucracy

The subcommittee's hearings never even touched on the role of the "career professionals" in the DOJ's Criminal Division who have the day-to-day supervisory responsibility over such investigations. A DOJ report on the Waco incident documented extensive involvement by John Keeney and Mark Richard, the two top permanent bureaucrats in the Criminal Division, in the decision-making leading up to the final bloodbath there. Yet they were apparently never even mentioned in the Ruby Ridge hearings.

Since Keeney and Richard also are responsible for most "political corruption" and "white collar crime" cases brought by the FBI and DOJ, this may explain the reluctance of senators to subject them to the same type of scrutiny to which they put the ATF and FBI. Indeed, Keeney and Richard wield a power similar to that of J. Edgar Hoover in earlier decades. But until members of Congress summon up the courage to confront and clean up the DOJ permanent bureaucracy, there can be no effective or competent oversight of U.S. law enforcement.

John Cardinal O'Connor speaks on health care

The following is the text of a speech given by John Cardinal O'Connor of New York at the 50th anniversary Alfred E. Smith Memorial Foundation dinner on Oct. 19 at New York's Waldorf-Astoria Hotel. It is reprinted here by permission of Cardinal O'Connor. Emphasis and ellipses are in the original.

At the first Al Smith Dinner, former Postmaster General-turned-toastmaster general, Jim Farley, called Al Smith "a charter member of the human race." I like that very much. It goes to the essence of why we are here this evening.

Al Smith knew nothing about medicine or the technical elements of health care. Nor did he ever hear of managed care, Medicaid reimbursements, third-party payments, diagnostic rating groups or anything of that sort, all common parlance today. Yet night after night Al Smith would make the rounds of Saint Vincent's Hospital, a hospital he loved, with the doctors on duty, simply to try to bring joy to the patients, particularly those who were suffering. He did not do this because they were voters. He did this because they were human persons.

A half-century later we celebrate Catholic health care at this Al Smith Anniversary dinner precisely because it has never lost sight of this fundamental reason for its existence: to take care of human persons, to treat every person as sacred, made in the Image and Likeness of God.

A recent letter from someone discharged from one of our Catholic hospitals in the heart of New York City says it all.

"I feel compelled to write this letter to let you know of the wonderful care that I received from all of the hospital staff. The doctor was wonderful, not only as a professional of the highest caliber, but also on a *personal* level as well. The entire staff including the technicians and the nurses . . . treat you as a person and not *just another patient*. They all go that extra step."

I am prouder of that letter than I would be of a letter describing the latest gleaming technical equipment. It's not that I consider technical equipment unimportant, but that it, too, must exist and have its meaning only in terms of the care of human persons.

It is immensely *difficult* today for hospital and nursing

home administrators and even doctors and nurses to avoid becoming commercialized, to avoid becoming caught up in the marketing terminology, in quantitative competitiveness. Today there is immense pressure on administrators, doctors, and nurses to think of departments and clinics and even patients as "cost centers," to determine how long a patient needs medical or nursing attention strictly in terms of how much the government or an insurance carrier will pay for. There is a grave temptation for health care to become just another industry. Thank God for those doctors and nurses and administrators and staff who refuse to yield to such temptation, refuse to subordinate their patients to such demands.

I *know* the problems. The annual operating cost of 17 Catholic hospitals and 15 Catholic nursing homes in the Archdiocese of New York is \$1,700,000,000. Why do we struggle to keep our doors open? In order to compete as an industry? Of course not. Because we care about the human person.

Why did we pioneer in taking care of persons with AIDS, so that shortly after this tragedy struck our city, we rapidly became the largest private sector caretaker of persons with AIDS in the United States? Why do influential men and women of the Knights of Malta, represented here tonight by Henry Humphreys, visit and care for persons with AIDS in our Catholic hospitals? Why did we open the first Huntington's Unit to take care of people with a dread disease not reimbursed by the government? Why did I announce in October of 1984 and many, many times since, that any woman, of any religion, of any color, of any ethnic background who is pregnant and in-need, could come to us from wherever and we would ensure her medical care, her hospitalization, her legal assistance, if she needed it, so that she could either keep the baby or have the baby adopted? Why did we continue doing that year after year? Because there are thousands and thousands of women in need who have been helped. Why do we do whatever we do for the retarded, the handicapped? Why do we do whatever we do for the poor? Why do we specialize in the needs of the poor in our Catholic health care system? Because of our very passionate belief that every human person is sacred, precious in the eyes of God, whatever his or her religious beliefs,

ethnic or racial origin. All are persons. All are welcome in our Catholic health care system.

The ease with which *health care* can become depersonalized is little short of terrifying, particularly when we are dealing with the most vulnerable: the unborn, the frail elderly, the comatose, the cancer-ridden. I have told this story before, but I feel compelled to tell it again and again at every opportunity because it is such a shocking reminder of what can happen. It is a real story. Our own Calvary Hospital is considered, I believe, by professional observers to be one of the finest hospitals in the United States for those who are currently ill with cancer, from a human perspective incurable. Until not too many years ago, patients referred to Calvary from acute care hospitals, had an average length of stay of approximately six weeks. They lived for those six weeks in great comfort and in love, given tender, gentle care, by incredibly warm and dedicated doctors, nurses, administrators and staff.

Now, because of various new wonder drugs, patients may live six months or longer in the same loving and virtually pain-free environment, with added time to prepare both materially and spiritually for the death they know is coming, often strengthening bonds with their families, finding peace at the end. I have never known a relative or friend of a Calvary patient who has not been deeply grateful for the extraordinary care given their loved ones.

Some time back, however, the storm clouds gathered. A major insurance carrier, I am told, called the leadership of Calvary Hospital to say: "You are keeping your patients alive too long. If you *continue* to do this, we will discontinue your insurance." What a chilling effect on people trying to do good.

It is so much easier to do evil than good, isn't it? Yet, if we give up trying to do good, we lose our very reason for existence. We shrivel up and die.

William Lindsey White gave us all a grim reminder of his study of American prisoners of war in Korea. Many prisoners were beaten, starved, otherwise tortured, but *cared* enough about life to survive. Some prisoners, however, described in White's *Captives of Korea*, were not beaten or starved or otherwise tortured, yet they withdrew from all their fellow prisoners, curled into a fetal position, and died, of no medically identifiable cause. White puts it starkly: "Those who believed in Nothing, died of Nothing at all."

Catholic health care will continue its struggle to survive because we believe in the sacredness of all human life at every stage of existence, we believe in the individual human person, true heart of this city and every city, made in the Image and Likeness of God, precious infinitely beyond fiscal calculations or financial compensations. We will struggle to survive because we *care*. We refuse to be depersonalized. We care too much to compromise our moral and ethical principles, to abandon human persons to inexorable economic forces. We will never withdraw from our obligations to

the poor or to anyone else who needs us. We will not curl up into a fetal position out of fear of hostile forces that may surround us. We will not shrivel up and die; because we *believe*.

It is tremendously encouraging to me that *you* believe, that *you* care. Your presence here tonight, your never-failing generosity throughout the years—these demonstrate your belief in what we are trying to do; you care that it be done. Nor do I refer simply to your financial generosity. Critical as financial support is, almost infinitely more important to me is that you want us to continue caring for people precisely because they are people. You encourage us always to provide the most technically advanced and sophisticated procedures where possible and necessary, but far more: you want doctors, nurses, administrators, staffs to offer *themselves* to their patients, to pour out their very souls in tender, loving care. For this reason, each of you, deserves, as did Al Smith deserve, to be called a "charter member of the human race."

The city is still basking in the magnificent glow of the visit of Pope John Paul II. I have received more phone calls and letters than about any other event I have ever experienced: from Jews, Protestants, Catholics, Muslims, people of no religious persuasion. Millions never got physically near the Pope, but sat glued to their television sets watching and listening. And what are they talking about now? The glamor, the air of power, the immense amount of security, the pageantry? No. This is not what they are writing to me and talking to me about. They are telling me over and over that this man has moved them deeply, even changed their lives, because they have seen how much he *cares* for everyone. He breathes love, he inspires hope, because he cares.

I conclude with the moving words the same Pope uttered in Central Park. They are equally and beautifully applicable to Catholic health care, indeed to all of the activities in this great city, which this Pope calls the "capital of the world." I quote him and will conclude.

"In our bodies we are a mere speck in the vast created universe, but by virtue of our souls we transcend the whole material world. I invite you to reflect on what makes each one of you truly marvelous and unique. Only a human being like you can think and speak and share your thoughts in different languages with other human beings all over the world, and through that language express the beauty of art and poetry and music and literature and the theater, and so many other uniquely human accomplishments.

"And most important of all, only God's precious human beings are capable of loving. Love makes us seek what is good; love makes us better persons. . . . Love makes you reach out to others in need, whoever they are, wherever they are. Every genuine human love is a reflection of the love that is God Himself. . . ."

Thank you for loving and for caring. God bless you all.

Drug pushers petition Washington to narcotize children with Ritalin

by Dana S. Scanlon

One of the strongest challenges yet presented to the Clinton administration in its stand against drugs, is a petition submitted to the Department of Health and Human Services to downgrade the classification of methylphenidate (MPH), popularly known by the brand name Ritalin, as a dangerous narcotic requiring tight restrictions and controls on its production and distribution by prescription. Acceptance of this petition would flood American streets with a powerful drug which is more addictive than cocaine, and is already being abused by hundreds of thousands, if not millions, of youngsters.

The petition was submitted by Children and Adults with Attention Deficit Disorder (CHADD), a so-called “parents advocacy” group which, unbeknownst to many of its members, is heavily funded by the lead manufacturer of MPH, Ciba-Geigy.

The U.S. Drug Enforcement Administration (DEA) has taken the unusual step of issuing a public warning of the dangers posed by the coalition of pharmaceutical interests (Ciba-Geigy is the fourth largest drug company in the world), educators, and so-called “support” groups which has been formed to push Ritalin on children. In an Oct. 12 report, entitled “Summary of Preliminary Findings on Petition to Reschedule Methylphenidate” (see *Documentation*), reportedly the public summary of a broader report to Secretary of Health and Human Services Donna Shalala, the DEA gives a point-by-point refutation of the arguments put forward in the petition to reschedule MPH.

What is Ritalin?

Methylphenidate is a highly addictive stimulant, which the Food and Drug Administration (FDA, a branch of the Department of Health and Human Services) classifies on Schedule II of the Controlled Substances Act, which includes cocaine, morphine, opium, and barbiturates. Classification as a Schedule II product allows the DEA and FDA to set quotas limiting its annual production to what is considered medically necessary, and also requires more stringent prescription procedures, such as not allowing automatic refills.

As dangerous as this pharmaceutical product is, it is currently medically administered to over 2.5 million Americans, including more than 1 in every 30 children between the ages of 5 and 18. In some classrooms, as many as 50% of the boys are on Ritalin, according to news accounts. These children have been labeled “ADHD kids,” which means they are diag-

nosed as having Attention Deficit Hyperactivity Disorder. This is entirely a behavioral condition, consisting of all manner of childhood problems, ranging from inability to concentrate, excessive running and fidgeting, frequent interruption, and various disciplinary difficulties. There is no medically or biologically known cause of these behaviors, contrary to the persistent claims of CHADD and other Ritalin-pushers.

These figures on medically administered MPH use do *not* include the untold numbers of American adolescents who are getting their hands on someone’s prescribed drug, snorting it or consuming large numbers of pills, in order to get high. There have been a number of deaths caused by snorting Ritalin, and it frequently turns up in emergency rooms as the pill of choice for adolescents attempting to commit suicide.

Although MPH is a stimulant, it is prescribed to children who are called “hyperactive” because it supposedly helps them to “concentrate.” But most of the children treated suffer from one or more of the following side effects: insomnia, loss of appetite, nervous tics, growth suppression, and dizziness—even with very low doses *taken as prescribed*. Adverse effects such as irritability and sadness have been reported in up to 22% of children receiving the medication, according to one report. MPH is also used to treat narcolepsy, a condition characterized by the frequent and uncontrollable need to sleep. (It was also the 1960s drug of choice for college students seeking to stay up all night in order to cram for exams.)

The American Psychiatric Association officially created the ADD, or ADHD, “disorder” in 1980. Prior to that, the types of behaviors now associated with ADHD were given other labels by the APA, ranging from “restless syndrome” to “hyperkinetic reaction of childhood.” Ritalin first began to be used in the “treatment” of these children in the early 1960s.

Dr. Thomas Armstrong, a former special education teacher, summed up the creation of ADD in the preface to his book *The Myth of the A.D.D. Child*: “ADD isn’t an educational ‘virus’ that’s been lurking in the brains of our children for centuries waiting for a chance to spring into action. Instead, ADD is a construct that was essentially invented in the cognitive psychology laboratories of our nation’s (and Canada’s) universities, and then given life by the American Psychiatric Association, the U.S. Department of Education, and the chemical laboratories of the world’s pharmaceutical corporations.”

The petitioners

The petitioners seeking to downgrade MPH's classification to Schedule III include CHADD and the American Academy of Neurology. CHADD, which now has over 28,000 members and 600 chapters nationwide, received \$748,000 in funding, a significant portion of its budget, from Ciba-Geigy during 1991-94. CHADD is unabashed in its promotion of Ritalin, Ciba-Geigy's brand name for MPH, even though there are other manufacturers of MPH. It also produces brochures and videotapes that gloss over Ritalin's side effects. One of those videotapes was produced jointly with the U.S. Department of Education.

In an October 1995 background paper, the DEA states that Ciba-Geigy and CHADD together contributed to a 1993 panic among parents (who have come to depend on Ritalin to keep their children manageable) over a nonexistent shortage of Ritalin. When a delay in the external review process revising the 1993 production quota of the drug took place, Ciba-Geigy "issued a press release and over 400,000 letters to health care professionals accusing the DEA of creating an impending shortage of their product," according to the DEA. This "caused an environment of panic for parents. . . . Groups such as CHADD were also notified of Ciba-Geigy's allegations. CHADD, in turn, urged parents to write their congressional representatives and to the DEA to voice complaints. . . . In addition, many parents rushed to their physicians to get multiple prescriptions. . . . In short, Ciba-Geigy was contributing to a situation which promoted the increased sale of product through panic buying." The DEA notes that the company ended 1993 with inventory on hand, so the stampede for Ritalin was clearly entirely a marketing ploy.

The DEA further notes that the U.N. International Narcotics Control Board has "expressed concern about non-governmental organizations and parental associations in the United States that are actively lobbying for the medical use of MPH for children with ADHD," in particular because of the funding of these groups by the very pharmaceutical companies that stand to make a killing.

Unfortunately, the DEA report also comes with the advisory that "statements made herein are preliminary findings," and that the "DEA has not made a final decision concerning the petition." Although it is hard to imagine the petition being granted after a reading of this document, it does leave the door open for "political" factors to intervene in the Department of Health and Human Services, where the final decision will be made.

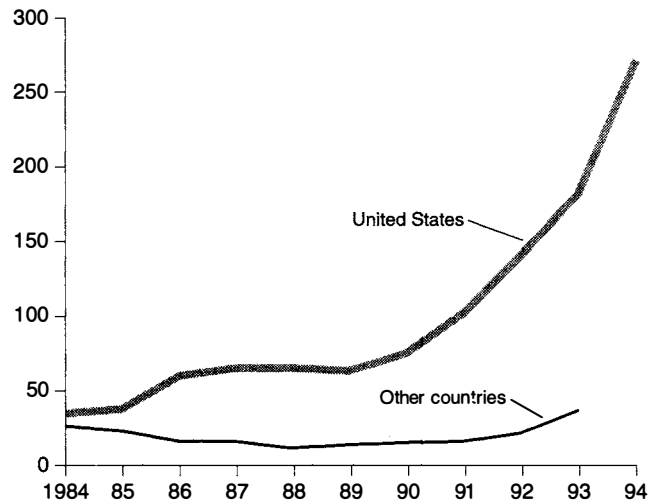
The child abusers

Why would any parent allow their child to be drugged in this way, and why has this network emerged that is promoting the destruction of children's minds? The writings of a chief propagandist for House Speaker Newt Gingrich (R-Ga.) and his Conservative Revolution ideology, former *London Times* editor-in-chief Lord William Rees-Mogg, give us a partial answer to that question: The title of Rees-Mogg's commen-

FIGURE 1

U.S. and world Ritalin use

(millions of daily 25 mg doses)



Source: International Narcotics Control Board.

tary in the Jan. 5, 1995 *Times* was, "It's the Elite Who Matter—In Future Britain Must Concentrate on Educating the Top 5%, on Whose Success We Shall All Depend."

What about the other 95% of children? The rest are supposed to be taught merely the few "skills" needed for basic low-wage employment in the Third Wave, post-industrial economy Gingrich and his mentor Alvin Toffler are promoting. The rest can spend useless days being entertained by rock music, video games, and interactive computers. They don't need creative minds facing a challenging curriculum. They're supposed to be dumb and happy. They are the audience for cable television's *Short Attention Span Theater*.

Moreover, as the family structure collapses with skyrocketing divorce rates, absent fathers, and working mothers, the pressures are enormous on parents to keep their children simply manageable. Tired teachers facing mumbo-jumbo curriculum and unruly classrooms often drop "hints" to parents about Ritalin. The half-hour video which the Department of Education produced in conjunction with CHADD, which was distributed to educators across the nation, devoted only 20 seconds to mentioning possible side effects of Ritalin.

Some youngsters who resist taking "the pill" are not allowed in the classroom unless they have a note from the school nurse stating that they have taken their dose. And, according to several cases reported to this writer, if a parent decides to take his or her child off Ritalin once it has been prescribed, they are likely to receive a visit from child protective services, investigating them for child abuse.

The National Institute for Mental Health, a government organization, has also contributed to the creation of this nightmare, according to Dr. Peter Breggin, author of *The War*

Against Children (see review in *EIR*, Sept. 22, 1995, p. 65). Dr. Breggin is one of the rare professionals who takes the view that there is *no* medically sound reason for prescribing this dangerous drug to children. He points to the increasing tendency in the psychiatric profession to find a biological or genetic explanation for everything, including crime, leading to more and more aggressive forms of pharmacological intervention. And he notes the presence on CHADD's National Professional Advisory Board of a number of NIMH officials who take this "biopsychiatric" approach.

Clearly, it is difficult to imagine any medical justification for administering a drug like Ritalin to a child. Failure to challenge its alleged medical usefulness highlights the shortcoming of not only the DEA report, but virtually every "exposé" on Ritalin "abuse" that has recently appeared in the media. Despite this, the DEA report proves conclusively that administering Ritalin is the equivalent to accepting the notion that while "abuse" of cocaine is bad, in small, prescribed amounts it can help your child to do better in school.

When it comes to raising children, there are no quick fixes: not in drugs, not in behavior modification, nor in the "a spanking a day keeps the devil away" approach. As Dr. Armstrong puts it, there is "very little in the entire ADD repertoire of teaching/parenting methods that is exciting, involving, relevant to a child's personal world, or *worthy of much attention.*"

There is no substitute in a child's emotional, intellectual, and moral development to the loving guidance of parents, waging a head-on battle against the prevalent "popular culture," and its influence inside *and* outside the home.

Documentation

DEA findings on Ritalin/MPH

The following are excerpts from the DEA's Oct. 12 report entitled "Summary of Preliminary Findings on Petition to Reschedule Methylphenidate":

- The petitioners maintained that there is no indication of significant diversion of MPH into illegal trafficking.

DEA found that MPH ranks in the top ten most frequently reported controlled pharmaceutical drugs stolen from licensed handlers. . . .

- The petitioners maintained that MPH does not exhibit a substantial capacity of creating hazards to the health of the user or the safety of the community.

DEA's review of both the scientific and medical literature [shows] that MPH shares the same abuse liability and hazards as other Schedule II substances. . . . In clinical studies hu-

mans will choose to take MPH, which produces rewarding and euphoric effects including increasing feelings of "high," drug-liking, and other psychomotor stimulant effects similar to d-amphetamine. . . . In a study of the incidence of cocaine use and abuse, researchers found that adults that were diagnosed as ADHD and exposed to MPH as children reported higher levels of drug dependence compared to non-medicated ADHD or control subjects. . . . MPH's patterns of abuse are similar to that of other Schedule II stimulants. Like amphetamine and cocaine, abuse of MPH can lead to marked tolerance and psychic dependence. Typical of other CNS stimulants, high doses of MPH often produce agitation, tremors, euphoria, tachycardia, palpitations and hypertension. Psychotic episodes, paranoid delusions, hallucinations and bizarre behavior characteristic of amphetamine-like psychomotor toxicity have all been associated with MPH abuse. Severe medical consequences, including death, have been reported.

- The petitioners maintain that there is clearly less actual abuse of MPH in comparison to abuse of other Schedule I and II substances.

. . . Despite Schedule II control and the unprecedented availability of other widely abused stimulants like cocaine and methamphetamine, law enforcement encounters with MPH indicate that it is highly sought after by the drug abusing population. Large quantities of MPH have been obtained illegally by "doctor shoppers," organized theft rings, ADHD and narcolepsy scams, forged and altered prescriptions. . . .

- The petitioners argue that MPH does not produce severe dependence as required by a Schedule II substance. The available scientific and medical literature show that MPH produces the same type of dependence profile as other Schedule II stimulants. . . . Contrary to the petitioners' contention that polysubstance abusers are the only population for which documented evidence suggests occasional abuse of MPH, DEA's review indicates that broad spectrum of individuals have, and continue, to abuse MPH. . . .

- The petitioners contend that children prescribed MPH for ADD do not generally abuse MPH.

DEA's review indicates that a significant number of children and adolescents are diverting and abusing medication intended for the treatment of ADD. The 1994 high school survey estimated that 16.6% of all high school seniors that abused stimulants, abused Ritalin. . . . It includes more seniors than are prescribed this medication legitimately.

- The petitioners argue that there was no sound legal or policy justification for the placement of MPH in Schedule II.

MPH was transferred to Schedule II of the Controlled Substances Act in 1971. . . . It was found that MPH's pharmacological effects are essentially the same as those of amphetamine and methamphetamine. . . . Reports of abuse from Sweden and actual abuse of this substance in the U.S. played a role in this decision.

- The petitioners maintained that the primary effect of Schedule II control of MPH is to impose inappropriate restrictions on the legitimate MPH market causing burdensome

Black lawmakers call for probe of DOJ misconduct

On Dec. 18, the National Black Caucus of State Legislators (NBCSL), the nation's largest organization of African-American elected officials, representing 574 legislators in 44 states, made public the resolutions adopted at their 19th Annual Legislative Conference, in Birmingham, Alabama on Nov. 28-Dec. 2.

Resolution 20 was first adopted on Nov. 30 by the NBCSL Task Force on Ethics, chaired by Sen. McKinley Washington (S.C.), and was ratified by the full conference on Dec. 2. It endorses the independent hearings facilitated by the Schiller Institute to investigate political targeting of groups and individuals by a nest of corrupt permanent bureaucrats inside the Criminal Division of the Justice Department. It was drafted following a presentation by former Sen. Theo Walker Mitchell (S.C.), a leader of the NBCSL since its founding, and a key participant in the independent hearings.

Resolution 20

A Call for Congressional Hearings to Investigate Misconduct by the U.S. Department of Justice

Whereas, a series of extraordinary independent public hearings, facilitated by the Schiller Institute, to investigate allegations of gross misconduct by the U.S. Department of Justice, occurred just outside Washington, D.C. on Aug. 31 and Sept. 1; and

Whereas, many distinguished members and former members of the NBCSL, including Sens. Robert Ford and Maggie Wallace Glover of South Carolina; Reps. William Clark and John Hilliard of Alabama; Reps. Toby Fitch and Howard Hunter of North Carolina; Rep. Ulysses Jones, Jr. of Tennessee; Rep. Percy Watson of Mississippi; former Sens. Theo Mitchell and Herbert Fielding of South Carolina; former Reps. Frank McBride and Judge Tee Ferguson of South Carolina; and Judge Ira Murphy of Tennessee, among others, participated in said hearings; and

Whereas, the hearings focussed on cases where there was evidence of political targeting of groups and individuals by corrupt officials inside federal governmental law enforcement agencies, working in tandem with a concert of private organizations; and

Whereas, the evidence presented was organized into three panels: 1) the campaign of harassment and selective and vindictive prosecution conducted against African American public and elected officials called "Operation Frühmenschen (primitive man)" by the FBI; 2) the conduct of the Department of Justice's Office of Special Investigations (including the cases of John Demjanjuk and former U.N. Secretary General and President of Austria Kurt Waldheim); and 3) the case of Lyndon LaRouche, described as the largest-scale single case, involving the same corrupt Department of Justice apparatus that operated in the OSI and "Operation Frühmenschen" cases; and

Whereas, in case after case, the panel heard decisive evidence of rampant Department of Justice corruption, prosecutorial misconduct, withholding of exculpatory evidence, and conscious perjury and fraud upon the court, politically motivated and designed to deprive American citizens of effective representation in violation of the Voting Rights Act; and

Whereas, the evidence was presented, not by the good word of the witnesses alone, but documented by the government's own documents, records, and memoranda, first suppressed and later obtained under the Freedom of Information Act, and other legal actions,

Be it resolved by the 19th Annual Legislative Conference of the National Black Caucus of State Legislators (NBCSL), assembled in Birmingham, Alabama, Nov. 28-Dec. 2, 1995, that this body, the 19th Annual Legislative Conference of the National Black Caucus of State Legislators, join this independent panel of distinguished individuals, in demanding that both Houses of the United States Congress exercise their oversight responsibility and conduct investigative hearings to examine these allegations of gross misconduct by the Department of Justice in the three areas of testimony heard by this panel, and urge our colleagues in the Congressional Black Caucus to do the same.

prescription requirements. . . .

Schedule II substances have the highest level of control allowed for substances that have legitimate medical use. . . . In 1986, quotas for MPH were the subject of an administrative hearing. . . [and] DEA initiated a number of changes to ensure that production quotas could meet medical needs. . . . In truth, DEA has provided unprecedented increases in MPH quota in recent years. The aggregate production quota for MPH has increased almost sixfold since 1990. . . .

Data indicate that far fewer children would be diagnosed

as having ADHD if the diagnostic criteria established for ADHD were applied. Data show that once diagnosed with ADHD, 80 to 90% of these children are placed on stimulant therapy as the sole treatment approach. Very few children are actually provided with other medical services. Contrary to FDA-approved usage, children under the age of six are receiving MPH for ADHD and many children are staying on the medication through adolescence and young adulthood despite the lack of studies that examine the long-term effects of this type of treatment. . . .

Welfare reform conference report clears House

On Dec. 21, the House passed the conference report on welfare reform by a vote of 245-178. The bill, which is the Republican plank on welfare reform, converts many welfare programs (Aid to Families with Dependent Children being the most prominent among them) into block grants to the states.

William Goodling (R-Pa.), chairman of the House Economic and Educational Opportunities Committee, praised the block grant system, saying that it "will give states more flexibility in how they can best use these funds." He claimed that the bill maintains "federal oversight as to how the funds are used, and seeks to ensure, through certifications which the state must make in order to receive funds, that states have effective child protection systems."

Sam Gibbons (D-Fla.) called it simply a "lousy bill." He said the idea of block grants is like "putting money where the problem was a couple of years ago, not where the problem is today."

Bob Matsui (D-Calif.) also attacked block grants. The 50 states "have in fact messed up the education system of this country. Now you [Republicans] want to put AFDC and welfare into that mess as well," he said.

Holbrooke assures Senate: Bosnia mission has teeth

On Dec. 19, Assistant Secretary of State Richard Holbrooke told the Senate Foreign Operations Appropriations Subcommittee, chaired by Mitch McConnell (R-Ky.), that Adm. Leighton Smith, who officially took command of the Implementation Force (IFOR) on Dec. 28, will have the authority, under the terms of the Dayton agreement, to use force to implement the disarmament terms

agreed to by the three signatories.

"If heavy weapons were not withdrawn from an exclusion zone," Holbrooke said, "and Admiral Smith ordered the Serbs to withdraw them, and they refused, I think the Serbs would learn very, very fast what a huge mistake they've made; that this is not the U.N.; this is not Unprofor [U.N. Protection Force]. And I expect the Serbs, perhaps, to test Admiral Smith very early on. And I think when they—if they test him, they will be very sorry they did so." He added that it is not the mission of IFOR to disarm the Serbs.

Holbrooke said that the State Department has appointed a coordinator to deal with equipping and training the army of the Bosnian-Croat federation. Holbrooke also reported that an assessment of Bosnian military needs is under way, which is being carried out by a civilian contractor agency.

Holbrooke stressed that he wasn't talking about the government in Sarajevo, but rather, the Muslim-Croat federation, because "the greatest threat to stability in the region today would be the resumption of Muslim-Croat friction. . . . We will conduct our commitment to ensure that the federation forces are brought to military parity, at the same time we insist on the implementation of the arms-control, arms-stabilization agreements."

Abraham defends legal immigration

Spencer Abraham (R-Mich.), in remarks on the Senate floor on Dec. 19, sharply criticized an immigration reform bill that was passed out of the Senate Judiciary Committee a few weeks earlier, because "this bill would combine measures aimed at reducing illegal immigration with dramatic re-

ductions in legal immigration."

Abraham described illegal immigration as "a significant national problem, one that should be dealt with by discussing ways to deal with people who cross our borders illegally." In contrast, he said, "legal immigrants are overwhelmingly law-abiding and hardworking people who contribute to our economy and our society."

Abraham attacked some of the deeply held axioms of the anti-immigration lobby. "Immigration is not a zero-sum game in which every job that goes to a foreign-born worker means one less job for an American worker," he said. "Immigration is a positive-sum gain for Americans in terms of jobs, living standards, and economic growth. . . . Lowering the legal immigrant quota will lower the benefit we can gain from hard-working and highly skilled immigrants."

Byrd blasts 'insolence' of certain Republicans

On Dec. 20, Sen. Robert Byrd (D-W.V.), in a 45-minute speech liberally sprinkled with quotes from the New Testament, excoriated certain Republican senators for their incivility on the floor of the Senate. He singled out Connie Mack (R-Fla.) and Rick Santorum (R-Pa.) for remarks during debate on the budget on Dec. 15.

Mack had accused the Democrats of lacking the "guts" to put an alternative budget proposal on the table; Santorum had accused President Clinton of not knowing "how to tell the truth anymore," and Democratic senators of lying about the Republican tax cut proposals. Byrd said that in his 37 years in the Senate, he had never seen such "insolence" from another senator, especially one "who has not yet held the office of senator a full year."

"It is one thing to criticize the policies of the President and his administration," he continued. "But it is quite another matter to engage in personal attacks that hold the President up to obloquy and opprobrium and scorn. . . . The bandying about of such words as liar, or lie, can only come from a contumelious lip, and for one, who has been honored to serve in the high office of United States senator, to engage in such rude language arising from haughtiness and contempt, is to lower oneself in the eyes of his peers, and of the American people generally, to the status of a street brawler."

Byrd added that "there have been giants in this Senate," but "little did I know when I came here, that I would live to see pygmies stride like colossuses while marveling, like Aesop's fly sitting on the axle of a chariot, 'My, what a dust I do raise!'"

A short while later, Mack apologized, but he said, "for me to stand here and imply or allow others to conclude that I am the only one that might have pushed the envelope with respect to words used would, in fact, be a tragic mistake." Santorum, however, has yet to be heard from.

David Pryor (D-Ark.) suggested that a videotape of Byrd's remarks should be required viewing for the orientation of all newly elected senators.

Securities litigation reform veto overridden

The House voted 319-100 on Dec. 20 to override President Clinton's veto of the Private Securities Litigation Reform Act. The Senate followed suit on Dec. 22, by a vote of 68-30. The stated purpose of the bill is to end frivolous lawsuits and reduce the litigation risk to firms that make "forward looking" statements. President Clinton, in his

veto message, said that while he supports the goals of the legislation, he wasn't "willing to sign legislation that will have the effect of closing the courthouse door on investors who have legitimate claims," which, he said, several provisions in the bill will do.

Rep. Edward Markey (D-Mass.) cautioned against a "rush here to the floor to override the President's veto without any real deliberation as to the substantive issues which were raised in his message."

Rep. Chris Cox (R-Calif.), on the other hand, called the bill "one of the most bipartisan, carefully crafted pieces of legislation in congressional history." Cox was formerly a partner in the California law firm of mergers and acquisitions specialist Latham and Watkins, which is second only to Skadden Arps in importance in the most junk bond-infested area of U.S. finance. Cox also served as a senior adviser on deregulation, which rewards looters and punishes productive industry, to President Ronald Reagan.

Defense Authorization bill faces likely veto

On Dec. 19, Sam Nunn (D-Ga.), the ranking Democrat on the Senate Armed Services Committee, warned that President Clinton will veto the 1996 Defense Authorization bill, because the House "was unwilling to make the compromises necessary to get a bill that is likely to be approved by the Clinton administration. The bill contains a military pay increase and changes in procurement procedures, but, on balance, 'this bill's bad policy outweighs its good policies in its current form,'" Nunn said.

Among the provisions that Nunn objected to was a requirement to sell

the Naval Petroleum Reserve, and a "buy American" provision, which, Nunn said, would damage "the export sector of the United States that currently has a very strong trade surplus," because of anticipated retaliation by foreign countries unable to bid on U.S. defense contracts.

John Glenn (D-Ohio) said that the missile defense provisions should also be reason for rejecting the bill. The language in the conference report on the Anti-Ballistic Missile Treaty gives "the appearance that the United States intends to unilaterally violate the ABM Treaty," he said.

Lugar would expand NAFTA to Trinidad and Tobago

Richard Lugar (R-Ind.) introduced a resolution on Dec. 19 to express the sense of the Senate that Trinidad and Tobago should be "deemed ready, willing, and able to undertake all of the general obligations imposed by the North American Free Trade Agreement," and that negotiations should begin immediately to bring them into NAFTA.

Lugar made various ludicrous claims about the supposed benefits of NAFTA, in the face of mounting evidence, repeatedly presented by Sen. Byron Dorgan (D-N.D.) and others, that NAFTA is not living up to the promises made for it, especially in terms of increased economic activity and job creation.

Lugar gushed that growth in Trinidad and Tobago's oil and gas industry "presents excellent opportunities for United States companies interested in conducting operations in the Caribbean." He praised Trinidad's "aggressive economic reform policy provisions," which have reduced the government's annual deficit as well as its external debt load.

National News

Gonzalez: Prisons not the answer to crime

Rep. Henry Gonzalez (D-Tex.), on Dec. 7, assailed the notion that the answer to the crime problem is to build more prisons. "In Texas," he said, "there are nearly 127,000 people in prison. That's nearly equal to the prison population of the whole United States less than 20 years ago. We also execute more criminals in Texas than in any other state, and yet, I don't think anyone would say that we've turned the corner on crime." He described this situation as both a burden on society and on the prisoners who are only made bitter, rather than being rehabilitated.

Gonzalez described the debtors prisons in the 18th century and the novel idea the city of Edinburgh, Scotland came up with in 1742 to relieve itself of the burden caused by imprisoning people "whose only crime was to be in debt." "The city's government commissioned an artist to write a musical piece, hoping that the resulting concert would raise some money to pay off the debts of the people who'd been imprisoned," he said. The composer was George F. Handel, and the music he wrote for the occasion was *The Messiah*. "It was a great hit. . . . The city raised a great deal of money, paid off the debts of a number of prisoners and freed them. It's hard to imagine a city council smart enough to commission a concert to raise money to free prisoners . . . but we should think about the lesson here: Surely there is a better thing to do than make a failing system worse."

Astronauts demand rescue of space program

Two of the twelve men who have walked upon the Moon have called for reversing the devastating cuts in the National Aeronautic and Space Administration budget. In a December letter accompanying a national survey on the U.S. space program, Apollo 11's Buzz Aldrin, head of the National Space Society, declared, "Since I left the Apollo

program, I've watched with a great deal of frustration as our national commitment to space has waned." Apollo 13 commander Jim Lovell stated in a similar letter, "Today, I am dismayed and angered by what I see happening in Washington to our space program."

Referencing the rescue of the crew of Apollo 13 with help from the engineers on the ground, Lovell wrote that today, "*Our space program needs to be rescued*. Budget hawks and cynics in Washington have laid the groundwork to dismantle what's left of our space program—a program which many, including myself, consider this country's greatest legacy. . . . Short-sighted politicians are today sounding the call to retreat; to slash investments in promising programs; to bail out of our space program; to walk away from its many benefits."

Lovell recounted the overwhelming, positive response to the recent film *Apollo 13*. "I am making it my mission," he declared in his letter, "to capture some of that public fascination with space spun out of *Apollo 13* and translate it into a plan of action to rescue America's space program."

State reps royally rinsed at ALEC meeting

Hundreds of state legislators from across America were in Washington, D.C. on Dec. 5-9 for an "orientation" conference of the American Legislative Exchange Council (ALEC), hosted by the British government and an array of allied purveyors of evil. ALEC claims as members nearly 2,900 state legislators, governors, and congressmen.

ALEC's official sponsors, besides Her Majesty Queen Elizabeth's government, include: the Bronfmans' Seagram's liquor company, and Philip Morris—two British surrogates now driving the gangsterization of Russia; Promus Companies, America's largest casino owner, and Argosy Gaming Co.; Koch Industries, funders of the drive for dope legalization; Corrections Corporation of America, the private prison conglomerate profiteering in slave labor; the National Right To Work Committee, the coalition determined to crush labor unions;

Shell Oil Company, the British Crown's main corporate organizer of "indigenist" terrorism and ecological fascism; and Golden Rule Insurance, promoter of schemes to disinsure the poor and sick—and a prime funder of Newt Gingrich's GOPAC.

At the opening plenary, Cato Institute President Ed Crane, an advocate of legalized narcotics and pension-looting by dope bankers, spoke on "The Future of Conservatism in the States." The next night, attendees were shuttled to the British embassy for a private reception, where they were permitted to mingle with some of the leading advocates of these criminal policies.

Featured speakers at other sessions included former U.S. Attorney General Edwin Meese, who railed against judges who have "arrogantly" interfered with executions; and conservative guru Grover Norquist, who demanded higher taxes on the poor and an end to "gross discrimination" against the rich.

Wash. Post notes Brits run attacks on Clintons

Even the scandal-mongering *Washington Post* drew the line at one of the latest rounds of British-manufactured propaganda attacks on President Clinton and his wife. The *Post's* widely read Style Section on Dec. 16 blasted the British media and its neo-conservative clones at the *Washington Times* and the *Wall Street Journal*, in an article headlined "True Brit: The Birth of a Story," and sub-titled "U.S. Press Follows, No Questions Asked."

"Another accusatory story about the Clinton administration echoed across the Atlantic this week, making its way from a Rupert Murdoch newspaper in London to two conservative U.S. papers," the Howard Kurtz feature began. It detailed British-initiated allegations that Hillary Clinton had intervened to suppress a sexual harassment investigation at the Corporation for Public Broadcasting (CPB). The *Sunday Times* of London made the claim Dec. 10, under the lurid headline, "Hillary Clinton Stopped Sex Case Against Friend."

The *Washington Times* ran the undocu-

mented London version of the story on Dec. 13, and the *Wall Street Journal* ran an editorial the next day, attacking the *Post* for reporting the incident without naming Hillary Clinton. None of the papers which retailed the slander checked either with the White House or the CPB, both of which firmly denied the allegation; and the *Post* reports that even documents "leaked" to the media made no mention whatsoever of Hillary Clinton.

Kurtz noted that "the story is part of a pattern in which openly partisan British newspapers, some of which have looser standards of verification than their U.S. counterparts, have been the vehicle for airing disputed allegations that are then repeated, without further checking, in the American press. . . . London newspapers have carried a number of thinly documented stories about the Whitewater investigation, Vincent Foster's death and the President's alleged extramarital affairs, some of them peddled by Clinton's political enemies."

Enviro laws to shut down the Statue of Liberty?

Rep. Robert Franks (R-N.J.) warned at a press conference on Dec. 12 that, unless the approach to Liberty Island is dredged sometime in the next few months, ferries carrying sightseers to the Statue of Liberty will be unable to reach it. The water depth around Liberty Island's pier is already down to 14 to 18 feet—less than the 17 to 19 feet required for the ferries to operate safely.

According to the Dec. 13 *New York Times*, 130,000 cubic yards of New York Harbor bottom would have to be dredged around the pier to restore the depth to a safe level. Since the harbor bottom, however, would be "contaminated" with the effluvia of modern industrial society, environmental regulations make it illegal to dump the dredged material back into the ocean, off Sandy Hook, N.J. Instead, the *Times* claims, "Federal officials want the sediment disposed of on land, where health-risk guidelines are far less stringent"—but where local residents would be far more likely to oppose the plan.

Worse yet, the same obstacles could prevent much larger dredging operations needed to maintain the harbor as a whole. According to Peter Shugert, spokesman for the Army Corps of Engineers unit responsible for New York Harbor, "We're talking about the survival of this port." To keep the entire harbor open, and not just the approaches to Liberty Island, the Corps estimates that 4 million cubic yards of harbor bottom must be dredged. Franks warned that if this is not done, the ports of New York and New Jersey will rapidly decline, losing their business to Baltimore and Norfolk.

While the environmentalist establishment is perfectly content to dismantle some additional vital infrastructure, shutting down the Statue of Liberty apparently still produces some qualms. A spokesman for the State of New York's Department of Environment told the *Times*, "We're not going to let that happen. That's not even a remote possibility. We'll make sure we have a solution."

Drug use on the rise in secondary schools

In its annual survey, the National Parents' Resource Institute for Drug Education reported significant increases in marijuana use by students in grades 6 through 12 during 1995, as well as in cocaine and hallucinogen use by students in grades 9 through 12. "As in recent years, marijuana use increased more dramatically than any drug in the study. One-third of high school seniors (33%) smoked marijuana in the past year, and one-fifth (21%) smoked monthly. Since the 1990-91 school year, annual reported use of marijuana in junior high school (grades 6 through 8) has risen 111% (from 4.5% to 9.5%) and has risen 67% in high school (16.9% versus 28.2%)."

But the dramatic increases were not limited to pot. According to the survey, "The so-called 'hard-drugs'—cocaine and hallucinogens—reached their highest levels of use among high school students since the 1988-89 school year. There has been a 36% increase (from 3.3% to 4.5%) in cocaine use by students in grades 9 through 12."

Briefly

● **HENRY KISSINGER** was awarded the "Torch of Liberty" by the Anti-Defamation League of B'nai B'rith Dec. 3. The self-professed British agent, knighted by the queen earlier this year, received the award at a gala dinner in Los Angeles held for El Salvador's President Armando Calderón Sol. The ADL gang gave the same award to Las Vegas mobster Morris "Moe" Dalitz in 1985.

● **LYNDON LAROCHE** filed Dec. 26 as a Democratic Presidential candidate in the Delaware and Arizona primaries, bringing the number of states where he has qualified to eight. An Associated Press wire on the Delaware filing received coverage in newspapers around the country, including the Seattle *Post-Intelligencer* and the Manchester, New Hampshire *Union Leader*. LaRouche will be the only nationally known Democrat on the Delaware ballot.

● **REP. KWEISI MFUME** (D-Md.), former chairman of the Congressional Black Caucus, was unanimously appointed president and chief executive officer of the NAACP, and will resign from Congress to assume his new post on Feb. 15. "What pushed me into this was my absolute, utter disdain for the ultra-right-wing agenda that is being foisted on our communities," he said, referring to the Newt Gingrich agenda.

● **HUNGER** is now stalking the "able-bodied" poor in the Philadelphia area: 23,000 in the city and 6,000 in the surrounding counties who were cut off when the state eliminated general assistance in June. Emergency food requests are up 25% over last year; and the shutdown of major steel and paper plants has left thousands of skilled workers unable to pay their rent.

● **PAGANISTS** sing carols to the animals. An item in Federal News Service for Christmas Day reported: "People for the Ethical Treatment of Animals will sing Christmas carols to the animals caged in The National Zoo" in Washington, D.C.

1996: What the New Year may bring

A year ago, there was a widespread illusion that 1995 would bring spectacular economic growth. While it is true that stock market values have continued to inflate at an astronomical rate, the succession of bank collapses, beginning with Barings, is widely seen as a harbinger of things to come.

The Japanese financial situation is in the most critical state of affairs, with most of their banks on the verge of collapse. Noteworthy, too, is how this year ended—with a major political manifestation of the crisis in France, and a government shutdown in the United States.

The impetus for these situations in France and the United States, was the attempt by the oligarchy to seize Social Security and medical benefit funds in order to shore up the over-valued derivatives markets. In France, this was exacerbated by the attempt by Prime Minister Alain Juppé to loot the national rail system in order to shore up the collapsing French economy.

Thus, the past year ended on a note of crisis. There is a devastating paralysis among all segments of the governing elites, internationally, including those who are relatively well-intentioned. They are not yet willing to recognize the depth and extent of this crisis, and therefore they are unwilling to accept the only remedies which can work.

These measures have been clearly spelled out by Lyndon LaRouche and the economics staff of this magazine. What is needed is a total financial reorganization which sweeps away the speculative dead-weight and reestablishes the principle of national banking. In the United States, this would mean returning the power of governing the financial system to the Treasury Department, away from the quasi-independent Federal Reserve System. It would also entail establishing a Third National Bank.

It would mean recognizing that the goal of balancing the budget—whether over seven years, or 100 years—is a pernicious myth. As we have seen time and again, every effort to balance the budget leads to a further cur-

tailment of government revenues because of the negative effects of these measures on the productive economy.

To take just one example: The closure of military bases is more costly than allowing them to remain open. If we look at the totality of military expenditures, investment in military technology has been a means of introducing technological growth into the economy. The money borrowed today to foster high technology, is paid back many times over in future productivity gains, as we saw, for example, in the Apollo program and the military program of missile development, which fostered the semi-conductor industry.

In the United States, the nonsense of the Conservative Revolution's "Contract on America" (to borrow President Clinton's apt characterization), is symbolized by the bloated figure of House Speaker Newt Gingrich. In Europe, it is the Maastricht Treaty which is the rubric for a demand for vicious austerity.

If the Maastricht Treaty is not abrogated, the effect will be the destruction of France, Italy, Germany, Spain, and so forth, as viable nations. In other words, the death knell of Europe as it has developed since the Renaissance, and a return to the dark age which preceeded it. If the mythology of the balanced budget and allied austerity measures is not destroyed, a similar phenomenon will occur in North America, which will include the dismembering of the United States as a nation.

This is the reality of the depth of the crisis which faces the world, a crisis of potentially graver proportions than any other which mankind has yet suffered in recorded history. A crucial feature in preventing this collapse, is the role which LaRouche must play in the coming period.

LaRouche and his associates were framed up on fraud charges, because his enemies recognized that the remedies which he proposed to avert the crisis, would end their evil power once and for all. It is absolutely necessary that by the end of 1996, he and his associates be fully exonerated.

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