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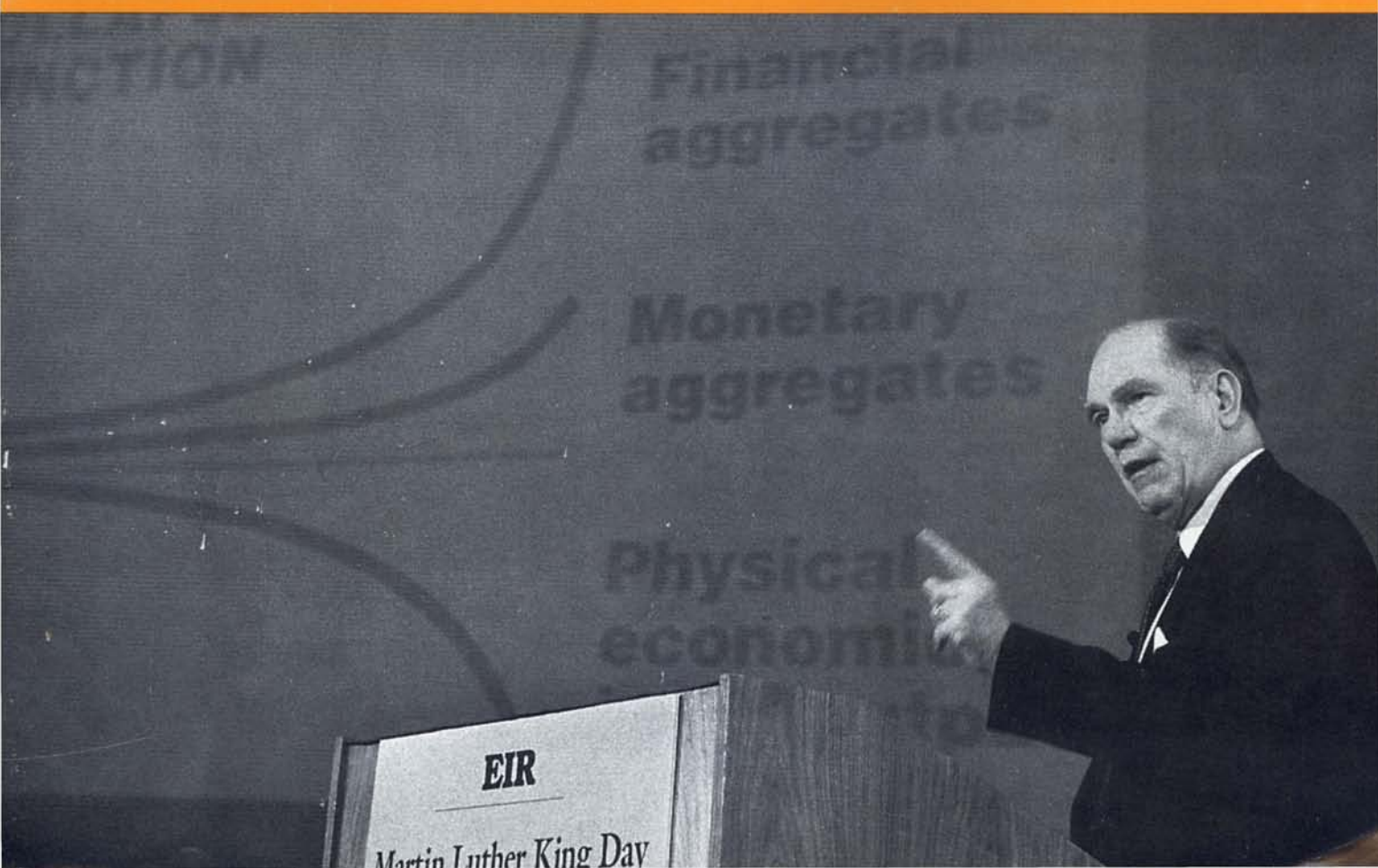
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Dope, Inc. stooge under siege in Colombia  
Look who's laundering money to Russian mafia  
Puerto Rico escalates its war on drugs

**LaRouche: 'Unbalanced minds  
cannot balance the budget'**



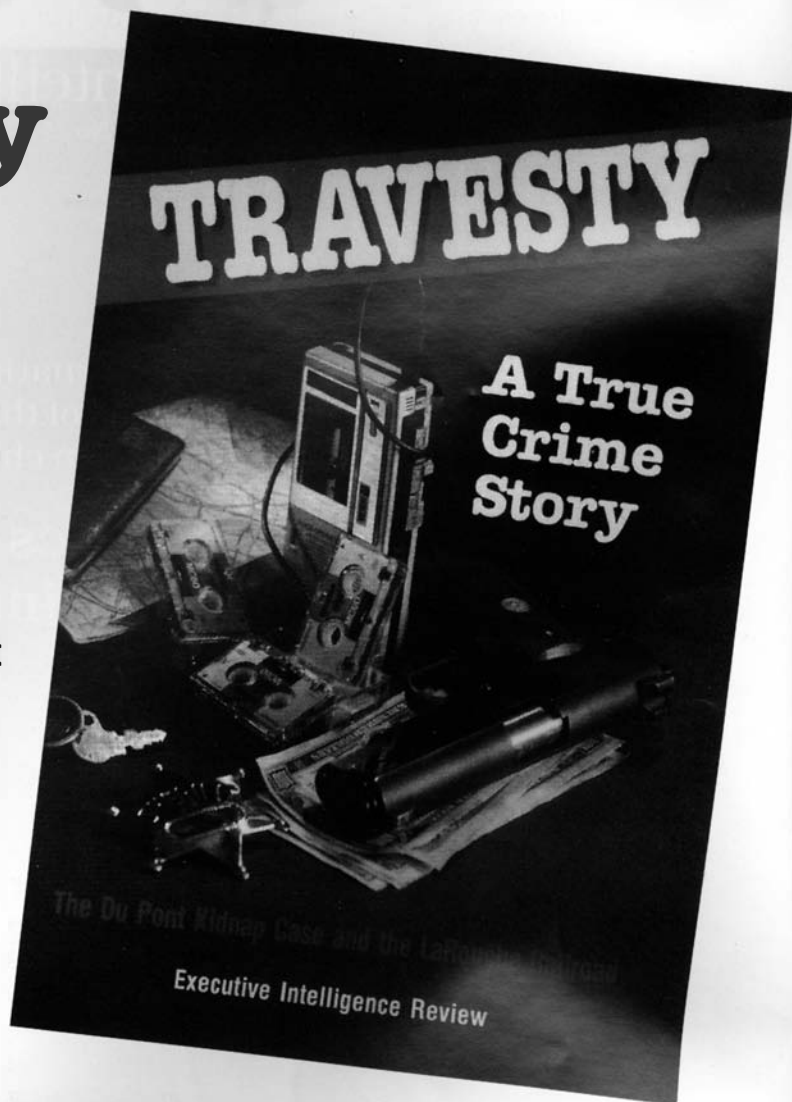
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## From the Associate Editor

With the airing of Lyndon LaRouche's half-hour national television broadcast on Jan. 27, we can say that the 1996 Presidential campaign has officially begun. The next nine months, until Election Day, will be a decisive time for this nation's future.

The role of *EIR* in this period, will be to provide the analysis that voters and policymakers need, but are not getting from "the competition." When the new GOP front-runner, half-a-billionaire Steve Forbes, calls for a "flat tax" that means he will pay the same taxes that his butler does; when William F. Buckley's *National Review* proclaims, "The War on Drugs Is Lost," and calls for drug legalization; when Henry Kissinger gets an award in Germany for being "a pragmatist with vision"; then, you know there's something that needs fixing.

LaRouche's Martin Luther King Day speech, highlights of which were broadcast on television, is printed in full in this week's *Feature*. He focusses on the most important issue of the Presidential campaign: the economy. *EIR*'s economics staff is currently preparing a cover story that will expand upon LaRouche's point that "unbalanced minds cannot balance the budget," showing how every budget-balancing attempt has made things worse.

Another topic we will be having a lot more to say about, is the war on drugs. In this issue, see *Strategic Studies* for some important developments in the fight in Puerto Rico; in *International*, you will find the story of the demise of Dope, Inc. stooge Ernesto Samper Pizano, the President of Colombia. An upcoming cover story will give a global overview of the drug trade, including its enormous expansion during the Presidency of George Bush.

One of the most dangerous situations that faces us in this election year, is Bosnia. The "peace" there is highly unstable, and unless the U.S. drops its support for International Monetary Fund conditionalities, the Balkans will soon be plunged again into war. For an excellent alternative policy, see the document in *Economics* by a group of Bosnian intellectuals. Schiller Institute leader Helga Zepp LaRouche has issued a call, which we will cover next week, for emergency international action to save the children of Bosnia-Herzegovina, and a crash effort for the economic reconstruction of that devastated nation.

*Susan Welsh*

# EIR Contents

## Interviews

### 13 Pawel Soroka

The coordinator of the Kwiatkowski Polish Industrial Lobby (PLP) insists that scientific progress is needed to save Poland's industry.

### 62 Dr. Pedro Rosello González

The governor of Puerto Rico defends his faith in the war on drugs.

### 64 Gen. Jorge Arzola

He is the military official in San Juan in charge of the anti-drug radar for the U.S. Department of Defense.

### 66 Félix Jiménez

He is the Drug Enforcement Administration (DEA) agent in charge of the Caribbean region.

### 74 Sen. Theo Walker Mitchell

A former state senator in South Carolina, attorney Mitchell was the first (and last) African-American to serve as chairman of a Senate committee there since 1870.

**Photo credits:** Cover, 27, 71 EIRNS/Stuart Lewis. Page 9, EIRNS/Dean Andromidas. Page 13, Courtesy of Pawel Soroka. Page 28, Photo #AR 7993B in the John F. Kennedy Library. Page 55, Bundesbildstelle Bonn. Page 61, Dept. of Defense. Pages 63, 76, EIRNS. Page 74, EIRNS/Chris Lewis.

## Strategic Studies

### 60 Puerto Rico takes on bigger role in the war on drugs

A new radar installation coming to the island will make life a lot harder for the South American illegal drug cartels and the bankers' drug legalization lobby—and predictably, a violent campaign has arisen against it.

### 62 The war on drugs can be won in the Americas, says Puerto Rico governor

### 64 Radar system in Puerto Rico will boost anti-drug capabilities

### 66 If properly informed, the people of Puerto Rico will support the radar

## Departments

### 23 Report from Bonn

Debt and taxes are killing the cities.

### 57 Dateline Mexico

EZLN denounced as foreign mercenaries.

### 80 Editorial

Blunders worsen Russian crisis.

## Economics

### 4 New York Fed is in bed with Safra and the Russian mafia

At least hundreds of millions of dollars are being funnelled from the New York Federal Reserve Bank through Safra's Republic National Bank to pump prime the Russian equivalent of Meyer Lansky's National Crime Syndicate.

### 6 Brits grab S. America finances, properties

### 7 The IMF makes Venezuela bleed

### 8 Bosnian patriots outline program for national reconstruction

### 16 Eugeniusz Kwiatkowski: a Polish FDR

Kwiatkowski (1888-1974) was responsible for the economic policies of the Polish government for several years between the two world wars. Like Franklin Roosevelt, he thought that government must take responsibility for building basic infrastructure and guaranteeing conditions that would foster the development of every individual.

### 18 A study of inflation in China

A guest commentary by Yang Fan, of the Economic Research Institute of the Chinese Academy of Social Sciences, Beijing.

### 22 Currency Rates

### 24 Business Briefs

## Feature



Lyndon H. LaRouche, Jr. speaks in commemoration of Martin Luther King's birthday, Jan. 15, 1996.

### 26 Unbalanced minds cannot balance the U.S. budget

On Jan. 15, in Arlington, Virginia, Democratic Presidential candidate Lyndon H. LaRouche, Jr. addressed 250 supporters at a Martin Luther King Day event. The address was excerpted for a half-hour national television campaign broadcast on ABC-TV on Jan. 27. Here is the full text.

## International

### 40 Another Dope, Inc. stooge falls in Colombia

A Jan. 22 decision by the former campaign manager for Colombian President Ernesto Samper Pizano, to "come clean" and finger his boss as "deeply involved" in taking drug money, is probably the final nail in Samper's political coffin.

### 42 Taiwan elections: Resistance mounts to British efforts to split China

### 44 British Crown fosters Canadian separatism

### 48 Spain's Thatcherites stand to gain as wave of ETA terror is unleashed

### 50 Nigeria: 'Body Shop': cosmetics, or royal intelligence cover?

**Documentation:** Deebi Nwido, the former personal assistant to Ken Saro-wiwa, admits to "trust" in British royal family.

### 54 'Miterrand disease' infects the French political elites

### 58 International Intelligence

## National

### 68 LaRouche campaign brings reality to 1996 election

### 70 Activists call for 'covenant of good will' to stop 'Contract on America'

On Jan. 19, civil rights leader Dr. Benjamin Chavis, former Congressman John Dow, and Presidential candidate Lyndon LaRouche spoke at a Washington press conference calling for the formation of a coalition to stop Newt Gingrich's budget austerity plans.

### 72 Gingrich holds 'wake' for Conservative Revolution

This year's Progress and Freedom Foundation conference was not exactly triumphant.

### 73 State Dept. officials back Russian 'reform'

### 78 National News

## New York Fed is in bed with Safra and the Russian mafia

by Jeffrey Steinberg

Every day of the week, between \$100 million and \$1 billion in U.S. hundred-dollar bills, are flown from New York's Kennedy Airport to Moscow, where they are funnelled through a string of unregulated, sleazy banks, into the hands of Russia's leading mafiosi, helping to fuel the biggest organized crime boom since U.S. Prohibition helped jump-start the late Meyer Lansky's National Crime Syndicate. According to a cover story in the Jan. 22, 1996 *New York Magazine*, these crisp, new "C-notes" are sold by the New York Federal Reserve Bank to Republic National Bank of New York. That bank's owner, Edmond Safra, has had more than one run-in with U.S. federal narcotics authorities. Back in 1989, the U.S. Drug Enforcement Administration and the U.S. Customs Service linked Republic and Safra to major money-laundering schemes by the Medellín Cartel and by the Swiss-based Shakarchi Trading Company, a laundromat for Syrian and East bloc heroin profits.

*New York Magazine* writer Robert I. Friedman, who authored the Jan. 22 story, is no stranger to the cross-currents of bigtime politics, finance, and the underworld. He has written a very unauthorized biography of the late Rabbi Meir Kahane, founder of the terrorist Jewish Defense League and Kach Movement, and he has catalogued the activities of the Jewish underground in the Israeli Occupied Territories. Last September, he released a *New York Magazine* interview with Edmond Safra's own "spiritual adviser," Brooklyn, New York Rabbi Avraham Hecht, in which Rabbi Hecht put out a religious death order against Israeli Prime Minister Yitzhak Rabin, for pursuing peace with the Palestinians. When Prime Minister Rabin was assassinated on Nov. 4 by a religious fanatic from the Jewish underground, Rabbi Hecht became a focus of international scorn and Israeli government investigation.

But, in the complex and often perplexing world of Israeli politics, Edmond Safra, who helped place the Lubavitcher Rabbi Hecht at the helm of the wealthiest Syrian Jewish synagogue in America, was given a seat of honor at the Rabin funeral. Part of Safra's secret of success is his "deep-pocket" relationship with the Anti-Defamation League of B'nai B'rith (ADL), a public relations arm of the Lansky syndicate and its successor networks. On one occasion alone in the mid-1980s, Safra handed over a \$1 million check to the ADL, and his overall contributions to the group far exceed that figure.

The latest revelations about the role of Safra and the New York Fed in facilitating the money-laundering operations of the Russian mafia, may at long last place the Syrian-born Safra beyond the pale of respectability, despite his status as the "king and kingmaker" of the super-wealthy, worldwide Aleppo Jewish community. One of Safra's Israeli partners, Jack Nasser, recently broke with Safra, and spilled the beans on the Republic Bank chief's illegal takeover of an Israeli bank several years ago. And in Brazil, U.S. authorities are apparently pressing government officials to probe Safra family involvement in a billion-dollar flight capital, and possible money-laundering scheme, involving several Brazilian and Panamanian banks.

Safra's dirty business in Brazil may also implicate another Aleppo banker, the Swiss-based Edgar de Picciotto, whose Union Bancaire Privée has also been implicated in massive flight capital operations by Russian spooks, communists, and mafiosi. De Picciotto is the Swiss banker of preference for Italy's Carlo De Benedetti, and he sits on the board of Prince Philip's elite 1001 Club, the secret financing arm of the World Wide Fund for Nature (WWF).



## **EIR said it all along**

The revelation about the role of Safra and the New York Fed in the dollar export scheme, should come as no surprise to longtime readers of *EIR*. On Oct. 8, 1993, *EIR* published a cover story, titled "Secret NAFTA Accord Threatens U.S. Sovereignty," which named both Safra's Republic National Bank of New York and Citibank as the principal conduits in a New York Fed drive to "globalize" the U.S. dollar. At the time of the story's publication, Citibank was under virtual Fed receivership. The Citibank involvement also implicated speculator George Soros, who one month before the story's publication, had reportedly used inside information, provided by "friends" at the New York Fed, to make a \$2 billion killing on British pound sterling and Italian lira trading.

The architect of the "globalization" scheme, the newly installed New York Fed chairman, William McDonough, had been earlier identified by Rep. Henry Gonzalez (D-Tex.) as the U.S. official who negotiated the secret banking sections of the North American Free Trade Agreement (NAFTA) accords, which threaten to end the role of the U.S. dollar as the sovereign currency of the United States and transform it into the reserve currency for the global underground economy.

The *EIR* study reported that in the last decade, the amount of U.S. hard currency outside of the United States had more than doubled. Of the \$311 billion in Federal Reserve Notes in circulation, over \$190 billion—61%—was abroad in 1993! More recent estimates place that figure above 70%.

According to a report in the Jan. 25, 1996 *Washington Post*, there are over \$20 billion in U.S. greenbacks in Russia today. That averages \$400 per Russian household. Eighty percent of those bills are C-notes.

## **Growth of organized crime**

Obviously, the bulk of those U.S. \$100 bills are not in the hands of average Russian citizens. According to the Friedman report, a total of over \$40 billion has been shipped to Moscow over the past two years. Much of that cash has been used by Russia's growing mafia establishment to buy privatized enterprises, to purchase villas in all of the most posh continental European resorts, and to amass a fleet of the world's most luxurious automobiles and private jets.

According to a 1994 Central Intelligence Agency study, which identified 10 leading Moscow banks as fronts for organized crime, Russia has replaced Panama as the favorite money-laundering center for the Colombian drug cartels and the Italian Mafia.

According to several recent studies cited by Friedman, since 1993 there have been at least three major world crime summits in Yerevan, Armenia; Prague, Czech Republic; and Puerto Rico. These sessions reportedly brought together top officials from Ibero-America, Russia, Europe, North America, the Middle East, and Asia, to chart out an ambitious expansion of global crime, including drug trafficking, arms trafficking, white slavery, and, reportedly, the underground

theft and resale of plutonium and human organs.

The glue that holds together this now \$1 trillion underground economy, is the U.S. greenback, and the willingness of the Federal Reserve to practice a policy of benign neglect. According to Friedman, late last year, officials of the Fed and the U.S. Treasury convened to discuss the massive dollar exports by Republic National Bank to Russia. The Fed officials vigorously defended the Safra scheme, claiming that it was the only way to defend the sagging ruble, short of direct U.S. government loans and investments. They also argued that, as long as the \$100 bills remained abroad, they constituted a de facto "interest-free loan" to the U.S. Treasury. For every \$100 bill sold abroad, the Fed argued, the Treasury makes a \$99.96 profit. That totals over \$15 billion a year in net profit from the Fed's printing presses.

According to one participant in the meeting, "There were people there from the Fed who have no common sense at all." Another participant from the Office of the Comptroller of the Currency told Friedman: "What I understand is that they [i.e., Republic] are aiding in organized crime activities out of the former Soviet Union through their so-called correspondent bank relationships." A subsequent study concluded that Republic was engaged in trade with Russian banks that is "consistent with money laundering," but even those findings were seriously watered down, reportedly also at the urging of the Fed officials.

## **A challenge to U.S. policy**

Behind the rhetoric of the Fed's defense of suspected narco-banker Safra, lies a policy of dollar globalization that all but excludes any effort to tackle the growing menace of international organized crime. At a recent Heritage Foundation conference on international crime, even some of the die-hard free marketeers admitted that the globalization of financial markets—the radical deregulation of the Carter-Reagan-Bush era—is the biggest single obstacle to a crackdown on the drug cartels.

This poses a serious challenge to the Clinton administration. Since October 1995, when the President signed an Executive Order declaring international drug cartels "a national security threat" warranting a declaration of national emergency, the administration has been pursuing an aggressive campaign to shut down the 50 biggest hot-money centers in the world. The details of this assault were spelled out in a still-classified Presidential Decision Directive (PDD-42). Recent cooperation with the Mexican government in tracking hundreds of millions of dollars in suspected drug proceeds through the personal bank accounts of members of former President Carlos Salinas de Gortari's family, is but one example of this reinvigorated effort.

But, to deliver a death blow to the apparatus that *EIR* long ago labeled "Dope, Inc.," will require a frontal assault against the deregulated global financial market. And that means that the policies of the Fed have got to end.

# Brits grab S. America finances, properties

by Carlos Méndez

The British have lost no time this year in escalating their economic offensive on Ibero-America, with a particular interest in mining, energy, and financial services. The latter includes a big move into the region by the notorious Hongkong and Shanghai Banking Corp., created in the last century explicitly to finance Britain's opium traffic and to launder the drug proceeds.

Great Britain's Minister of Economics and Finance Kenneth Clarke personally led this latest offensive, visiting Paraguay, Argentina, Brazil, and Chile in early January, with a delegation of a dozen leading British bankers and businessmen in tow.

Clarke and crew arrived in Brazil acting as if they were on a safari, hunting big game. Clarke declared that "this is the first time that a British finance minister visits Brazil. . . . The British government sees Brazil as a very important market." British interests are eager to get in on the upcoming privatizations of Brazil's State-owned companies, with the giant minerals and industrial conglomerate Companhia Vale do Rio Doce (CVRD) at the top of their list, and including the power utility which carries its original English name, Light, other electricity companies, telecommunications, and parts of the oil company, Petrobras. The delegation also expressed interest in acquiring various Brazilian banks, or at least a majority share.

Clarke and the British bankers who accompanied him, including principals from Hongkong and Shanghai Bank, informed Brazilian government officials that, for British investments to come through, Brazil will have to completely deregulate its banking sector. According to Brazil's *Tribuna da Imprensa* daily, Brazilian Finance Minister Pedro Malan is in agreement with this British demand. Malan and Clarke have met before, and, as a source with the British delegation put it, "when Malan and Clarke speak, they speak the same language."

The total banking freedom demanded by the British, has always brought drug-money laundering with it. The British move comes barely one month after U.S. Treasury Secretary Robert Rubin opened a ministerial Summit of the Americas on Money-Laundering in Buenos Aires, with the declaration that the United States "is committed to a global fight" against

dirty-money flows, to which end, it would press for standardization, across the Americas, of *strengthened* banking regulations and laws. "Organized crime, drug traffickers, and other sorts of criminals need to launder money through legitimate enterprises. The product of this money-laundering can be used to bribe public officials and, thus, it could pose a threat to our political systems," he warned.

Even as the British pressed for banking deregulation from Brazil, Brazilian Federal Police have charged, with extensive documentation to back it up, that Brazil has become a paradise for laundering dirty money. Thus, the British offensive constitutes a very targeted deployment against the hemispheric anti-drug-money-laundering campaign, and the anti-drug offensive initiated by the Clinton administration.

## Minerals and energy

The great mineral grab which the British mining cartels are carrying out in South America also includes a drive to gain control of the planned construction of crucial energy infrastructure projects. The representatives of National Power and British Gas who accompanied Clarke, are looking to situate themselves in Brazil's energy market, with an eye toward three years from now, when its privatization programs are completed, and a new gas pipeline comes on line between Bolivia and Brazil. The construction contract for this much-needed pipeline has been handed to a consortium of foreign companies which prominently includes British Gas.

When Henry Kissinger visited Brazil in September 1995, the self-confessed British agent told President Fernando Henrique Cardoso that, if he secured the privatization of Light, in which the British are quite interested, his Presidential reelection would be assured, according to *Tribuna da Imprensa* journalist Helio Fernandes.

The Jan. 15 Lima, Peru daily *El Mundo* reported, a few days after Clarke left South America, that the Hongkong and Shanghai Banking Corp., a British drug bank, had reached an agreement to team up with the Chilean Luksic group, which holds investments throughout the area, in Argentina, Uruguay, and Paraguay.

The British are using Chile as a platform for U.K. deployments throughout Ibero-America. Giving Chile the status of a British "vice-royalty," Clarke consulted Chilean authorities on whether Chile, despite its renewed border disputes with Peru, continues to consider Peru a "reliable country" for foreign investment. The Chilean authorities replied that they do.

The British have been steadily increasing their investments in Peru's mining sector. In fact, according to Peru's National Commission on Foreign Investment and Technology, British Commonwealth countries have taken the lead in Peru's "mining boom." And in the middle of January, while inaugurating the Lima office of Flemming Latin Pacific Peru S.A., the president of the British Robert Flemming bank, Lawrence Banks, stated that he expected "Flemming" to become another of the "traditional" British last-names in Peru.



# The IMF makes Venezuela bleed

by David Ramonet

In his New Year's message, Venezuelan President Rafael Caldera restated that he is confident that he will reach an accord with the International Monetary Fund, but on his own terms, the so-called "Venezuela Agenda," instead of the standard IMF shock therapy. To those who have been urging him to borrow a page from Winston Churchill and call on the people to give their "blood, sweat, and tears," Caldera replied that since its war of independence in the 19th century, too much blood and too many tears have been shed in Venezuela. What he would ask, he stressed, is for everybody to give their "sweat," as the book of Genesis prescribes man must earn his bread.

While Caldera's intentions may have been good, the devaluation of the bolivar in December is subjecting poor Venezuelans to shock therapy, which the government is attempting to ease by expanding social welfare programs.

Meanwhile, the opposition—both the free-traders and their São Paulo Forum communist rivals—is trying to use the public discontent to force Caldera out of office before Pope John Paul II arrives in February and lends his support to the Venezuelan President's stance against international usury.

Since June 1994, when Caldera used dirigist measures, including imposing exchange controls, to deal with the systemic crisis of Venezuela's banking system, his government has been under fire from Wall Street and the City of London for challenging the "free trade revolution," in the words of the *Wall Street Journal*. Venezuela's business leadership, which has a cult-like devotion to the "free trade revolution," has withheld its support from Caldera and kept him from fully overcoming the financial disaster caused by the same "free trade revolutionaries." Now, they are not only demanding "blood, sweat, and tears," but using their financial muscle to subject the economy to shock therapy.

The opposition daily *El Nacional* has been printing one destabilization scenario after another, which it gets from the British publication *The Economist Intelligence Unit* (TEIU). The last such TEIU report, in the Dec. 5 issue of *El Nacional*, claims that "the government headed by Rafael Caldera is headed toward a crisis, although it is less clear when the moment of truth will arrive." It adds, "there are still enormous possibilities for a social uprising. There are frequent demonstrations in the country's larger cities. There is in-

creasing unrest, as basic staples become less accessible and many are become notably scarce. . . . A large increase in their prices, could be the spark that ignites the social explosion in January." The British mouthpiece insisted that Caldera impose draconian austerity measures to reduce public spending.

The potential for a social explosion intensified with the devaluation of the bolivar in December, from 170 to 290 bolivars to the dollar. This merely made official, the de facto devaluation that the speculators had imposed.

## The Brady bond swindle

Everything started in the middle of 1995, when the financial authorities opened a loophole in their policy of exchange controls by agreeing to demands to allow foreign debt bonds, also known as Brady bonds, to be traded on the local stock market. Speculation has since driven up the price of Brady bonds in Venezuela to over 100% of their face value, when the same bonds are trading in New York at no more than 50% of par. Through arbitrage, those dollar-denominated bonds can be exchanged for bolivars in Caracas, a mechanism that has allowed Wall Street, with the support of powerful Venezuelan financial groups, to sink the currency.

In the Nov. 6 issue of the *Wall Street Journal*, Matt Mofett complained that Caldera's exchange controls made it virtually impossible for many companies to obtain the dollars they needed. However, he added, an increasing number of companies were getting dollars from the parallel market created when Venezuela lifted the restriction on the Brady bonds last summer. The Brady market, wrote Mofett, sets the real value of the bolivar, because the bonds are sold for bolivars inside Venezuela itself, and they can also be sold for dollars abroad.

Brady bond transactions have nothing to do with businesses' "needs" for dollars, but with the speculative profits that can be made by selling and reselling the same paper several times in a day. In 1995, imports purchased with controlled dollars increased by 40%, but this was not reflected in the national economy because speculators were building up inventory in anticipation of the devaluation. In fact, many re-exported the commodities to Colombia, getting a double advantage from their "controlled" dollars.

The mere announcement of the devaluation prompted merchants and producers to raise prices, using the pretext that "rebuilding their inventory" would cost more under the new, devalued rates. For its part, the Ministry of Finance announced that the controlled prices of 12 basic staples, including powdered milk, would be increased by 26 to 57%. Other goods not subject to price control, such as cheese, went up by 80%. The resulting shrinkage in national consumption will worsen as wages are kept from keeping pace of the price increases. Venezuelans are now consuming 160 liters of milk, per capita, per year, the lowest level in 25 years. And this was before the price of milk was hiked another 60% on Jan. 2.

# Bosnian patriots outline program for national reconstruction

*This "Letter of Intent" was submitted to EIR for publication, by a group of Bosnian patriots.*

Concerning the aims of the Republic of Bosnia-Herzegovina addressed to friendly nations, throughout the world; drawn up, in consequence of the agreement, signed at Dayton, U.S.A. and in response to the state of national economic emergency created by war.

## **Authors of the Letter of Intent**

The document has been prepared by a task force of Bosnian intellectuals who represent the particular interest of no party, sect, or faction, in the form of a Proposal to the government of the Republic of Bosnia-Herzegovina and to friendly nations, for the economic advancement of the region as a whole.

It having been agreed at Dayton, that the Croatian-Bosnian Federation and the Republika Srpska form part of one single unified nation, the expression "Republic of Bosnia-Herzegovina" in this document refers to the territory of the entire Republic, and we have taken into account in our projected reconstruction, those areas presently designated as Republika Srpska.

## **Purpose of the Letter of Intent**

To persuade the government and Parliament of the Republic of Bosnia-Herzegovina, to adopt and execute the proposals for reconstruction herein set forth.

To signify, to friendly and/or allied nations, in outline, what we do intend to do to rebuild the Republic, and what manner of assistance friendly nations shall be advised to extend to us.

The date of this document is December 1995.

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## **Statement of principle**

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The government of the Republic of Bosnia-Herzegovina, adheres to the principle expressed in the American Republic, of government "of the people, by the people, and for the people." The government is thereby convinced, that population is the true origin and source of all national wealth.

The word "people" as used here, refers to the citizens of the Republic of Bosnia-Herzegovina, without any distinction as to their racial, ethnic or religious origin. No decision shall be made by this government, as to the economic and other

development of the Republic, on the basis of such distinctions.

The most pressing concern and most chief aim of this government, shall be to restore, within the briefest period, the *population potential* of our nation. To that end, the Republic of Bosnia-Herzegovina has determined to emerge as a modern industrial nation.

*The Republic of Bosnia-Herzegovina and the debt of the former Federal Republic of Yugoslavia:*

The nation of Bosnia-Herzegovina has observed with disquiet the effects of shock therapy and IMF [International Monetary Fund] conditionalities upon the nations of Eastern Europe and of the former U.S.S.R., and of neo-liberalism in Western Europe.

Frail and distraught, the people of the Republic of Bosnia cannot be submitted to such policies lest the Republic itself vanish.

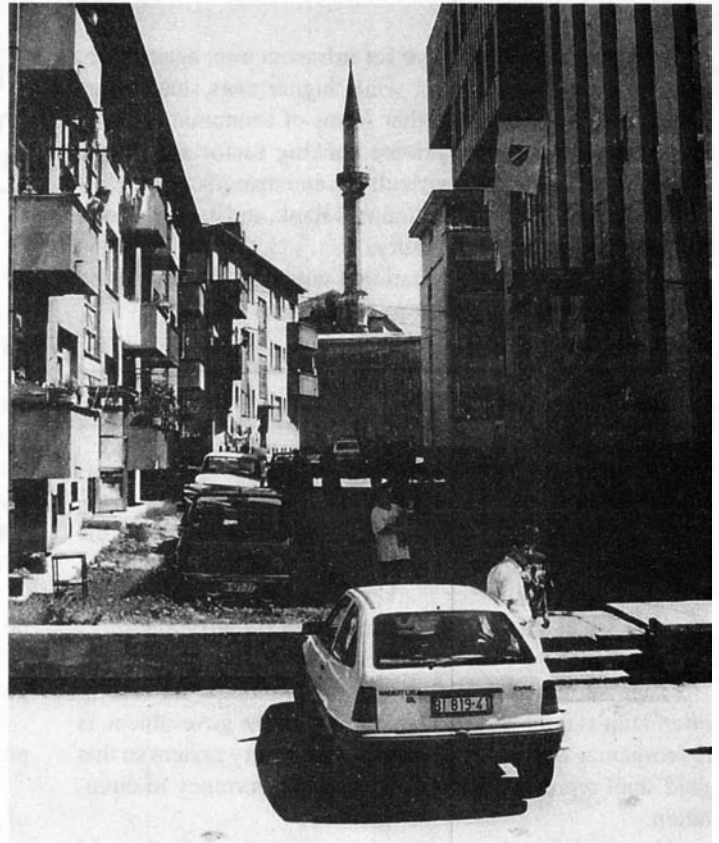
The Federal Republic of Yugoslavia having unlawfully seized and put to her own uses, the gold bullion and whatever real property, accounts, property titles, and other forms of property of the former Socialist Federal Republic of Yugoslavia she found within her power to seize, it is the Federal Republic of Yugoslavia which shall be held responsible in law to repay the international and other debts of the former Socialist Federal Republic of Yugoslavia.

Furthermore, the Republic of Bosnia-Herzegovina has been utterly devastated and ruined by unlawful acts perpetrated by the Federal Republic of Yugoslavia, to the degree that the largest part of her productive capacity has been done away with, and almost half of her people, killed, maimed, or driven out. These unlawful acts constitute *force majeure*. The Republic of Bosnia-Herzegovina has determined that the portion of the debt of the former Federal Republic of Yugoslavia, being 17%, which she had by treaty undertaken to pay following her Declaration of Independence, cannot, by no fault of her own, be paid by her. This debt shall be assumed under the title of War Reparations, by the Federal Republic of Yugoslavia.

Aware, that this decision by the Republic of Bosnia-Herzegovina, will not meet with the approval of international financial institutions, in particular, of the International Monetary Fund, institutions which to our best knowledge and belief, are beholden to private financial interests indifferent to the existence of the State and Republic of Bosnia-Herzegovina, the government of this Republic desires to enter into bilateral and multilateral financial and economic agreements with friendly and/or allied nations, committed to reconstruction of



Left: Alladin, age 3, in Bihac, Bosnia, Aug. 13, 1995. Right: a scene in Bihac, six days after its liberation in August 1995. The Bosnian intellectuals' Letter of Intent declares that "the first priority of the government of the Republic, is to provide the nation with the scientists, engineers, and doctors needed for reconstruction."



our Republic, in preference to agreements with international financial institutions, and in order to avoid becoming a Protectorate, de facto or de jure, of the latter institutions.

## The National Bank of the Republic of Bosnia-Herzegovina

To the end of promoting the highest degree of sovereignty for the Republic of Bosnia-Herzegovina, as is consistent with the common good, we have decided, to adopt the so-called Colbertist or Dirigist Model for our banking system, and to reestablish upon a new principled foundation, a *National Bank*, on the model of the First National Bank of the United States (1790). The National Bank of the Republic of Bosnia-Herzegovina shall be constituted of two parts: a Treasury Board, to issue currency, in a rigorously controlled relation to the real wealth created by agriculture, manufacturing, and trade, and a Board, to issue credit, for such projects as the government shall propose, and as the Parliament shall vote, which projects shall be designed to restore the population potential of the nation.

The National Bank shall be charged to put into circulation new issues of paper money, for those reconstruction projects dictated by the present national economic emergency, for these purposes alone:

- the purchase of raw materials, goods and capital goods for industry;
  - the building of installations, the employment of labor in producing or transporting manufactured or agricultural goods;
  - for mining;
  - for building housing and manufactures;
  - for producing and distributing energy;
  - for public services, in particular, the building and operation of hospitals and schools;
  - for scientific research and technological applications;
- Currency issues shall be put into circulation by the following means alone:
- Credit from the National Bank, for public investment;
  - Participation by the National Bank, in loans from private banks;
  - Discounting by the National Bank, of bills of exchange, obligations and other notes, related mainly to the production of tangible wealth and capital improvements.

Until such time as a secure physical-economic grounding shall have been created, and in order to protect the national wealth from ill-advised or spurious schemes, these credits shall be placed into special accounts, upon which checks and other certified means of payment may be drawn, for those categories of investment given above.

Discount rates and interest rates for credit issued by the National Bank, shall obey a two-tiered scheme: Interest rates

shall not exceed 2% per year for infrastructure, agriculture, and manufacturing projects, while higher rates shall be set by the National Bank for other forms of economic activity. Interest rates set by the private banking sector shall, with respect to infrastructure, agriculture, and manufacturing, follow the directives set by the National Bank, and in other cases, be limited by laws against usury.

In order to protect the national currency, there shall be imposed strict exchange control regulations.

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## Currency reform

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Over the entire national territory, legal tender is the Bosnian dinar, alone.

The government, in order to put a stop to the use of the German mark and the U.S. dollar inside the national economy, and the widespread black market practices consequent upon the War, shall take the following *extraordinary measures* with respect to the Bosnian dinar:

That we may take part in orderly fashion, in an orderly international monetary system, the aim of the government, is to reorganize over time, the national monetary system so that *gold* shall represent 10% of the value of currency in circulation.

However, this is not at the present time feasible, the gold bullion of the former Republic of Yugoslavia having been seized by the Federal Republic of Yugoslavia.

Therefore, until such time as the government shall have been able to purchase a sufficient quantity of gold, the new heavy dinar will be pegged to the capacity of the country to increase the value of a "market basket" of nationally produced goods. It is with the purchasing power generated by such a capacity to produce, that the government shall begin to procure gold as a monetary guarantee.

The definition of the market basket shall be what a household with one wage-earner needs to maintain a family of four children, at the standard of consumption in terms of housing, sanitation, medical care, caloric consumption, and education, presently enjoyed by workers' families in the Federal Republic of Germany. Taking into account the present state of emergency, this does not, however, include household items common in Germany, such as personal electronic gadgetry, dishwashers, or private automobiles.

The government will set by decree, within six months of the proclaiming of this Memorandum, a date, upon which the old dinar shall be taken out of circulation, and the new, heavy dinar, issued. Old dinars shall be exchanged for new, at a rate to be determined, for six months after the proclamation of this Memorandum. The latter sum shall be determined, in order that each family shall have the equivalent of four months' purchasing power in terms of the market basket defined above, on the day following the adoption of the new dinar.

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## The National Commission for Infrastructure and Regional Development

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Taking as its inspiration, the Commissariat du Plan set up by President Charles de Gaulle in 1958, the government has decided that the National Bank of the Republic, will issue as a priority, credits to such projects as have been drawn up by the newly created Commission. The Commission, being created to intervene upon the present state of economic emergency, shall be limited to *one hundred* officials, excluding secretarial and logistical staff. It shall have the status of a ministry, and its director, Cabinet rank. It shall be instructed to take into account, in its deliberations, not only the Republic of Bosnia-Herzegovina, but the interests of her neighbors.

The Commission shall present to the government, within 60 days of its being constituted, a report which shall include:

- a list of basic infrastructural improvements most urgently to be made;
- an estimate of the labor force and productive capacity presently available for infrastructure projects;
- an estimate of the volume of credit required by tranche of year, for these projects, broken down by percentage between State investments, and credits to private firms which are to supply materials and equipment or build these projects.

The results of this enquiry, shall be made known to friendly and/or allied nations, in order to encourage their participation in such projects in orderly fashion.

*Special considerations relative to the National Commission:*

### Heavy infrastructure

**Energy production, energy supply:** The government of the Republic of Bosnia-Herzegovina observes, that it is in those nations which have available to them the most energy-dense forms of producing and transforming energy, that there exists the greatest potential population density. This government has therefore decided, to give the highest priority to a national nuclear energy program, and calls upon friendly nations to assist her in acquiring this technology.

The hydroelectric potential of Bosnian rivers being at this time fully exploited, the government intends to build one reactor of 900 megawatts within the present decade, and will contemplate building others in collaboration with neighboring Republics, in order to share with them the power so produced.

**Water supply and distribution:** The government of the Republic has determined, that to undo the ravages of the war, the nation must greatly increase its industrial production, and thereby, its urban population. The drinking water and sewage systems for our cities will therefore have to be entirely rebuilt over the next 15 years.

**Canals:** This government is informed, that the development of this Republic will be stunted unless the nations which surround her move onto a level of industrial and commercial activity adequate to the modern world. To this end, the Rhine-Main-Danube canal system must extend into the Balkans, as a Danube-Adriatic, Danube-Aegean system, and open the area to freight traffic as follows:

The Danube canal shall be cut through to Győr in Hungary, and thence, into Slovenia (Győr, Maribor, Celje, Ljubljana) joining the Raba, to the Mura and the Drava rivers.

A canal shall be cut from the Danube to the Sava, via Vukovar and Samac, which opens a single unified water route to Ljubljana.

The Sava, whose waters run too shallow for Zagreb, for example, to be a commercially viable river port, shall be deepened along those shallow sections, to the same specifications as the Main-Danube canal.

These canals and the Adriatic ports, are conceived of as a hub of industrial activity.

The government shall propose to the Federal Republic of Yugoslavia, that the Danube-Aegean canal be cut from Belgrade to Thessaloniki, joining the Morava to the Vardar.

In the light of these works, the ports and harbors of the river system, and the Adriatic coastline, shall be transformed, in collaboration with the Republic of Croatia. On the Sava, the ports of Samac, where there is a large oil refinery, and Brčko, must be modernized; at Zagreb, there is no real river port, so one shall be built.

The great increase in economic activity thereby promoted, first in the building, then in the operating of these water systems, will be, not a net expense, but a net profit to the European economy.

**Railroads:** The mountainous terrain and harsh climate of our region, gives rail transport a clear advantage over road.

This government sees no purpose in rebuilding 19th-century systems on the eve of the 21st century. Tunneling through high mountains is a protracted and labor-intensive operation; among the high-speed rail systems of proven value over mountainous terrain, it would appear that the Italian Pendolino may best suit the extreme constraints of curvature and incline.

Three main high-speed rail lines are proposed:

- Budapest-Osijek-Sarajevo to the Adriatic
- Ljubljana-Rijeka-Zadar-Split-Dubrovnik-Tirana and thence to Athens and Thessaloniki
- Ljubljana-Zagreb-Sofia-Istanbul and a secondary grid:
- Nova Gradiska-Banja Luka-Jajce-Zenica-Split
- Rijeka-Bihac-Livno-Mostar
- Sarajevo-Tuzla-Osijek
- Bihac-Banja Luka-Doboj-Belgrade
- Dubrovnik-Foca-Gorazde-Zepa-Srebrenica

**Highways:** The Republic of Bosnia-Herzegovina has at present zero (0) kilometers of modern highways. In mountainous terrain, the cost is estimated at \$6 million per kilometer.

The following lines are proposed as a priority:

- Budapest-Osijek-Samac-Sarajevo with an arm to Vukovar
- Zagreb-Karlovac-Bihac-Split
- Zagreb-Rijeka (now under construction)
- Zagreb-Okucani-Banja Luka-Doboj-Tuzla-Zvornik with an arm Banja Luka-Jajce-Sarajevo
- Brčko-Tuzla-Sarajevo-Gorazde

The government of the Republic seeks to collaborate with other nations of the region, including those of the former Socialist Federal Republic of Yugoslavia, to integrate the road and rail grid into the modernization of the area as a whole.

**Telecommunications:** The priority for the Republic is to rebuild the telephone lines and other electronic means of communication as are required for industry, and for transmitting information on current events.

## Soft infrastructure

**Hospitals:** The government of the Republic intends to give our people the most modern health care available in the world. This health care shall be free to all citizens.

To this end, we call upon friendly nations known for their state-of-the-art medical training and technology, to come forward with plans to rebuild our hospitals, our operating rooms, and to assist us in retooling our machine sector for hospital equipment.

Five new university hospitals shall be built with a special emphasis on orthopedics, trauma, neurology, and maxillo-cranial surgery. The last, because hundreds of our soldiers, lacking helmets, suffered head injuries. They shall be built at Bihac, Tuzla, Banja Luka, Mostar, and a city in eastern Bosnia to be determined.

We will need to build ten new clinics for the purpose of rehabilitating those severely wounded in the war. These clinics will be attached to the hospitals and university hospitals.

**Public education:** The first priority of the government of the Republic, is to provide the nation with the scientists, engineers, and doctors needed for reconstruction.

The government shall restore and rebuild within the next three years, all those educational facilities damaged and destroyed by the war, and begin to build new facilities corresponding to the growth of the population, in particular, new universities at Bihac, Doboj, and Zenica.

**Science driver:** The hydroelectric potential of the rivers of Bosnia is at present, almost entirely exploited; her other energy source is natural gas and oil from the former U.S.S.R., which makes Bosnia dependent for most of her energy supply on foreign countries. We have therefore determined, that the training of a corps of nuclear scientists and engineers is critical to the independence of our nation.

To this purpose, the government shall establish a National Institute for Atomic Research and Development. Its aim is to train research scientists and engineers, both in advanced areas

of research and applications, this branch of physics being the motor to bring the national economy forward. The institute shall work closely with universities and advanced industrial sectors.

It is the intention of the Republic, to create a corps of scientists and engineers such, as to allow the Republic to take part in the European Space Agency by the first decade of the 21st century.

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## The national militia

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There shall be universal conscription. There shall be a professional Army, made up of volunteers.

The Army Corps of Engineers and our conscripts having acquired considerable knowledge and skills during the course of the war, the government has decided to propose to those conscripts who shall desire, that they contribute to the new public works and civil engineering projects needed to rebuild the country, as part of their military service.

Furthermore, in order that the borders of the Republic of Bosnia-Herzegovina shall never more be violated, the government has determined to establish, on the model of the Republic of Switzerland, a permanent, popular militia, in order that the entire population shall acquire on a perpetual basis, the new scientific and technological skills needed both to defend the nation, and to build her economy.

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## Agriculture

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The Republic of Bosnia is not, at present, self-sufficient in food. Given her terrain, self-sufficiency in agriculture is difficult, but with modern technology, not impossible to achieve.

The Republic of Switzerland, a nation which revolutionized her agriculture in the first three decades of this century, can probably best advise us on how to build a successful mountain agriculture, and on how best to exploit for agriculture, the limited surface of fertile valleys.

The agricultural authorities of Japan have been experimenting with hydroponics and other very modern forms of intensive agriculture. This is of great interest to us.

Velika Kladusa and its area, shall be rebuilt as the center of agro-industrial activity.

It is probable that we shall have to import new breeds of cattle suited to our terrain, and perhaps, to launch the "industrial" breeding of river-fish and of game in our forests, as has been done in Scotland. We shall then be able to let other similarly landlocked and mountainous countries, profit from the knowledge and techniques we gain.

As a great part of our nation is under evergreen forest, we shall need to review our policy of forest husbandry: Were the canals we propose to be cut, the Republic could become a

significant exporter of lumber and of high-quality finished wood products.

The chemical industry at Tuzla, shall in part be converted to produce fertilizer and pesticide. "Energoinvest" and "Unioninvest," before the war great producers of electrical equipment and machines, shall in part, be converted to produce tractors and farm equipment. We welcome advice from the great American farm machinery concerns, as to how this shall best be done.

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## Houses of worship

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With the laudable aim of promoting the spiritual and intellectual regeneration and refreshment of our people, the government of the Republic of Bosnia-Herzegovina undertakes to rebuild all those churches, synagogues, and mosques of the three religions as have been damaged or destroyed in the war, without regard to any considerations whatsoever, other than that they are to be rebuilt, and that Divine Service may be held within the shortest possible delay, within their walls.

The chairs and professorships of theology at the universities of the Republic, shall be restored without any consideration, other than that the Divine Word shall be studied everywhere.

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## The National Commission and its bureaus

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The following bureaus will be set up under the aegis of the National Commission for Infrastructure and Regional Development. Each shall have no more than 20 permanent officials, excluding secretarial and logistical staff.

- The Bureau of Housing, Education and Public Health
- The Bureau of Trade, which shall draw up a list of imports urgently needed for infrastructure and pressing social needs, and the volume by tranche of years of credits required to that end
- The Bureau of Infrastructure
- The Bureau of Agriculture and Industry

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## Citizenship

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In furtherance of these laudable aims, the most principal of which is to increase the numbers and felicity of our people, the government of the Republic of Bosnia-Herzegovina, has determined that citizenship of this Republic, shall also be granted to any person over the age of 21 years, regardless of his national origin, race or religion, born in a foreign country but who has lived in this Republic for at least ten years, desires to become a citizen of this Republic, and has taken part in the effort of reconstruction.



## 'Scientific progress is needed to save Poland's industry'

*Pawel Soroka is the coordinator of the Kwiatkowski Polish Industrial Lobby (PLP), named after Polish chemist and economist Eugeniusz Kwiatkowski. He was interviewed by Anna Kaczor Wei in Warsaw on Dec. 17, 1995. The interview has been translated from Polish.*

**EIR:** Can you say a few words about the goals of the PLP, and who its members are?

**Soroka:** The lobby was founded three years ago, on March 13, 1993. It encompasses various groups which are connected to Polish industry, especially its strategic branches and those which use high technology. So, in the lobby, there are managers of various enterprises from the defense industry, aerospace industry, electronics, and so forth; also, representatives of organizations for engineers, for example, the Association of Polish Technicians and Mechanical Engineers, and the Polish Union of Inventors Associations.

We also have representatives of trade unions of various orientations, both Solidarity-originated as well as industrial-branch trade unions. Concerning trade unions, I want to add that we are interested not so much in their traditional social functions, but we want trade unionists and employees in general to participate in structural and ownership transformations [i.e., privatizations].

The lobby also includes representatives of science, especially research and development institutes working with industry.

The PLP is an agreement among those organizations and groups which want to cooperate, on an equal footing, to elaborate and defend the interests of Polish industry, especially those branches I have already mentioned. The PLP is independent from any government structures.

Our goal is to make sure that decisions concerning industry are not made somewhere in distant offices, or under foreign influence from outside of Poland, which happens quite often, but with consideration for the opinions of those people who work in industry and shape its fate. We want to match those who are practitioners, with specialists and scientists.

**EIR:** Official government reports claim that there was 5% economic growth in 1995. However, there is a lot of evidence

showing the collapse of Polish industry, especially heavy industry, electronics, i.e., industry based on modern technologies. What does the situation in Polish industry really look like?

**Soroka:** Concerning the indicators of growth, I must say that we do not have the appropriate research capabilities which would allow us to independently verify those reports. However, we are suspicious of any propaganda that claims success, which we heard many times in the past. They kept saying everything was going very well, and, finally, that ended up with a collapse.

Perhaps one can say that there is growth in some areas, but one wonders whether this is something stable or results solely from a short-term, favorable conjuncture. For example, a very lively trade along the Polish-Russian and Polish-German borders is considered to be one of the reasons for this growth tendency, or a visible increase of export production in some enterprises.

**EIR:** In what branches of industry can you see some growth?

**Soroka:** Actually, when you start considering such matters on the level of various branches of industry, then you can see the problem. For example, electronics, which should be seen as an important part of industry because it utilizes a lot of new scientific solutions and may contribute to modernization of other branches of industry, is going through a very rough period. Important enterprises, such as CEMI, the only Polish producer of semiconductors and [computer] motherboards, has collapsed. Only a very small part of this enterprise has been saved—with the help of the PLP. What is left from the productive part of CEMI has been turned into a small venture, thanks to the intervention of the State. Other enterprises in this branch have also gone under: "Kasprzak," "Telpod," and others.

Those which are surviving have serious problems: Their production has been declining and they have huge debts. Generally, industries producing investment goods, or processing industries, are going through a lot of troubles. Enterprises are indebted to the State and to one another. The defense industry is a good example of this. Some companies are on the verge of bankruptcy. This is the case with the investment goods



industry, the automobile industry, electronics, and computer industry. Generally, one can see the following trend: Various foreign companies come to Poland and establish assembly lines, so Poland is not a producer any more but, rather, an assembly point for parts which are produced abroad.

You can see some branches of industry which are seemingly recovering, for example, the textile industry, which plunged into a deep crisis after the loss of the eastern market. But also in this case, one can observe a tendency in which foreign materials or components, say, from Germany, are delivered to Polish textile factories which sew clothes. So this is also work based on Polish cheap labor, and all the material and designs come from abroad. You can see this in Lodz [a big industrial city in central Poland famous for textiles]. It was not like this in the past; we had a strong native textile industry.

**EIR:** A few weeks ago, the Polish press noted that the PLP is ringing alarm bells because of the collapse of the machine tool industry in Poland. Is the situation there as bleak as in other branches?

**Soroka:** The machine tool industry is in a bad condition, similar to the electronics industry. We had a long tradition in this branch, many attainments—Polish machine tool industry was well known in Europe and on other continents, we used to export a lot, including very modern, numerically controlled machine tools. During the few last years, this industry has slid into an abyss. While in the 1980s, the Polish market absorbed about 10,000 machine tools of various types annually, of which half were imported, right now only 250 Polish-made machines of that type are sold in Poland per year! Like other State industry, it is heavily indebted and has lost most of its markets.

That was a result of a general policy toward State industry which had to pay very high taxes, for example, a tax on excessive wage increases that was meant to prevent the growth of wages, as well as dividends. The latter hit mainly modern enterprises, because that was a tax on the value of property. The other reason was credit policy: Interest rates on credits were very high, which had disastrous consequences because some enterprises had to borrow on credit just to maintain production.

The worst period for the machine tool industry may be behind it, but it has not recovered yet. We have worked out a program of reconstruction for this industry, and so far the government has responded by commissioning research, which, by the way, is done by a foreign company, to prepare a proposition for restructuring this branch.

Besides such parameters of growth as GNP, we see other symptoms in our economy that are very alarming, such as, depreciation of capital of Polish industry, which is estimated at 75%—this is a very serious threat. This means that production lines and machines are getting old and worn out, while the range of investments to rebuild this capital and modernize it is much smaller than depreciation. This is very worrisome,

because even if the industry reports income, you cannot consider this stable, continuous growth. In order to achieve such growth, you have to modernize and invest in industry. You can see a growing investment rate only in services and commerce, not in industry, not even at a rate of reproduction of used-up productive capital.

**EIR:** For over five years, Poland has been privatizing its State-owned industry, which is one of the demands of the International Monetary Fund. The PLP has opposed this. What are your arguments against it?

**Soroka:** We think that privatization should not be done forcefully. It should be based on economic criteria, which means, only in those cases where, after analyzing input and output, all advantages and disadvantages, one comes to the conclusion that privatization can improve a given enterprise and make it more efficient, provided that the employees will accept it. One should not treat privatization as a doctrine according to which all that which is private must be necessarily better than State-owned property. Besides, it is dangerous to conduct mass privatization under conditions of recession, as it was done in Poland, at the beginning. In such a case, the “market” value of an enterprise is lower than its replacement cost would be, so it is sold for too low a price.

We think that, mainly those enterprises which are in bad shape should be sold, if privatization can improve their condition. In Poland, on the contrary, first of all, good enterprises were privatized, the best ones; they were sold mainly to foreign capital.

In the privatization process, the question is, who becomes the owner, what is the participation of Polish capital, workers, managers, in comparison with foreign capital, which takes over the biggest and the best enterprises, those which play important roles in their particular branch of industry? These are mainly strategic branches, or industries which influence prices in the rest of the economy. There you see foreign capital coming in; for example, machine tools for the energy industry, cement and paper production, chemical industry, cosmetics, and so forth.

The Polish State gave up control over such industries. I think this is not the right policy, because in strategic branches and industries which are the biggest and the best, the Polish State, or Polish capital, should play the central role, while foreign capital may be used to modernize them. Otherwise, industrial, investment, and price policies are not established by us here in Poland, but by foreign investors. This is the elimination of economic sovereignty.

**EIR:** A few months ago you organized a conference on Polish science. What were its conclusions?

**Soroka:** We are mostly interested in applied science, and also in basic research as far as its results may be used directly in industry. We are aware that, in the situation of openness of the Polish economy, in the framework of the present transfor-

mation process, we are forced to deal with international competition, which means that Polish products must be more "competitive." This can be secured only if there is scientific progress, thanks to which new technologies could be introduced into production. Thus, Polish industry could upgrade its production. But there is no chance to achieve this if there is no scientific progress, no innovations in technology.

Concerning investments in science, we are far behind Western countries, but we still have a strong scientific cadre. I think that there are many Polish scientists who could conduct serious scientific research. However, poorly paid scientists, also young scientists, often switch to other professions, mainly in services and commerce, or emigrate to other countries.

This is, of course, weakening the scientific and research potential of Polish industry. Besides, its base is rather outdated. Some research departments have gone through a very difficult period, many have been closed down. They cannot afford investments, and all research equipment, laboratories, and so forth, are obsolete. So it is difficult to conduct serious, modern research or development projects, although only thanks to such projects would there be a chance to introduce new technologies and new high-quality goods which could compete with Western production. As a result, we may become just a source of raw materials, which to some degree is already happening, or a place where you only have cheap labor.

We in the PLP pay a lot of attention to defense industry, because it has strong backing from science and uses modern technologies. For example, the aerospace industry. It also requires certain solutions fostering modernization and scientific development; for example, an appropriate tax system promoting investments in R&D. In other words, enterprises should have conditions to accumulate enough resources for research and development, which is not the case right now. All enterprises have to carry a heavy burden of taxes, which is not encouraging investment in development projects.

In the West, over half of investments in R&D are made by industrial enterprises, the rest is covered by the State budget and other sources. In Poland, the system does not permit industry to do it, and the budget is rather small, so investments in science are unsatisfactory [in 1994, it was only 0.5% of the budget, or \$500 million].

**EIR:** In his program for Eurasia, American economist Lyndon LaRouche stresses the importance of science as an engine of economic development. Because Russia has a huge scientific potential, especially in space and defense industries, do you see a possibility for close collaboration between Poland and Russia?

**Soroka:** Concerning the space industry, I do not think that Poland would aspire to participate in this industry. Our country is too weak economically for such projects. But, of course, in other areas, Poland should be open and cooperate with many countries, including Russia. However, I think that from

the point of view of economic sovereignty, it is best not to be dependent on one source of new technologies. One has to collaborate with many countries, to ensure that the economic dependence on one strong country will not turn into an instrument of political influence. There may be different scenarios of development in Europe, and in the East, so it is advisable to create an independent, strong scientific and technological base and collaborate with many countries, on the basis of partnership. First of all, the transfer of technologies would be required, or co-production or purchase of licenses, but such licenses that could be adopted and developed in the country.

**EIR:** There was a wave of strikes in France at the end of last year. What was the assessment of those protests here in Poland? Would you agree that they were directed against the Maastricht Treaty? And what role can trade unions play in Poland right now?

**Soroka:** I think that the strikes in France were a very important signal concerning the economic and social situation in western Europe. As I see it, they showed that deep changes are awaiting this part of the world. The French often have given the first signal for changes. That was not just a protest, but the scale of the events, the wide spectrum of professional groups which participated in them, shows that this is a symptom of a great crisis.

One can say that here, in central and eastern Europe, changes started in 1989-90; now, the time has come for changes in western Europe. Of course, they will be different, because the situation there is different; perhaps this is more a moral and financial crisis, not so much an economic one. But we have to analyze this very carefully and draw creative conclusions from those events, which can clearly be seen as a protest of the French against the Maastricht Treaty. They will have implications also for eastern and central Europe, including Poland.

Concerning trade unions in Poland, their role has been and still is very important. It flows from their contribution to the process of changes in Poland—this is true especially for Solidarity. However, right now, one can also see a tendency coming from strong capital groups to narrow the role of trade unions and limit the rights of employees. The PLP supports the idea of partnership between employers and employees. In a time of change, trade unions should not only protect workers, although this is also important, especially in view of the fact that those changes are costly and lead to the collapse of the standard of living and many sacrifices. But trade unions, as representatives of employee groups, should participate in those changes, i.e., participate in ownership and management.

Modern trade unions, learning from the good experience of countries with social democracy, can play a great role in reforms, which should not benefit only narrow capital groups, the oligarchy. All social groups should have a just sharing. Trade unions and employee groups can guarantee this.

# Eugeniusz Kwiatkowski: a Polish FDR

by Hanna Warnke

*Eugeniusz Kwiatkowski (1888-1974) was responsible for the economic policies of the Polish government for several years between the two world wars. He has been compared to Franklin Roosevelt by some Polish historians, because he thought that government must take responsibility for building basic infrastructure and guaranteeing conditions that would foster the development of every individual.*

*Kwiatkowski implemented his ideas in a situation even more difficult than the U.S. depression of 1929-31. But under conditions of peace and stability, the direction of development that he initiated would have brought prosperity. Tragically, the Versailles Treaty, which brought Poland back to life after over 120 years of occupation by foreign powers, created the conditions in Europe that inevitably led to the Second World War.*

*This article first appeared in the November 1995 issue of the Polish-language Nowa Solidarnosc, published by the Schiller Institute. It was intended to remind those who believe in Adam Smith's "invisible hand" of the "free market," that even the short-lived recovery which Poland experienced after 1918, was the result of conscious planning by those who were convinced that "Poland has a great future ahead of her." It was translated by Anna Kaczor Wei.*

After World War I, Eugeniusz Kwiatkowski, a young chemist and a graduate of Lvov Polytechnic School and the university in Munich, took over as manager of the Supply Department of the Army. Thanks to contacts with representatives of many enterprises, he got to know the structure of the Polish economy, especially industry. He came to the conclusion that the major problem of the Polish economy was its stratification after more than 120 years of division between three neighboring states, as well as backwardness in all areas of economic life. Kwiatkowski considered rapid development of industry and infrastructure as the only antidote to this backwardness, provided that the Polish nation would overcome a paralyzing disbelief in its own strength.

After a short period at the Warsaw Polytechnic School, in 1923, Kwiatkowski was nominated by Ignacy Moscicki to the post of deputy director of the State chemical factory in Chorzow. The experience he acquired while organizing and maintaining the production of fertilizers was summed

up in *Chemical Industry Against the Background of the Great War*. In this book, Kwiatkowski presented the first elements of a program aimed at fostering progress of Polish society. He stressed: 1) rebuilding agriculture and industry; 2) developing mining and processing industry on the basis of Polish resources; 3) improving the trade balance through development of ocean transportation; 4) establishing economic collaboration with Poland's neighbors which were "given to Poland by nature itself," that is, the U.S.S.R., Germany, and Czechoslovakia; 5) improving the health care delivery system and sanitation, especially in so-called Poland B [primarily eastern Poland], which was particularly underdeveloped; 6) developing industry which "serves death and destruction," but guarantees the security of the country.

## **A chemist in charge of the economy**

When, in 1929, Moscicki was elected President of the Polish Republic, Kwiatkowski accepted his nomination to the post of minister of economy and trade. Despite difficult circumstances, he managed to expand Polish industry (the State aerospace enterprise "Pal," State telecommunications and radiotechnology manufacture, the munitions factory "Pocisk," and the millinery factory in Warsaw; the automobile and chemical factories in Tarnow; and the synthetic ammoniac factory in Chorzow). During his term, there was significant progress in the development of a radiophone system, and air and rail transportation. In 1918, when Poland regained its independence, the state of railroads was pitiful. Poland had 16,000 km of railroads, all of which were in bad shape after the war and years of neglect: Most of the rolling stock had been destroyed, as well as 41% of rail bridges and 81% of water stations. On many routes, the speed limit was four miles per hour. Kwiatkowski contributed a lot to modernizing Polish railroads in his capacity as minister. Between the wars, Poland built 1,770 km of new railroads and upgraded old ones, established connections between Silesia and the Baltic coast, as well as eastern territories, and started electrification of railroads in the Warsaw region.

However, the area in which Kwiatkowski accomplished his most serious achievements was in ocean transportation and development of seaports. Already in 1923, the Sejm (parliament) passed a bill to build a harbor in the city of Gdynia, but it was Kwiatkowski who put the project into practice and started to develop a complex seaport infrastructure. At his initiative, the Bank of Home Economy worked out a program for construction of a commercial fleet. In 1922, Poland had only three ships with a total capacity of 5,400 tons, while in 1938, there were already 71 ships with a capacity of 100,000 tons. The majority of the ships were small, but altogether they constituted a significant fleet.

Kwiatkowski was convinced of the necessity to develop inland waterways and seaways as a cheap means of transportation. He once wrote that "the sea is a reliable debtor. It returns quickly every appropriate input with a usurious,

huge interest.”

As a member of the government, Kwiatkowski often expressed his concerns about burning social matters. He appealed to big capital and financiers to at least follow legal norms. He was an aggressive spokesman for the rights of workers against the representatives of employers, especially the so-called Leviathan group, which succeeded in increasing coal and iron prices, lengthening the workday, and lowering wages, and was also a support group for foreign capital in Poland. Kwiatkowski's interventions finally resulted in legislation regulating social affairs, implementing the eight-hour workday, paid vacations for workers, the right to strike, safety inspection of the workplace, and a wider range of social insurance, pension coverage, and other benefits. The new regulations were often violated; nevertheless, they constituted an important step forward.

In 1930, Kwiatkowski was removed from his ministerial position by Jozef Pilsudski. He came back to the government after Pilsudski's death, when President Moscicki nominated him deputy prime minister and treasury minister in 1935. The economy remained at the center of Kwiatkowski's interests during the five years he spent outside government. He published a few books, for example, *Disproportion*, devoted to an analysis of the gap between Poland's needs and the actual state of the economy. In this work, he argued that an economic rebirth of Poland would be a catalyst for a rebirth in other areas of social life. His main thesis was that to overcome the crises, one must present to citizens a vision of a strong country, in which people are faced with big and difficult challenges, because “the nation which does not fight and does not win will regress in its development.”

Kwiatkowski found inspiration in thorough study of the economic development of Poland (works of Staszic, Ostrog, Kalinka, Laski), as well as foreign models. He praised the Japanese, who, “without talking too much about their love of the Motherland, use in their everyday work iron principles of efficient work organization.” Kwiatkowski was also influenced by the United States, especially Abraham Lincoln, who was to him an example of an honest man, standing up for his principles, supporting internal stabilization and protection of an internal market. Roosevelt's New Deal was also an object of Kwiatkowski's studies. He considered it a case of an organic approach to economy, that starts from defining basic principles and directions for development, which is the responsibility of the State.

In *The Present Crisis and the Question of Rebuilding Economic Life* (1935), Kwiatkowski said that in a time of crisis, the State should play the role of “an executive board of a huge, disharmonious national economy,” commencing public works and reforming agricultural policy. Back in the government, he had a chance again to implement his ideas, as much as was possible, in the situation of an impending catastrophe. He was convinced that despite everything, “Poland had a great future to look forward to.” So, in 1936, he

initiated a program which would shape the Polish economy according to its strategic needs. The program was based solely on national resources, with the exception of a small loan from France, and concentrated on military industry and infrastructure, mainly railroads, power stations, and electrical grids. In the framework of the main plan, in the so-called Central Industrial Region (COP), situated in today's southeast Poland, a few big enterprises were completed: a steel mill and a power station in Stalowa Wola, a caoutchouc [rubber] factory in Debica, a car factory in Kielce, an airplane engine factory and machine tool factory in Rzeszow, a hydro-power station in Roznowiec, and more.

In 1938, Kwiatkowski proposed a system of long-term credits for small and medium-size farms. In the first tranche, the State budget was to allocate 30-50 million zloty for credit lines issued for 25 years at a 5% rate of interest. The same year, according to his principle that “money spent without a plan brings little results,” the deputy prime minister presented in the Sejm an ambitious 15-year plan for 1939-54, which included investments in waterways, highways, military industry, development of cities, the education system (especially for rural areas), modernization of agriculture, and general unification of economic infrastructure in Poland. Unfortunately, at that time, British manipulations had already brought the bitter fruits of Nazism, and the next war in Europe was inevitable.

## Postwar reconstruction

Kwiatkowski spent the tragic years of 1939-45 in internment in Romania, with other members of the Polish government. After the war, he accepted the proposal for a temporary government of national unity (controlled by Moscow), and he headed a special government commission for development of the seacoast. He was aware of the changed political conditions; nevertheless, he decided to come back to Poland and use his knowledge and experience for the benefit of the destroyed country. His plan of integrating the Polish seacoast with the potential of the interior, was financed with the help of so-called intervention credits issued by the national bank. At his initiative, Elblag harbor and a number of smaller ports were reconstructed. His projects for the future included regulating the Vistula River and its tributaries, construction of a canal connecting the Oder and Danube rivers, and a port for oil transport and refineries.

He abandoned his work in 1948, when the government closed down his commission. Because he was forbidden to reside on the seacoast or in Warsaw, he had to move to Krakow, and, during the difficult period of the Stalinist regime, he had no opportunity to publicly discuss Polish economic matters. Only in the early 1970s, when the decision was made to build a big harbor in Gdansk, was Kwiatkowski's role in developing the Baltic coast recognized. He received *honoris causa* from Gdansk University in 1974, a few days before his death.

# A study of inflation in China

*A guest commentary by Yang Fan, of the Economic Research Institute of the Chinese Academy of Social Sciences, Beijing.*

China's economy is estimated to have grown, during 1995, at a rate of 10.2%, and inflation dropped below 15%. Despite this, the view is, that China still faces a difficult task of curbing inflation over the long term. There has been a series of debates on inflation among Chinese economists. This article refers to the arguments and analyses presented in this debate, on the future of the Chinese economy.

Since all of the measurements of the economy of China, like other nations, are influenced by the generally accepted, and incompetent standards demanded by international monetary agencies such as the International Monetary Fund (IMF), no estimate of rates of growth, or of inflation, can be accepted at face value. Nonetheless, the discussion of these estimates is extremely significant, as a factor in shaping the policies which China will adopt during the immediate future.

## Argument 1

*It is necessary to curb inflation to assure long-term stability and coordinated development of the national economy; refuting the argument for "simultaneous growth of economic development and prices."*

This argument goes: There has long been a misconception in the theoretical circles of our country, that inflation, despite the multitude of harm it causes, can promote economic growth. In fact, this is a theoretical misapplication of Keynesianism and the Phillips curve. Since the 1970s, due to the appearance of "stagflation" in western countries, the stable direct correlation between economic growth and inflation, or the negative correlation between unemployment and inflation, has been eliminated, while the new theory of "natural rate of growth" appeared. This theory believes that, on the basis of a natural rate of unemployment, the economic growth of various countries has an objective, rational speed called "natural rate of growth." If this speed is surpassed, the rise of prices will be accelerated, while depressing prices will accelerate the drop of economic growth.

The argument proceeds: From a long-range point of view, the average speed of growth does not increase with the appearance of a big rise and big fall in the economy. According to the calculations of a number of experts, if China's economy has a continuous 9-10% rate of growth over 30 years, it will be the biggest in the world. A continuous growth above 10%

will naturally accelerate the rise of prices, with the consequent, forced deflation cancelling the increased percentage of the previous super-high-speed growth.

The argument continues: This regular pattern of growth has been proven by the economic development of China. In the 1980s, with an average economic growth of 8.8%, the rise of prices reached its peak in 1989. The annual rise was 19.8%, with a rise of 27.9% in February. When we depressed the rise of prices to 11.4% in September 1989, the growth of industry dropped to 0.9%. In January 1990, when the rise of prices dropped to a level below 10%, the rate of industrial growth was -0.6%, the first negative growth since the start of economic reform. In 1991, economic growth attained an annual rate of 11.9%, with a rise of prices of 2.9%. In 1992, annual economic growth was 13%, with a 6% increase of prices. In 1993, the annual economic growth continued to be 13%, and a similar rate of price increases. In 1994, the annual rate of economic growth rose to 22%. In the coming two years, if the rate of economic growth does not drop to below 8%, it is expected that it will be very difficult to bring the increase of prices below 10%.

The inflation expectation in China was formed in 1987, reached its peak in 1988-89, dropped during the three-year period of rectification and adjustment, and rose again in 1992-93. Due to the stable exchange rate of the renminbi (RMB), in 1994, the inflation expectation weakened somewhat abroad, but it was still high at home. Under the influence of continuous high inflation and high-inflation expectation, an entrepreneur would mistake the rise of his own product's price, for a rise of the whole price level. His decision would not be to expand production, but merely to raise his product's price, so as to neutralize the effect on his costs, of rising prices of other products. Workers would demand wage increases in accordance to the expectation of inflation.

Under such circumstances in China, if wages could not be increased, work efficiency and output would drop. Then, stagflation would appear, with a continuous rise of the overall price level and drop of output in the whole society. It was estimated that for every price rise of one percentage point, stimulated by inflation, the prices of the same year rose 0.3-0.4 percentage points, causing a drop of 0.7-0.8 percentage points of economic growth in the following year. Growth

could be maintained in the following year, at the cost of higher inflation. Inflation cannot bring us anything except stagflation, and even a big economic rise and fall. It can only bring us more random price increases, monopolies, cheating, and profiteering in the present situation. Whether in theory or practice, the policy of inflation cannot stimulate economic growth over a rather long period. It is also impossible to have "simultaneous growth" of the economy and of prices. We should clearly realize that curbing inflation should be a goal of long-term policy, and not only a short-term measure.

## Argument 2

*To reduce the impact of restructuring industry by inflation, is to relieve thirst by drinking poison; refuting the argument that "unemployment is more dangerous than inflation."*

This argument goes: In the debate on inflation among economists in the early 1990s, a typical argument was: "Unemployment is more dangerous than inflation." The economic grounds for the argument were that the reform of State-run enterprises cannot be carried out quickly, due to the nonexistence of a social security system. The social grounds for the argument were that unemployment, by concentrating economic pressure on a minority of the population, would result in trouble-making by that minority, while the economic pressure caused by inflation is shared in common by the whole society.

Despite popular discontent among the people, nobody, generally speaking, would "initiate trouble." The meaning behind such an argument is, that China may use inflation policy to reduce the pressure of employment. This is a viewpoint hampering the control of inflation. First, to advocate using the monetary policy of expanding the economic quantum to solve the problems of economic structure, violates the basic axiom of implementing economic policy. The existence of a big potential labor supply in rural areas, may keep economic development at about 10%, at least not below 8%. This is a common acknowledgment of economists both abroad and at home.

However, when the argument that "unemployment is more dangerous than inflation," is used to advocate lessening unemployment by high-speed development, this confuses two kinds of unemployment, with different natures. The above-mentioned job-awaiting population in the urban and rural areas, is a problem of regulating the economic quantum. It may be alleviated, in a certain period and to a certain extent, by the expansion of monetary policy.

However, the "underemployment" under discussion in our country, means the existing special type of unemployment, namely, the 30% redundant personnel among the 150 million staff and workers of State-run enterprises. This is the core problem of China's economic restructuring, and transformation of industrial structure. If we admit that the nature of State-run enterprises is a problem of economic structure, then we should admit that financial measures should be main-

ly adopted in economic policy. The attempt to solve the problem of economic structure by the monetary measure of expanding economic quantum, not only violates the basic principle of economics, it is also impracticable, as proven in China. In 1992-93, the economy of our country grew at a super-high speed, with very serious inflation, yet the performance of State-run enterprises did not obviously improve.

Since the macro regulation, our government has subsidized the losing State-run enterprises with a big amount of low-interest loans. The State-run enterprises shared 70% of the low-interest loans provided by the banks, yet produced only 45% of the output value. To subsidize the State-run enterprises by expansive monetary measures for a long period, has become a special source of inflation in our country. It has no economic benefit, as well as no ending. If this continues, then how high must be the speed [of economic expansion] and how high must be inflation, to be able to save the State-run enterprises?

Second, exaggerating the danger of unemployment, while belittling the danger of inflation, is not in conformity with the axiom of policymaking and social control. Under general circumstances, unemployment is certainly more dangerous than inflation, because the unemployed minority bears the entire economic pressure. Inflation is just the reverse. The pressure of inflation is borne by a portion of all social brackets, so it is bearable generally, unless galloping inflation appears.

From the viewpoint of the local government, this is a thing of "very great benefit, yet costless." If serious trouble from the unemployed occurs in a local area, the local government has to shoulder all the responsibilities. While issuance of more money mitigates the unemployment of its local area, the inflation pressure created by such issuance has to be borne by the people of the whole country. This is tantamount to making the people of all China and other areas, pay for the benefit of employment and social stability benefit "of its own locality."

Therefore, the policy of the local government is certainly to assure employment to the best of its ability, disregarding the cost of inflation to be paid. From the viewpoint of the central government, the same "cost-benefit approach," turns out to be an entirely different thing. The "trouble making" of the unemployed in a locality is just a local problem, not necessarily endangering the whole country immediately, while the route of extending "stability and unity loans by the banks" can only aggravate inflation in our country. The "benefit" gained by the central government is short-term stability in different localities, but from the angle of national control, it is not beneficial.

The contradiction has not been solved; rather, it is exacerbated, by turning the crisis of State-run enterprises into the crisis of national banks, which is further turned into the credit crisis of the government. This will finally concentrate on some unexpected incidents, and explode. Then the "social cost" to be paid will be incalculable.

### Argument 3

*Macrofinancial stability is necessary for market direction reform; refuting the argument that "inflation is necessary for reform."*

This third argument, in favor of inflation, is that the process of reform requires inflation. According to the calculations of the experts concerned, the structural price reform caused prices to rise 3% annually, while the additional issuance of money required to lessen the friction of reform, caused another 3% rise in prices. Lou Ji Wei wrote in 1994 that this 6% rise in prices annually is the "cost of reform."

It is necessary to maintain economic development and to alleviate social friction in the process of gradually progressing reform; hence, it requires the rise of prices, to a certain extent. This is understandable. However, if the rise of prices has been continuously over 10% for several years in China, and will even increase, this will naturally create doubts among the people about such reform. The "reform cost argument" is only suitable for a "once and for all" price reform.

Under a gradually progressing reform, the prices of agricultural products have been raised, without a drop of the prices of industrial products, and the overall price level is naturally raised. Such a price rise is not due to inflation. Inflation means the issuance of money, surpassing the needs of circulation. For structural price adjustment, it is necessary to increase the issuance of money, because the adjustment itself raises the prices. This is also true for monetization of the economy. This kind of increase of money, does not cause the money supply to surpass the need of circulation, hence it is not inflation.

Only the policy of pursuing super-high-speed economic growth, by subsidizing budgetary deficits through bank overdrafts or by engaging in credit inflation, can lead to inflation. Only a small portion of the appearance of continuous overall price rises in the process of price reform, is due to the price reform itself, while a major portion is due to demand inflation and monopoly. As the cause cannot be distinguished in the monetary issuance, somebody uses it as a defense for inflation, in the name of the "needs of reform" and "economic axioms."

Actually, the price reform in China has long passed the stage of "price adjustment promoting rise in overall price level," and has entered the stage of "inflation leading to restoration of price ratio." When the prices of agricultural products and basic products were adjusted upward for the formation of a rational price structure, a continuous total demand inflation appeared, resulting in a faster rise of the prices of processed industrial products, as well as the re-enlargement of the "scissors" differential between agriculture and industry. Then, it becomes necessary to raise the prices of agricultural products and basic products again.

Can we call such a "rotating increase of prices," price reform? Inflation not only can promote no reform, but will instead undermine the stable economic and social environ-

ment. The inflation in 1988 caused social unrest. Whenever the rise of prices was too high, the central government demanded that local governments temporarily stop promulgation of new price reform measures.

At the end of 1993, the price of grain rose, accompanying the galloping rise in price of steel futures from RMB 3,000 to RMB 4,000 per ton, resulting in a rise of 20% in retail prices. The central government was forced to make stability the priority, and slow down the pace of reform. In the latter half of 1994, the continuous, unexpected rise of prices forced the central government to make controlling inflation the core economic task. The higher the rise of prices, the more the administrative measures have become a regular pattern. In many places this year, the use of grain and edible oil coupons reappeared, while the State monopolized the dealing in products, as well as fixing their prices. The appearance of galloping inflation led to total economic control, forcing the market economy to retrogress to a planned economy. This happened in a number of countries.

Another harm inflation does to market-guided reform, is damaging market signals and promoting economic instability. Since price mechanism is the basis for regulating the relation between supply and demand in a market economy, how can we imagine that a confused and uncertain price system can effectively allocate resources?

Inflation is directly related to economic uncertainty. It is impossible to have a "stable inflation"—the illusion cherished by some people—by hooking prices, wages, rates of interest, and rates of exchange, to the practice of legalized and open inflation, so as to make it up to the suffering social strata and to stabilize the psychology of the residents. As soon as galloping inflation appears, it is certainly unstable and will surely bring along confusing market signals, making it impossible for government policy to be stable, also.

Since 1993, speculative capital to the amount of RMB 300 billion has appeared in China. In conjunction with confusing price signals and confusing psychological expectations, this has greatly aggravated the economic instability in China. In today's economic reform in China, inflation has reached the "stage of serious inflation," with three consecutive years of two-digit inflation rates. The seriousness of the result, is not whether it is bearable by the population, but the possibility of forcing the government to practice the "hook-up policy" after the inflation rate reaches 20%, which in turn will have inflation running wild, and quickly lead to galloping inflation.

In short, in order to carry out well the reform of the market economy, we should pay close attention to macro-economic stability, as well as prevent the appearance of galloping inflation in China. A real market economy is an economy with supply greater than demand, but not an economy with galloping inflation.

### Argument 4

*The "population's ability to bear it," is basically "the*



peasants" ability to bear it"; refuting the "argument of hook-up prices, wages, interest rates, and exchange rates."

This argument goes: The main reason for it not being possible to practice the "hook-up strategy" in China, is the existence of 900 million Chinese peasants who have no income from wages. The increase of prices of agricultural means of production, with the relative decrease of prices of grains, forced the peasants to give up cultivation, giving a heavy blow to the production of grain and cotton. Then the State massively raised the prices of grain and cotton, causing, again, a massive rise of prices in urban areas.

The increase of prices and wages in urban areas, which was originally intended to absorb and subsidize the previous rotation of price rises, instead hurt agriculture, causing a more serious rise of prices in the next rotation. Agricultural prices always logically lagged behind; there was a subsidized rise of prices after agriculture suffered the blow. Agriculture suffered blow after blow, in the series of inflation cycles over a long period.

Agriculture cannot stand the fluctuations of market economy, let alone the blow of serious inflation, especially under the conditions of the initial stage of market economy and the dispersed blind production of countless small peasants in China. Therefore, the "bearability of prices to the population" cannot be measured by a standard such as a 10% or 20% rise of prices, because, with the practice of indexation, while even

the blow of inflation is bearable to the wage-earning residents of urban areas, it is nonetheless unbearable to the peasants. This will shake social stability. The existence of a vast rural area with its massive population, is the basic reason why China cannot depend upon foreign trade for its national survival, and cannot depend upon foreign loans and inflation for its take-off. It is also a self-regulator for policy errors, and has prevented previous successive strategic mistakes from lasting long.

### Argument 5

*Behind inflation and the price monopoly is the scramble for recourse by the diversified interest groups; the nature of inflation is comprehensive social crisis.*

In China, the effective control of issuance of money cannot entirely depend upon the central bank. The credit program target is often surpassed. The local government can actually force the bank to increase the loan, or divert it for other purposes, thus forming a "backward pressure mechanism" on the central bank. Therefore, in order to control inflation, it is necessary, first of all, that the central bank should have independent power of issuance, many of the specialized banks should be commercialized, and the structural reform of the enterprises should be carried out.

The other reason for not being able to control the issuance of money, is the wide existence of price monopolies. In the

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Honolulu	1200	Teheran	0130*
Hong Kong	0600*	Tel Aviv	2400
Houston	1600	Tokyo	0700*
Istanbul	2400	Toronto	1700
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environment of broad existence of monopolies, cheating and sudden huge profits, in case of currency deflation, the monopoly section of the economy would reduce production and raise prices to seek a high profit, while the non-monopoly section of the economy would shrink with the economic contraction.

The third reason, is investment inflation, which is hard to check. Both demand inflation and price monopoly in China reflect a common nature, as the various interest groups scramble for resources in an unfair way, thus creating a comprehensive social crisis. There are, principally, five kinds of "interest groups," as follows:

1. The central government, which has decentralized a considerable part of economic power after the reform.

2. The local governments, which have gained considerable power and become the biggest beneficiaries since the reform. The local governments' increase in power has brought prosperity to local economies, with the appearance, on the other hand, of duplicate construction and investment inflation. Local blockades are thus hampering the formation of a unified national market and thorough implementation of the industrial policy of the central government. Each local government scrambles for resources with investment inflation, as a means to strive hard for high-speed and high-income development of its locality. At the same time, this is transferring inflation to other localities.

3. The economic departments in charge under the central government. After the practice of the contract responsibility system of industries, many of the departments have their own economic interests and established a large number of companies. In the resistance to purchasing property rights by foreign capital, in seeking State protection in terms of departmental tariffs and non-tariffs, in "seeking rent," and monopoly business, this is a force capable of influencing policymaking of the central government. Meanwhile, the appearance of monopoly prices also pushed up domestic inflation.

4. The State enterprises.

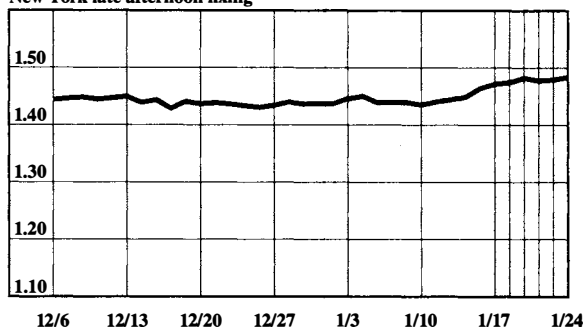
5. Individuals, who play a stronger economic role. The savings rate of the population has been maintained above 40%, with a continuous increase of savings over consecutive years. This is the key to ensuring high accumulation.

In the process of rapid economic prosperity, the various interest groups have undergone considerable diversification. The lack of standardization in behavior, produced the social problems of corruption, monopolies, cheating, sudden huge profits, and damage of resources, accompanied with the drop in ability to maintain social control. Meantime, each interest group adopted various unfair practices in pursuing its interests. Besides seeking special protection and privileges from the government, one of the unfair practices is to scramble for resources by gaining sudden huge profits through raising prices or by investment inflation. Therefore, the real nature of worsening inflation in China is lack of an integrated mechanism for effective, open, and legalized regulation of the interests of various interest groups.

## Currency Rates

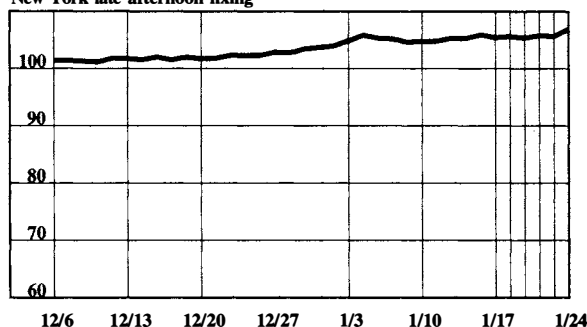
### The dollar in deutschemarks

New York late afternoon fixing



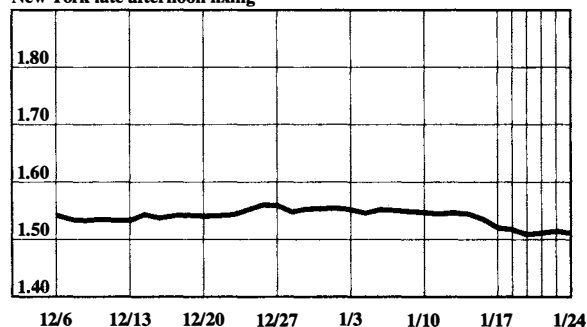
### The dollar in yen

New York late afternoon fixing



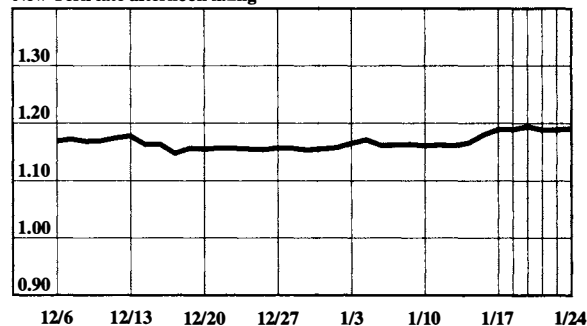
### The British pound in dollars

New York late afternoon fixing



### The dollar in Swiss francs

New York late afternoon fixing



## Debt and taxes are killing the cities

*German municipalities are raising the alarm over their worsening fiscal crisis.*

**I**nfected with the "balanced-budget" virus, the municipality of Wetter, in the western state of North Rhine-Westphalia (NRW), has adopted a radical cure: It sold its 80 public-sector buildings to the VEBA real estate firm, to lease them back for DM 1.7 million (\$1.1 million) over the next two years. This, the authorities claim, will save the city about DM 600,000. The trick in this deal, which undoubtedly has the approval of all "streamlining" prophets, is that the city no longer is the master in its own house, that it sold its ownership for a shortsighted "benefit" that will be gone in two years.

A former industrial powerhouse that has been put through radical deindustrialization, NRW has many cities that face grave fiscal problems. No fewer than 62 out of its 274 municipalities "balanced" their budget this fiscal year only by selling real estate and other property. Another 74 barely escaped fiscal emergency rule by decree, by signing a document that solemnly proclaims their will to balance their budgets over five years. Even Düsseldorf, the state's capital, sold its shares in the RWE energy-producing firm, in order to pay at least 25% of its DM 400 million municipal debt in FY 1995.

The situation was so dramatic in 1995, because cities were hit full force by the combined effects of mounting old debt obligations, new debt burdens, and the denial of new loans by creditor banks; by lower tax revenues because of worsening general economic conditions; and by increased social welfare expenditures because of the rising number of welfare recipients

(unemployed, refugees from Bosnia, private bankruptcy cases).

The situation is more or less the same on a national scale. Thus, the German Municipal Congress (DST), the political organization of the cities, raised the alarm in a press conference in Bonn on Jan. 22. The combination of increasing debt service, lower tax revenue, expanded social welfare and other social expenditures, and increased pressure to impose deeper fiscal austerity is a recipe for the financial and social collapse of urban communities, DST President Gerhard Seiler warned.

He said that the 15,000 cities in the DST have entered a "valley of tears," with no funds for investment, and no prospect of meeting their obligations. "Some cities are deep into the valley of tears up to their neck, some only to their ankles, so far," Seiler said, reporting a tax revenue shortfall of DM 13.5 billion for FY 95, and an estimated additional DM 12 billion for FY 96.

Seiler took aim at Finance Minister Theo Waigel, a devout monetarist who has most recently blamed the failure of the municipalities to balance their budgets on Germany's being in danger of missing the European Monetary Union's balanced-budget criteria. The DST maintains that many of the cities' problems have been produced by the federal government in Bonn, which, for its own budget-balancing reasons, has burdened the municipal administrations with an additional DM 4 billion in expenses in FY 95 alone for urban day-care cen-

ters (which had previously been paid by Bonn), and for several categories of social welfare for citizens who have been unemployed for a long time and therefore no longer receive federal unemployment assistance.

Partly because of the high-interest rate policy which was imposed in late 1979, urban budget obligations have increased by 140% since 1985, while revenues have increased by only 40% over the last 10 years, Seiler charged. The unmanageable fiscal situation has forced the cities to "privatize" municipal real estate and other property, in order to try to balance their budgets. But this is a shortsighted policy, Seiler said, because "everybody knows that one can only do such privatizations once, that there is no second chance to make money from an asset after it is sold."

The budget-balancing of Bonn has made the municipal situation worse; so have the tactics of the state governments for reducing their transfers to the cities. The cities receive subsidies from the states for investments in public infrastructure, for schools and theaters, libraries, and day-care centers.

The eastern municipalities, however, depend on state and federal transfers to a much higher degree than western municipalities: 70-75% of the budget in the east (only 25% is genuine income from taxes, fees, licenses), compared to the reverse ratio in the west.

But the situation is worsening, and western municipal authorities, such as Lord Mayor of Duisburg Josef Krings, have begun to call for state and federal transfers like those which the eastern municipalities receive. The state governments, however, have begun to end these transfers, and have signaled creditor banks that they should be prepared for municipal defaults. If the states stop the transfers, the cities will, indeed, collapse.

# Business Briefs

## Eastern Europe

### IMF increases the pressure on Ukraine

The release of the fourth tranche of the International Monetary Fund's standby credit to Ukraine has been delayed until February or March, Ukrainian radio reported on Jan. 17. The credit should have been released in January, but the IMF and World Bank have said that Ukraine is not making enough progress in its structural economic reforms or in privatization.

That same day, Ukrainian lawmakers were debating provisions in the 1996 draft budget for deep cuts in spending in education, scientific research, health, and social welfare programs, that the IMF is demanding. The current draft slashes expenditures on research from 1.7% to 0.076% of Gross Domestic Product, and on education, from 10% to 6.5% of GDP. The allocation for the country's school system would not be sufficient to cover teachers' wages and student stipends. The government still owes trillions of *karbovantsi* in back wages and stipends since autumn.

The draft budget also foresees a 4% cut in social spending and would finance only 31% of the basic needs of Ukraine's State-run health care system. The government has said that the cuts are necessary in order to lower the budget deficit to 6% of GDP this year.

## Economic Policy

### Egypt under IMF pressure to deregulate, privatize

Despite a recent cabinet reshuffle, which changed the chief negotiator with the International Monetary Fund, the government of Egyptian President Hosni Mubarak continues to come under heavy IMF pressure to deregulate and privatize its economy. Adel Hussein, a Cairo-based opposition figure, told *EIR* in mid-January that the previous round of negotiations failed, because Egypt did not agree to total privatization of the State sector and lifting of all regulations on foreign trade. The IMF used de-

valuation as a bargaining chip in that round, threatening to debase the currency, unless the State sector were put up for sale. Now, the same pressures are being mounted again, and Hussein expects that Egypt will capitulate.

The recent visit to the region by U.S. Vice President Al Gore and a group of U.S. businessmen, led to a cooperation agreement, first outlined at the Cairo population conference. A joint commission has been set up to coordinate cooperation, including on preparations for the conference scheduled to take place in Egypt in 1997, which will follow up the Casablanca and Amman conferences on Middle East development.

As part of its restructuring program, Egypt recently lifted all regulations on foreign investment. Whereas earlier, prospective foreign investors had to request permits, and were limited to first \$3 million, then \$15 million; today, they are required only to "inform" the Egyptian government of their plans. There are no ceilings on investment. Thus the way is open for "investment" in casino gambling, bordellos, and similar drains on the economy. The final decision was announced the day after Gore left.

## Algeria

### Zeroual disappoints foreign investors

Foreign investors are disappointed in the performance of Algerian President Liamine Zeroual, because he has reneged on his electoral promises to open a dialogue with the Islamic Salvation Front (FIS), and because the civil war is escalating, the German financial daily *Handelsblatt* reported on Jan. 16. "The government repeatedly said, that rising oil revenues would put the economy back on its feet," raising export revenues from \$3.4 billion to \$4.5 billion. However, this requires foreign investment worth \$2 billion.

Great Britain stepped forward right after the "elections" to announce a \$2 billion investment in seven gas fields in Salah, which will yield initially 9 billion cubic meters per year. An 800 km pipeline from the fields to Hassi R'Mel is also planned. This new production would in-

crease gas revenues from \$2.6 billion in 1995 to \$4.7 billion in 1999. The rest of the natural gas would flow through the TransMed and Europa-Maghreb pipeline into southern Europe.

According to the French daily *Le Monde* on Jan. 12, an IMF secret report says that Algeria has not fulfilled the restructuring demanded for a May 22, 1995 loan of \$1.8 billion, but that it should be given aid nonetheless. The two (out of eight) criteria it failed to satisfy, concern internal credit issuance and resultant inflation, and foreign exchange reserves. Algeria issued "too much" credit internally, especially to its state sector, the report said, and inflation was at 28%, instead of the 20% prescribed. At the end of September 1995, Algeria had no more than \$1.9 billion in foreign exchange reserves, \$400 million below the required level.

The IMF report sees the causes of Algeria's poor performance as the weak oil price, and the lack of financial aid from Japan, Germany, Italy, and the United States. The increase in grain and wheat prices also led to a 30% increase in Algeria's import bill in 1995.

## Biological Holocaust

### Death rate rising in United States

The death rate from infectious diseases once thought to be virtually conquered, has been on the rise for more than a decade in the United States, government health experts said on Jan. 16. Dr. Robert Pinner from the Centers for Disease Control in Atlanta, Georgia, said the U.S. death rate increased 58% from 1980 to 1992, and, after the demographics of an aging population were factored in, it increased by a still striking 39%, the Jan. 17 issue of the *Journal of the American Medical Association* reported.

The increase would have occurred even without the AIDS epidemic, although at a slower rate. The data are part of a special report on emerging and reemerging health threats, ranging from newly recognized viruses such as AIDS, to older infectious diseases that are growing resistant to the drugs used to treat them for several decades.

"Despite historical predictions that infec-

tious diseases would wane in the United States, these data show that infectious diseases mortality has actually been increasing in recent years," Pinner said. Among the threats are tuberculosis, *E. coli*, cholera, drug-resistant pneumonia, hepatitis, and viruses such as AIDS, Hantavirus, and Ebola. Respiratory tract infections, which often strike older people, were responsible for nearly half the deaths from infectious diseases in 1992. Mortality from septicemia (blood poisoning, caused by potentially lethal bacteria) rose 83% in the 12 years studied. And deaths from infections contracted in hospitals are worrying doctors, because some of the bacteria are now resistant to antibiotics.

It is well known by health experts that this "death-rate" increase is primarily caused by decreasing standards of living and general decay in necessary infrastructure, such as water and sewer systems. But reporters, such as Reuters' Joanne Kenen, chose to "recast" the initial report, to present the lie that the culprits are "global warming, drug resistance and evolution itself."

## Russia

### Stand up to IMF, ambassador urges

Russia should stand up to International Monetary Fund (IMF) and World Bank pressures that infringe on its sovereignty, stated former ambassador Vassily Sofronchuk, who was deputy secretary of the United Nations during 1987-92, the London *Guardian* reported on Jan. 19.

Sofronchuk stressed that it had previously been the case, that the IMF and World Bank would lecture only Third World governments on their domestic and foreign policies. "Now they are doing this to Russia, which is a measure of how low Russia has fallen," he said. "They don't have the right to prompt or advise the government of a sovereign State about the composition of its government. . . . If Mr. [Russian Prime Minister Viktor] Chernomyrdin understands that he is the head of a government, he should say to the U.S.: Dear sirs, this is none of your business. This is something we shall decide ourselves."

## Southeast Asia

### Australia invited to join in Mekong project

Malaysian Prime Minister Mahathir Mohamad invited Australia to participate in an ambitious plan of the Association of Southeast Asian Nations (ASEAN) to develop the Mekong region that encompasses six countries (Burma (Myanmar), Cambodia, China, Laos, Thailand, and Vietnam). The invitation came during a visit of Australian Prime Minister Paul Keating to Malaysia, the Singapore *Business Times* reported on Jan. 17. ASEAN endorsed the Mekong Basin project at its recent summit in Bangkok, Thailand.

Mahathir told Keating that Australians could be involved in the construction of dams, as well as in the transport, telecommunications, and housing sectors in the project. "Mahathir told Keating that it is a massive project that will require all efforts of ASEAN and others that can play a role," said Ahmad Kamil Jaafar, the Foreign Ministry secretary general.

## Asia

### Japan, China consider new shipping route

A group of Japanese companies and the Chinese government are to carry out a feasibility study into shipping goods between the two countries, including using the Yangtze River, the Jan. 15 *Nihon Keizai Shimbun* reported.

Goods would be shipped by river from Chongqing to Shanghai prior to sea transport to Japan, forming the first major transport link between China's inland areas and Japan, the daily said. Beijing and the Japan-China Investment Promotion Organization would set up a joint firm to launch the river service as early as 1997.

The Japan-China Investment Promotion Organization plans to set up a committee for the project by March to start negotiations with China's State Planning Commission and the Ministry of Communications.

**ALBANIA** has declared a bread supply emergency, in which a shortage of flour has caused long bread lines in all cities, especially the bigger ones. There has been a pattern of spontaneous protests against the government and its agricultural policies. In an effort to preempt riots, the government has begun to open its strategic grain reserves.

**SUDAN** was the recipient of China's first Export-Import Bank loan, of \$12 million for the purchase of Chinese equipment for a petroleum development project, Beijing Central TV reported on Dec. 10, 1995. The Exim Bank is one of four "development" banks designed to funnel national credit to industry, agriculture, infrastructure, and exports.

**FRANCE** is facing "a black year for jobs," an internal memorandum compiled for the government forecasts, according to the economic journal *Tribune Desfosses*. At least 120,000 jobs, but more likely 170,000, will be lost this year, the memorandum says.

**GERMANY** is planning a pilot project for the privatization of governmental administration functions which will cut 7,000 jobs as part of a new effort to achieve a "lean State" and reduce State expenses by DM 1 billion per year, according sources in Bonn.

**CANADA** is facing a record pace for bankruptcies, the Montreal *Gazette* reported on Jan. 18. Over the first 11 months of the year, 72,496 people or businesses went bust, up 19.5% from 1994. The worst previous year was 1992. But, for Canadian banks, 1995 was a year of record profits of over \$3.5 billion.

**THE BRITISH** are experiencing severe malnutrition, 18 experts for the "Low Income Project Team" said in a survey for the government, the Jan. 21 *Observer* reported. "Mounting poverty during 16 years of Conservative rule has produced malnutrition among Britons on a scale unseen since the 1930s," the paper said.

## Unbalanced minds cannot balance the U.S. budget

by Lyndon H. LaRouche, Jr.

*On Jan. 15, in Arlington, Virginia, Democratic Presidential candidate Lyndon LaRouche addressed 250 supporters at a Martin Luther King Day event. The address was excerpted for a half-hour national television campaign broadcast on ABC-TV on Jan. 27.*

This is Martin Luther King's birthday, and it has fallen upon this occasion, to do something which is necessary. And, I can't think of a more appropriate anniversary date upon which to celebrate.

Martin's role in history is one which is much underestimated in the romantic versions, or the popular versions of his life. In fact, as Amelia [Boynton Robinson] and others have explained to me, in Alabama, the time came when Martin, a graduate of Boston University, a young minister in the civil rights movement, was, by chance, designated, nominated to become the leader of the civil rights movement. He was just a young minister, with no particular distinction obvious to people around him, except people knew him as a fine young man. And, in the few years of his life that remained to him after that designation, he changed. He grew. He's one of the few authentic leaders of the United States in the Twentieth Century.

He did something which I've referred to on a number of occasions, something that impressed me very much in following him. When he was presented with a crisis, he would go into what I've described often as a personal Gethsemane, which is not, perhaps, unusual for a man of the cloth to do. And, faced with a crisis of the movement, would recognize that the movement had to undergo a *change*, a change in its conceptual outlook. And he would come forth from this period of retreat, and make an address which presented a *concept*, such that, after he was murdered, with the consent, or, shall we say, encouragement of his enemy, J. Edgar Hoover, the movement stopped.

Now there were other circumstances at play which arrested the development of the civil rights movement, from that time on. But one of the obvious things,



The National Council of Senior Citizens demonstrated at the White House on Nov. 8, 1995, urging President Clinton to veto the Republican budget-balancing plan. LaRouche points out that the United States had no chronic budget deficit until the Carter administration, and it became worse under Reagan. In the second Reagan term, Sen. Phil Gramm doubled the national debt, in his effort to balance the budget.

which is obvious to me from discussing with many leaders of the movement who were close to him at the time, was, there was no one available to replace him. He was the one man who could present conceptions to a movement, on which the movement lives. Not practical suggestions. Not decisions. Not pragmatic decisions. But *conceptions*, to lift the movement to a higher conceptual level of its role. Not just as a movement of the oppressed; but a movement to make the Constitution of the United States, in its original intent, real for *all* the people of the United States and the world.

Thus, the civil rights movement under Martin, had a *mission*. It was a not a mission of victims, but a mission of leadership, of those on the field of battle who seized the first rank of the fight and said, “We’re leading the way for all mankind toward freedom”—the difference between the victim and the fighter.

Now we’ve come to a time, in the history of the world as a whole, in which the civilization which has become a world civilization in the course of the past 500 years, is about to disintegrate. One says, “Well, when will it happen?” I don’t know. It will happen soon.

The patient, as I’ve said in describing this in a number of places recently, goes to the doctor and says, “Doctor, what’s wrong with me?”

The doctor says, “You’re very sick.”

“How sick, doctor?”

“Well, you’re going to die.”

“How soon?”

“I don’t know. I can’t predict when that will occur. But it will be soon. Be prepared.”

That’s the condition of the world monetary and financial system and the political institutions attached to it today. The monetary and financial system of this planet, is presently *dying*. It is very near its death, its final moment. *Nothing can prevent this monetary system, this financial system of this planet, in its present form, from dying soon.* There is no way to prolong its life, it cannot be saved. The only practical question is, whether the nations of the planet go to disaster with the doomed financial and monetary system.

Ordinary suggestions, ordinary gimmicks, ordinary slogans, ordinary programs are useless for this kind of period. What is needed, first of all, is a clear conception of what the problem is, and, second, once the problem is understood, then there must be a clear conception of the solution. If people don’t recognize the problem, they’re not going to take the medicine. And if you don’t come up with the right medicine, they’re not going to make it anyway. But they won’t take the medicine, unless they first understand the problem.

So tonight, there are three things which I want to summarize, because they have to be presented as, perhaps, Martin would have wished we do it: to present these in a conceptual form, not just detail by detail, but a conceptual picture of what the problem is, and what we have to do about it.

The first thing I’ll do, is address this insanity which has gripped the nation in the recent weeks: the insanity of the so-called “budget crisis,” a crisis which should never have





*Dr. Martin Luther King, Jr. (left) with Attorney General Robert Kennedy, during the March on Washington in 1963. "The civil rights movement under Martin," says LaRouche, "had a mission. It was not a mission of victims, but a mission of leadership, of those on the field of battle who seized the first rank of the fight and said, 'We're leading the way for all mankind toward freedom.' "*

occurred, for which there is no good reason. The attempt to balance a budget, by unbalanced minds.

Once we've dispensed with that, I want to turn to, concentrate, summarily, on the nature of this crisis, why the system is dying, to explain to those who are sitting by the bedside of the dying monetary system, what the system is sick of. And it's not just Gingrich, but there are other things also. And then, summarily, at the end, to indicate the nature of the way in which we should approach providing a solution.

### **'We committed no crime'**

But, before saying that, I want to say one thing about myself. I'm saying, tonight, as I do on other occasions, some things that are "very heavy," I believe the expression is. And, when I say things that are heavy, you have certain funny people around the United States and elsewhere, who say, "Pay no attention to him. He's been convicted of this or that," and so forth.

Well, in short, it's necessary to emphasize, that neither I nor any of my associates have anything of which to be ashamed. We committed no crime. The government records, the testimony of government witnesses, the testimony of government agents, clarifies that there was no crime committed by us, but was committed by a section of the government, on the initiative of Henry Kissinger, and with the complicity, largely, of George Bush, plus a bunch of crooks in the Justice Department, especially its Criminal Division, who have to be

cleaned out. And no one yet has the guts to do so. I would propose *that I do*.

But if there are any doubts of that, we have the printed literature which is circulating around the country, which people—which you can give to your friends. We have tape sessions from hearings which occurred here a few months ago, in Washington, which give an overview of what the problem is, what the problem is with that crew in the Justice Department, and so forth.

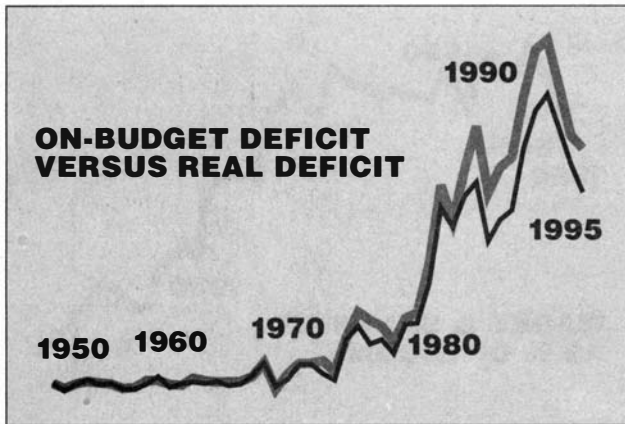
So, we have nothing of which to be ashamed. But, unfortunately, we have to make that point strongly to people, to get out of their heads this nonsense, that somehow what we have to say has to be disregarded, because somebody got convicted. It has nothing to do with anything.

We were convicted for only one reason: because in 1982, some people behind Henry Kissinger decided I was becoming too powerful in the world. And they said, "Get rid of him." And, as a result of that, in January 1983, a "national security" operation was set up to try to put us out of business.

After the President of the United States adopted a proposal which I had developed, called the Strategic Defense Initiative, this went into high gear, and a group, under national security cover, including the *Wall Street Journal*, the NBC-TV News, the *Reader's Digest*, all kinds of groups, the Anti-Defamation League, other groups, were called together to run a defamation campaign to set up to bring about my extermination.

And, when they couldn't accomplish that by other means,

FIGURE 1



they made an artificial—an illegal bankruptcy, and they used the illegal bankruptcy, as they said themselves, as the pretext to try to put us out of business. We're not out of business. We're here. The evidence is that the government lied all the way through it. It's important to say that, because people have to understand.

They'll say, "Well, why did they prosecute you? Are you black, or something?" This is very frequently said. "Why did they do this to you? You're not an African-American." Well, I guess I'll have to become one, to make things—and eliminate that little misunderstanding.

But, it's because we were important, and because the people *feared* the truth of what we have to say.

### The truth behind the budget crisis

Now, let's get on with it. Let's get to this question of this budget crisis. Let's have the first slide [Figure 1].

Now, what is the budget crisis? Until 1976, the United States in the postwar period *had no chronic budget deficit*. 1950, it picks up here, into 1976: *No chronic budgetary deficit*. None. *Until Carter became President, we didn't have a chronic budgetary deficit*. Carter became President—we'll get to this again—the budgetary deficit zoomed [Figure 2].

By the time that Reagan came into office, there was about a \$50 billion-a-year budget deficit. By the time that Reagan, the first Reagan term, with the Kemp-Roth legislation, [was over], the budget deficit had *doubled*, as a result of the Kemp-Roth efforts to balance the budget.

By the second term of Reagan, Gramm-Rudman occurred; and then, the budget deficit zoomed. *Phil Gramm doubled the national debt*, in his effort to balance the budget. That's a case of an unbalanced mind trying to balance a budget.

Then, this kept going, getting worse and worse under the President in charge of vice, George Bush, when he became

FIGURE 2

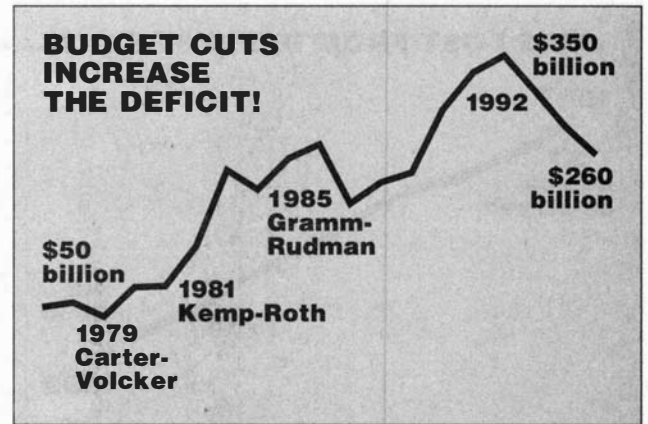
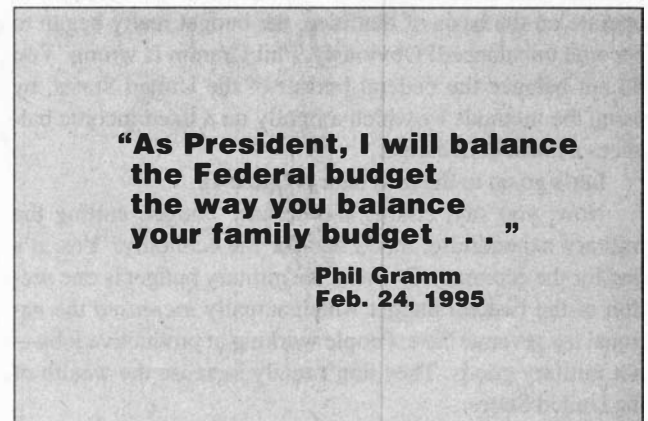


FIGURE 3

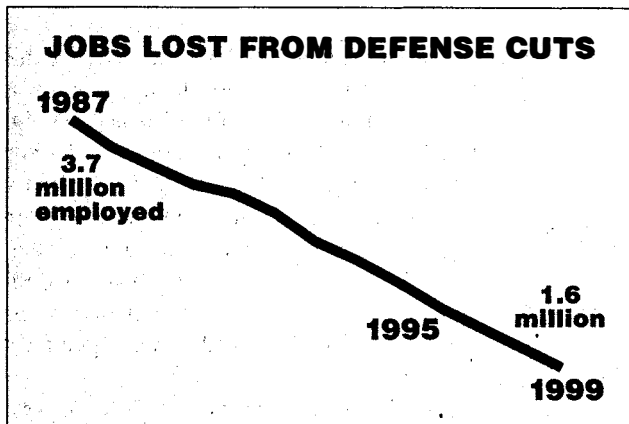


full President and vice took over completely. And then, the budget deficit zoomed again.

The budget almost died, as a result of the attempt to balance it by the Republicans, and Carter before them. Then, when Clinton came in, the budget deficit subsided. And now, they say—the Republicans, who ran the budget deficit up, with the help of Jimmy Carter and Paul Volcker—now say that Clinton is bad, and you've got to get rid of Clinton to balance the budget. I would say they want to get rid of Clinton to *unbalance* the budget, and go back to what they were doing before.

Let's go on to the next case [Figure 3]. Now, this is what Phil Gramm said. And here's where the problem is. Phil Gramm has said, Milton Friedman has said, that you have to look at the Federal budget of the United States government as like a household budget of a family living on a fixed income. Therefore, you have to cut your expenses to fit your income.

FIGURE 4



Now, as you just saw, every time they tried to do that—and that idea came in about 1976—and when they began to operate on the basis of that idea, the budget really began to become unbalanced! Obviously, Phil Gramm is wrong. You do not balance the Federal budget of the United States, by using the methods by which a family on a fixed income balances a household budget.

Let's go on to the next case [Figure 4].

Now, you say, cutting the defense budget, cutting the military expenditure, that's bad for the economy? Yes, it's bad for the economy. Because the military budget is one section of the Federal budget which actually *increased* the national tax revenue base. People working at productive jobs—not military goods. They don't really increase the wealth of the United States.

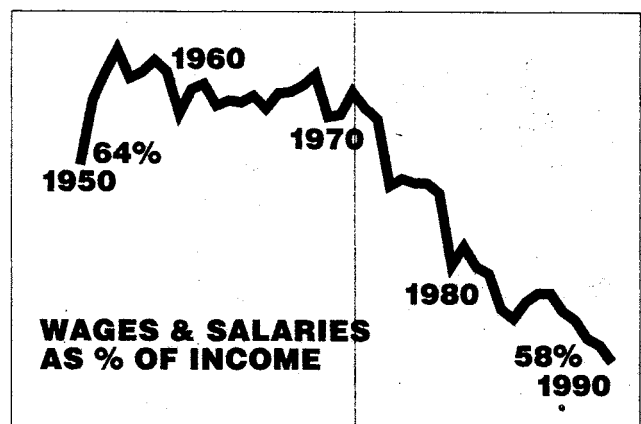
But the *industries* which are sustained, and the technologies which are promoted through the military and aerospace sector, are one of the main sources of *increase of the tax revenue base*. That is, people being more productive, producing more physical wealth, using better technology, better machine tools; this increases the national budget.

For example, during the 1960s, for every penny that the United States spent on the aerospace program, development program, the U.S. economy was returned an estimated 14¢ in income, of which the tax revenue base was *greater* than what was spent on space.

When you spend on necessary infrastructure, that is, transportation, power, things of that sort; freshwater, clean water; when you spend for that, when you spend for technology, *the increase in revenue* which is generated through the economy will be *greater* than what the government expends to create those jobs.

So, therefore, the major function of the national budget of the modern nation-state, from the time of Louis XI in France in 1461, has been for the national government to *promote the*

FIGURE 5



*increase of the wealth of the population.* And it's been found, that wherever governments do that in a prudent fashion, the increase in the revenue of government, as well as the people, is *greater* than the expenditure which government must make to bring that about.

In other words, the function of government is to do things for the economy, which the economy otherwise cannot do for itself.

Let's go on to the next one [Figure 5].

Now, what you see here, which has happened to us over the period since 1966-70, is that the U.S. economy has been *collapsing*, in terms of jobs. The problem that Martin Luther King saw before he died, in terms of the economic condition of the American people, was of a completely different kind than we face today. Then, there were jobs. Then, the problem was: to get the jobs to the people. Now, the jobs don't exist. Not productive jobs. The factory jobs which used to be the transition belt from coming out of the South on the farms, into industrial life—they don't exist. The cities and the communities which used to be the bedrooms of industrial employees, they are now the slums, the drug-infested slums of the country. That's what's happened to our economy.

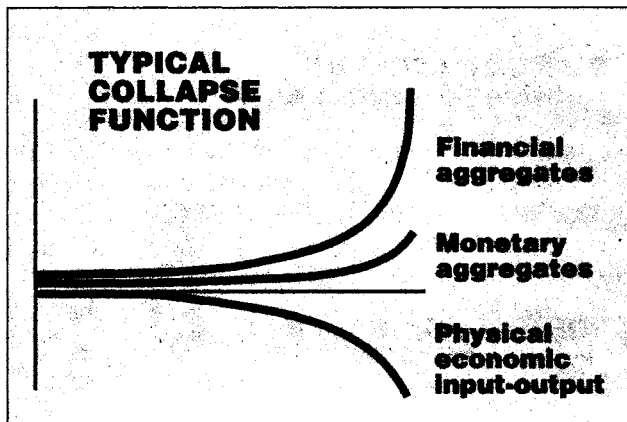
So, what we have to do, is to get rid of the insanity. On top of it, remember: The seven-year balanced budget idea, is a complete piece of lunacy.

Consider the following facts. If the Republicans were going to the White House to say, "We want to try to balance or come in to an agreement on a relatively balanced budget for the fiscal year 1996," the Republicans could have had that agreement with the President at almost any point. No problem. So the issue today is not a "balanced budget."

There are two pieces of insanity which have been added to the whole discussion, which are the reason why the government is shut down, or has been shut down.

Number one: They're talking about economic forecasts.

FIGURE 6



That is, what will the national income and taxes be each of the following years, for the next seven years? Now, those figures that they're using don't mean a thing, for reasons that'll become clear to you. No forecast figure beyond 1996 means a thing. And for anybody to fight about such figures, or to try to base a budgetary plan on such figures, is complete lunacy. The income of the United States may be *half* of what they say it's going to be, on the basis of what could happen this year, in 1997-98.

Secondly, the issue of the budget is not the question of balancing the budget. The issue of the budget is the fact that the so-called "Red Guard," as a German newspaper described Gingrich's crowd, the Red Guard in the House of Representatives, the so-called freshmen or whatever they are; four-legged whatever-they-are; that these fellows are determined to, first of all, shut down entitlements by beginning to chop them into nothing. Secondly, they are determined to deliver a tax-cut benefit to the people in this country who need it the least: the idle parasites who speculate on financial gain on Wall Street, and people like that, by cutting the capital gains tax rate, which is what started the whole thing years ago.

So, the whole thing is lunacy. There is no reason for it. The problem is, that Americans have been brainwashed for, now, about 25 years, in Milton Friedman's famous, deathless words, "You have to balance the Federal government's budget the way a family on a fixed income balances the household budget." And because people who don't *think* about it, but who keep hearing those words, say, "Well, we have to balance the Federal budget the way a household would balance its household budget." And they just repeat that, until their eyes turn glassy, and they keep repeating it: "We need a balanced budget amendment." What we need in this country, is a balanced mind amendment!

Let's go on to the next one [Figure 6].

Now, here's what the real problem is. I said we're coming

to the end of a system, the end of a monetary and financial system. Here's the problem.

Now, this is not exactly a statistical picture. But it's a picture of the *concept* of what we're looking at. Imagine this is the year 1966. Until 1966, this country looked like it was going to survive. We had the benefit of the Kennedy tax investment program, the Kennedy space program; and, it looked like this country was going to go on the way it had, as a country which invested in education, in science and technology, in energy, energy supplies, in infrastructure, and so forth, all to improve the productive powers of labor, so that what government did from year to year, was to foster the growth of the economy, both in absolute numbers, and in per-capita level of income.

But instead, what has happened in the past 30 years, especially the past 25, is *the physical income of the American people, and their productivity, have both declined continuously*. And we'll get into some of the figures.

Next curve: But while the physical income and physical productivity per capita have been declining, the amount of money put into circulation has been increasing. Now, how does money come into circulation under our system?

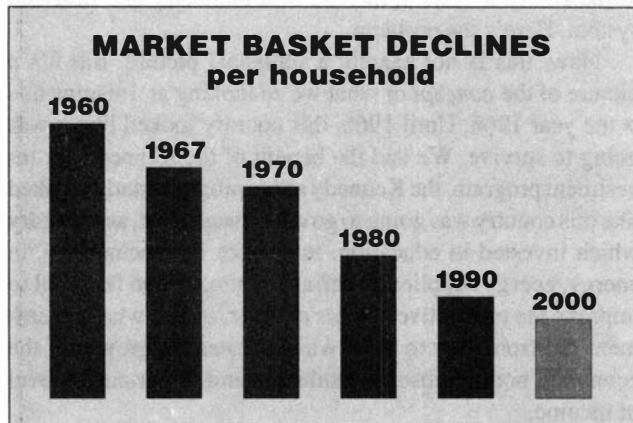
It is not issued by the government. As a matter of fact, the national debt is not caused by the Federal government deficit. In point of fact, the Federal government deficit is caused by the national debt. People say we go into debt as a nation because of a deficit in the Federal government. That is not true. We run a deficit, or have, largely because of the increase in the national debt.

How is debt created? The Federal Reserve System, a private bank chartered by the Federal government, through its discount function, issues money. It prints money, against the money it issues, to put in circulation. Credit from discount. It puts in circulation. The way it creates the money to put into circulation, is it puts the Federal government into debt. So you have collusion between people in the government and the Federal Reserve, to generate an increase in the Federal debt, in order to generate money, to put it into circulation.

Up until 1966, under the old system, the pre-'66 system, the amount of money put into circulation was generally correlated with investment in production, or with trade. After 1966, we stopped. We drifted away from that. And we began to invest in speculation, international speculation, rather than production and trade. So therefore, money was no longer—the amount of money in circulation was no longer regulated by the amount of production in trade, but began to be regulated, also, by a growth of pure parasitical speculation.

The third problem is that finance curve, which is quite distinct from either the physical production curve or the money curve. In finance, you have absolute speculation; and we'll get into just a bit of that. The difference between the money growth and physical output, is the creation of debt, the primary debt, including Federal government debt.

FIGURE 7



The increase of financial holdings and obligations, relative to money in circulation, creates an additional financial debt. So you have a ratio of financial obligations against junk bonds, derivatives, real estate speculation, and so forth, as compared to a growth, inflationary growth, of primary debt such as Federal Reserve debt, and so forth.

What has happened, is that, in this case, you have to pay for the money debt, the Federal Reserve and related private debt, out of real income, physical income. Physical income is dropping, money and debt are growing.

On top of that, you have financial obligations. These have to be paid for with money. That is, a financial obligation is a *demand to pay in money*, to settle in money. Therefore, it is a charge against the money in circulation. When this ratio [pointing to the financial curve] becomes very large relative to this ratio [pointing to the monetary curve], and this becomes large relative to this [pointing to physical output], then *you are in a hyperbolic condition in which the economy is doomed*. There's nothing you can do to save a system, once these curves begin to get in this ratio. We'll come back to this again, but look at some of the other figures.

We see the collapse of real per-capita consumption is reflected in just these bars [Figure 7]. That over the past 30 years, especially the past 25 years, the per-capita, per-household income of the American people, in physical terms, has been collapsing. A lot of that has been buried, the collapse has been buried for a time, in the collapse of basic economic infrastructure.

Just go around to any of these cities. Take pictures of Baltimore, for example, or pictures of these so-called ghetto areas of Washington, D.C. Take them from the 1950s, the 1960s, then look at them from the 1970s, the 1980s, and today. Just look at these same areas: These areas have deteriorated. They've gone from liveable neighborhoods, although the neighborhoods of the relatively poor, to junk. To hellholes. And that's part of the picture.

FIGURE 8

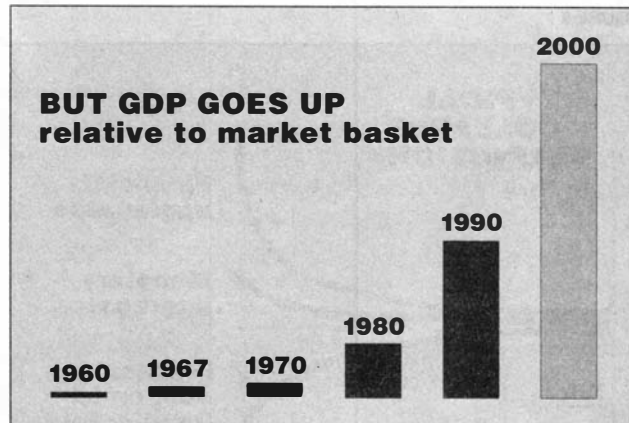
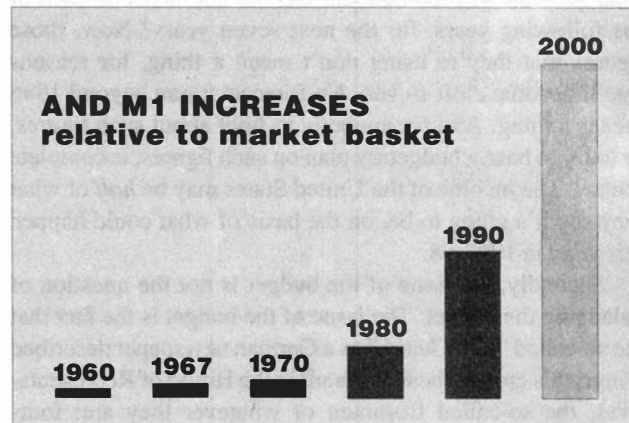


FIGURE 9



Now, despite the fact that the real physical income per capita of the people of the United States and around the world has been collapsing, the way they calculate the Gross Domestic Product, in value-added terms, shows the income as increasing [Figure 8]. So you're told constantly, that the income—that people are better off than ever each year. That's not true. They're shown, in accounting terms, to be better, but the accounting terms are fraudulent. Because they do not correlate with what we just considered, the actual physical content of the market basket.

Now, the other thing here, is the turnover [Figure 9]. You see, again, this is reflected. That M1 is the primary money in circulation, U.S. currency in circulation. The amount of so-called accounting value of sold product, of GDP, has been increasing rapidly, relative to money.

More significant is the financial turnover [Figure 10]. Right? Relative to the market basket.

For example: We can estimate that, probably today, at



FIGURE 10

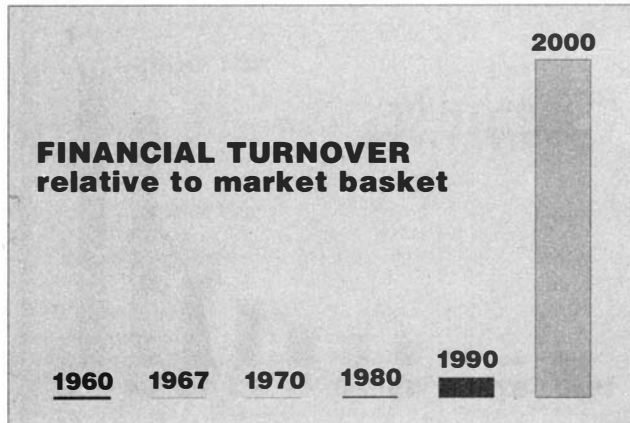
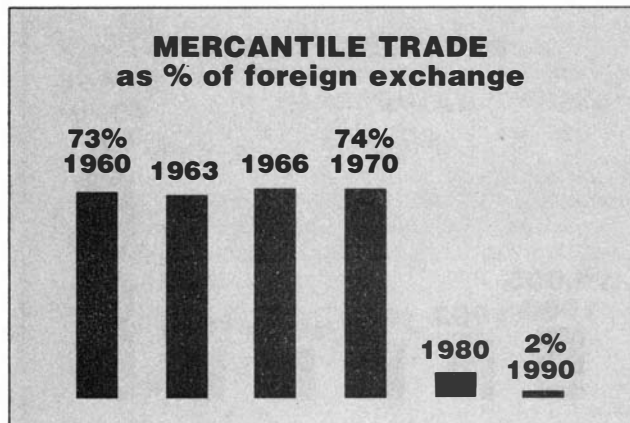


FIGURE 11

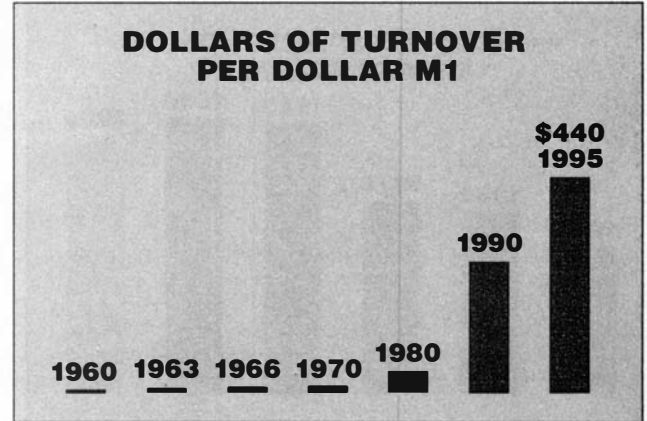


least, including off-balance-sheet figures, there's about \$3 trillion a day turnover in financial speculation, financial turnover in markets. *Three trillion dollars a day*, or more. Because a lot of this is off-balance-sheet accounts, and we don't have control over it. But it's fairly safely estimated. *Three trillion dollars!*

Do you realize we're headed toward a *quadrillion dollar a year* international financial turnover? Scores of times greater than the total product, estimated product of the planet? Do you realize that that turnover corresponds to tens of trillions of dollars of debt? Financial obligations? Financial obligations which can never be paid? That the financial obligations are against a growing monetary debt, which, under present conditions of collapse of the physical economy, collapse in the number of jobs, collapse in budgets, *can never be paid*. It's the end of a system.

Now, the same here [Figure 11]: Go back into pre-'66, essentially. In the old days, of the total U.S. foreign exchange

FIGURE 12



turnover, that is, U.S. dollars and other currencies, about 75% of that, 70-75%, of the total financial turnover, was accounted for in terms of merchandise trade, that is, imports and exports. Right? 1970. 1980. Today, 1990.

When Bush left office, it was down to probably less than 2%. Today, it's probably about one-half of 1%. So, of the dollar turnover, the foreign exchange turnover in the U.S., it's about one-half of 1%. In Britain, it's much worse.

In England, for example, the other day, the prime minister, who's a Major catastrophe, was answering some questions in the Parliament. You know, they have that funny zoo over there they call the Parliament. And, he said, "Well, these people who have criticized my government's policy, in effect, are wrong." He said specifically, "All over the world, everybody knows our economy is a success, except in this country." It's a disaster.

This is even more significant [Figure 12]. Because the ratio, you have the ratio of money turnover, with respect to goods. You have it in foreign trade, imports and exports. You have it in domestic production. Now you have the ratio of financial turnover to money, money turnover. Look at this: same thing. Hyperbolic.

So you see the significance of what I was showing before. First of all, the income is down—

The GDP is calculated up, but that doesn't correspond to reality [Figure 13].

We see what happened under George Bush's reign [Figure 14]. When Carter began to ruin the economy, particularly with the Volcker measures, in here, with the Volcker effect, that money ran out of investment in job creation and production, and ran into speculation. High interest rates.

You cannot afford to borrow money to do business, when the cost of borrowing is greater than the rate of profit on any reasonable expectation. You can't. So people began to speculate.

For example, the savings and loan system was put into

FIGURE 13

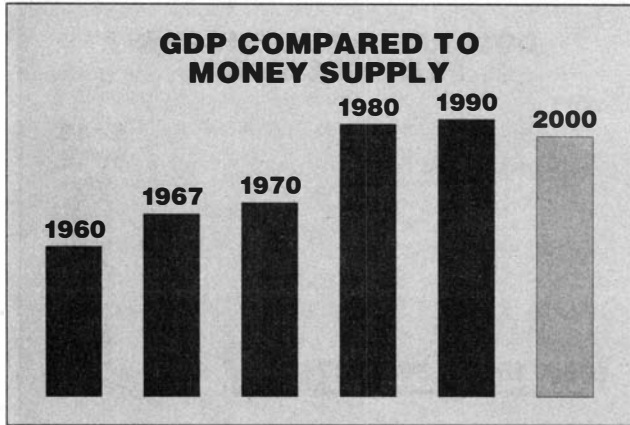


FIGURE 15

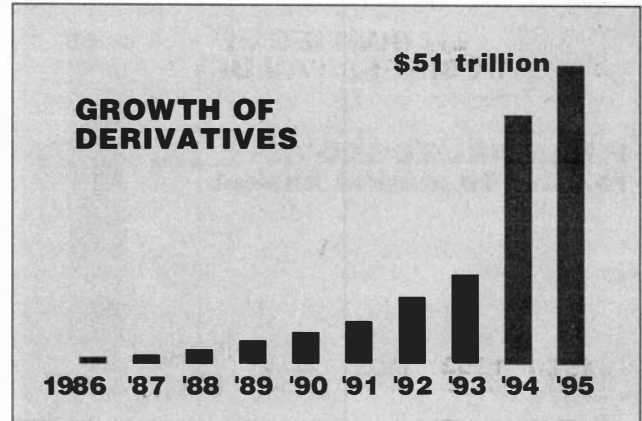


FIGURE 14

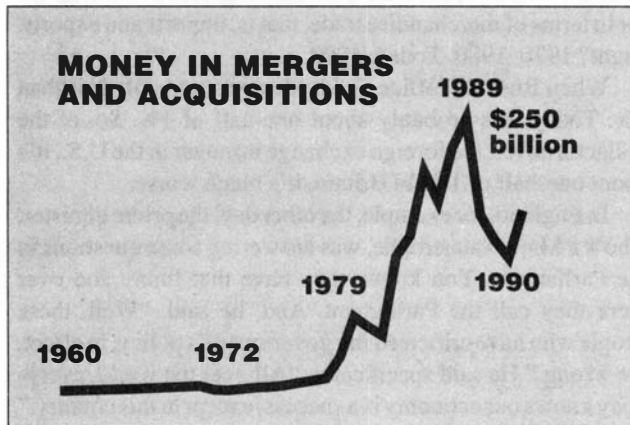
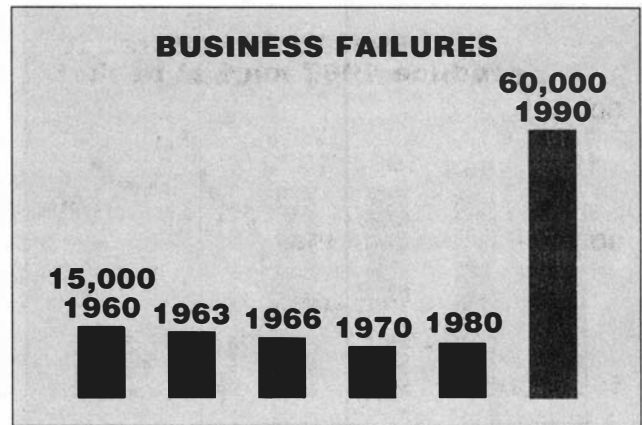


FIGURE 16



bankruptcy, virtually, by Paul Volcker's measures under Carter, as continued in the first years of the Reagan administration. Because in order to cover their debt, savings and loan banks, and other banks, would have to go into the market and borrow on short term, at a higher cost than the loans they had issued, the income on the loans they had issued. As a result, they went bankrupt.

You cannot borrow at 11 and 12% on short term, to carry loans you have outstanding, for which you'll get 4% interest, or 6% interest. And that's what happened to them: They were bankrupted. Right?

In the same period, in the '80s, you had a first period, up until 1987, from '82, approximately, to '87, in which George Bush's friends (he was then vice president in charge of vice, or something), would invest in junk bonds, in junk bond acquisitions and takeovers. In 1987, with the '87 crash, the junk bond speculation of Bush and company came to an end. And then came the growth of derivatives [Figure 15]. And today,

derivatives and related speculation is the form in which it takes.

So now, as a result of that, you see—what? Business failures [Figure 16].

The liabilities of business failures [Figure 17]. That is, how much—what is the loss of money to the economy, in nominal value, with each average business failure? So the liabilities of business failures, number and total quantity of losses to the economy, are up.

The same thing is true in terms of productivity [Figure 18]. Look at productivity. Now, what these figures are, as you'll see quickly in a series of charts here, is in order to compare the standard of living and the productivity of the labor force—the 1960s, then the 1970s, 1980s—what you have to do, is compare the amount of work the labor force would have to do, to maintain the standard of living it had, say, in the 1960s. And here's what this is. Textiles. The percent of the workforce presently employed we would require to meet



FIGURE 17

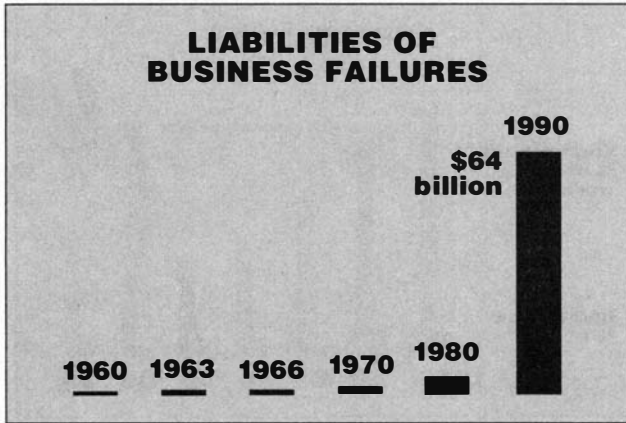


FIGURE 19

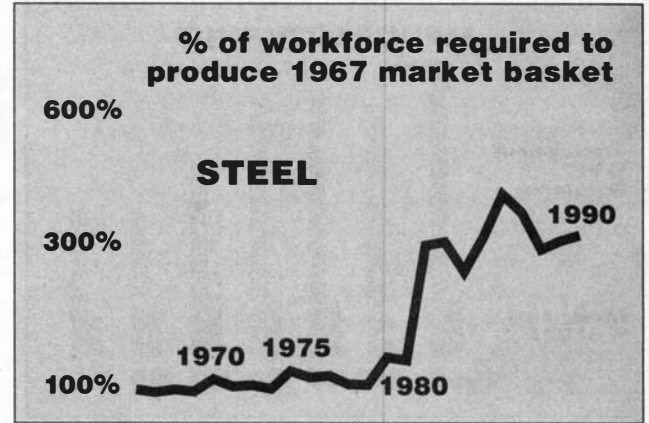


FIGURE 18

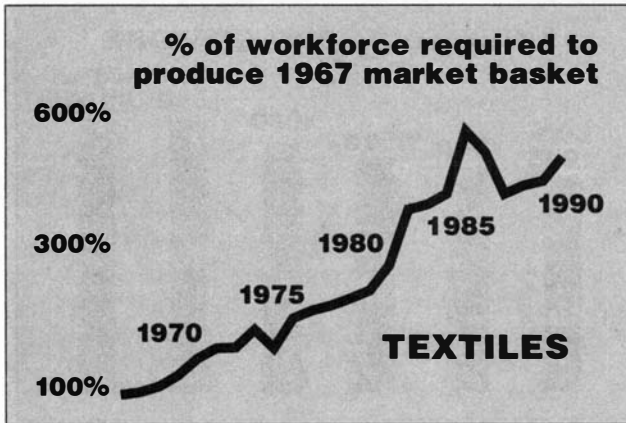
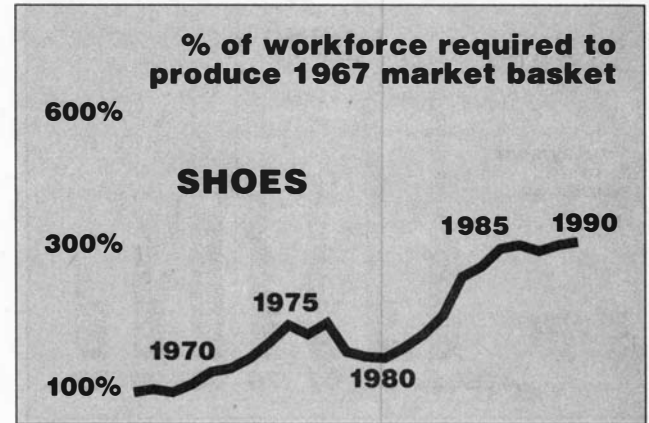


FIGURE 20



the 1967 standard of physical consumption of households. Look at it!

Steel: same kind of pattern [Figure 19].

Shoes, footwear [Figure 20]. You can't get shoes in the United States any more. They come from China. American workers who are producing shoes, are competing with 20¢-an-hour Chinese coolie labor. And even in China, that's not enough to keep a person alive.

Machinery's flat [Figure 21].

Now, the same thing [Figure 22]. The employment of the labor force, against the investment in manufacturing as a percentage.

Same pattern in mining [Figure 23].

Same in transportation: stagnant and dying [Figure 24].

Agriculture [Figure 25]. See, we're getting continued production, but the investment is collapsing.

You find that—and everyone knows this—in order to maintain the same income standard you had in 1967, you have

FIGURE 21

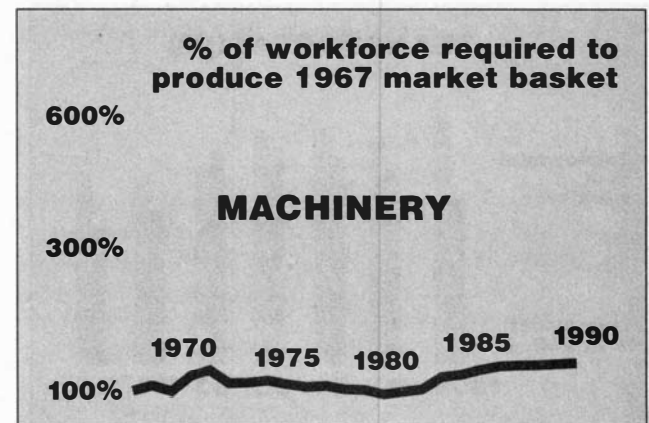


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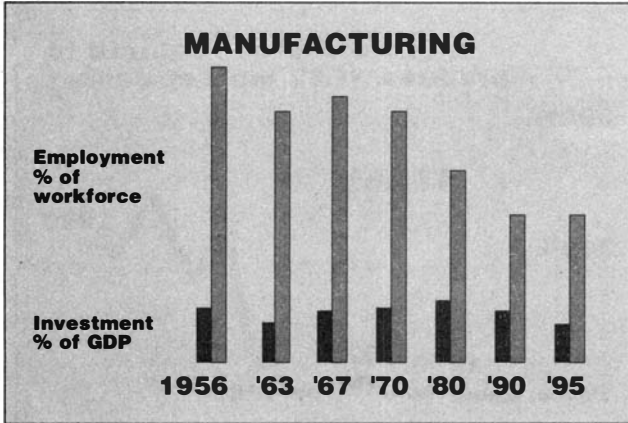


FIGURE 25

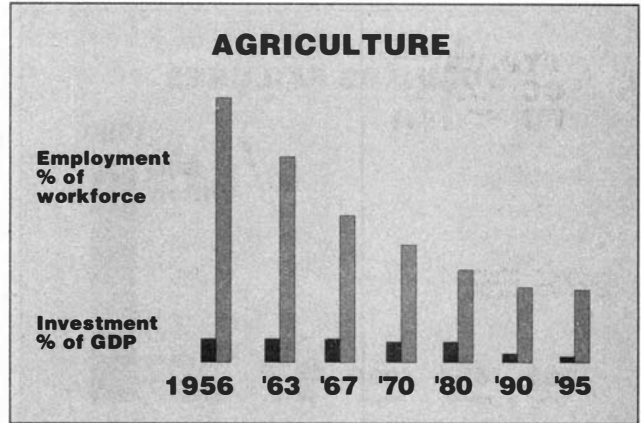


FIGURE 23

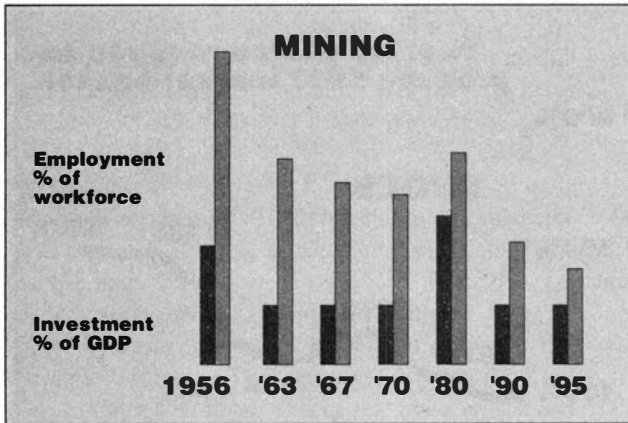


FIGURE 26

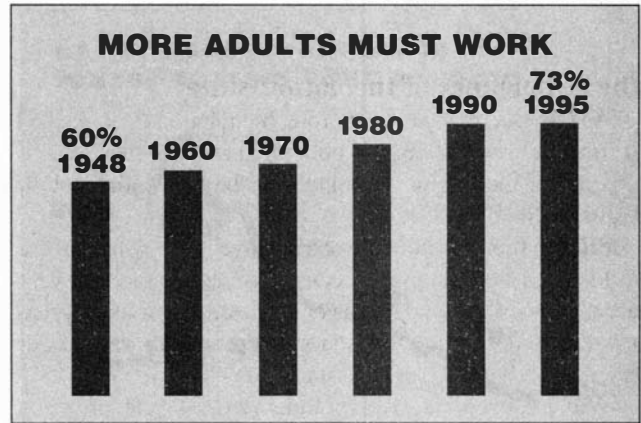
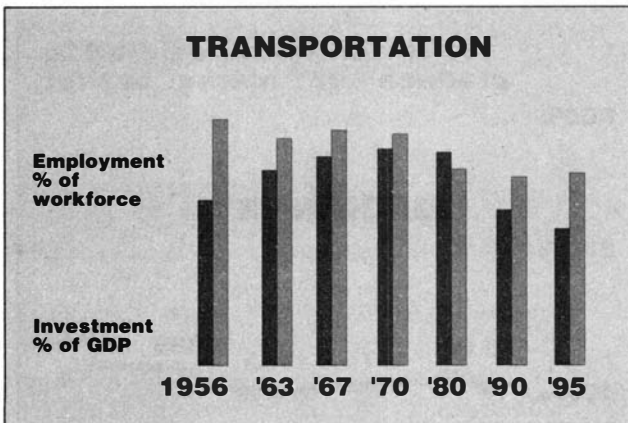


FIGURE 24



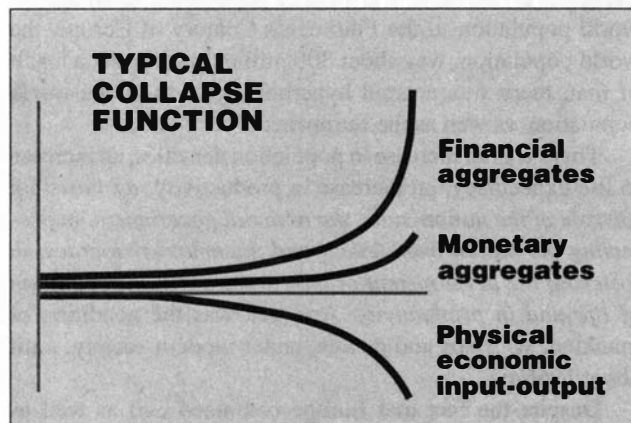
to have two, or two and a half people working in a household, where one worked before [Figure 26]. I don't know what they do with the half, but that's the way it works.

All right, now we're back to this [Figure 27]. So therefore, what you're seeing is a collapse of physical production and consumption per capita, per household, and per square kilometer, over the past quarter-century. Actually the past 30 years, but the past quarter-century.

We're seeing a growth in money, as money becomes decoupled from production and goes more into financial areas, as a support for financial speculation, than it does for production. Therefore, money grows, and that's the reason for the growth of the national debt. And this growth of the national debt then, in turn, causes through chain reaction, a growth in the Federal deficit.

At the same time, money goes into speculation, as opposed to production, or infrastructure. As a result, you have a zooming of financial obligations based on pyramided specula-

FIGURE 27



tion, of which derivatives is the worst expression. And then the whole system is about to collapse.

Now, we're talking about the end of a system.

### The importance of the nation-state

As I've said many times before, but it has not yet reached all Americans and American policymakers yet: A revolution occurred in Europe, in the middle of the Fifteenth Century [Figure 28].

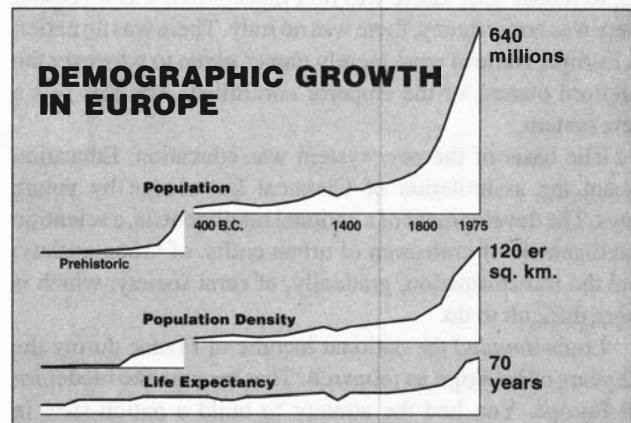
Prior to this revolution, every culture in every part of the world, was a moral failure. Because, in every culture, in every part of the world, the condition of 95% or more of the population of the world, of these parts of the world, was that of slavery, serfdom, or worse, as under the Aztecs in Mexico.

With the beginning of the modern nation-state, of which the first example was France under Louis XI, between 1461 and 1483, a new form of society came into being. The new form of society did not *begin* then, it began earlier. It occurred over hundreds of years, under the influence of Christianity earlier.

The purpose of providing boys who were orphans, or from poor families, with a Classical education, thus beginning to produce from among the 95%, the poor, the oppressed; producing people who were no longer Yahoos, people who could walk on their hind legs. People who had education, Classical education, who had knowledge; who could apply knowledge and use it in the course of life.

And, out of the people who acquired this education, there came an intelligentsia, people who were thinkers, leading thinkers, who were drawn largely from the ranks of the poor families, from orphans and poor boys. This was the kind of movement that was fostered by Dante Alighieri; and Dante insisted upon the replacement of Latin as the language of affairs of European nations, and the creation of a new kind of State, which was based on a literate form of the popular language, and people being educated in the literate form of

FIGURE 28



the popular language, to create, in place of Yahoos, a national intelligentsia drawn largely from the ranks of the poor.

So the time came that we had a Renaissance in Europe, in the middle of the century, as typified by the Council of Florence, in particularly the sessions of 1439-40 at Florence. This established the conception of a new kind of nation-state, a new kind of society.

And, in response to that, and partly directly as a result of the people who had organized the Renaissance at Florence, the young Dauphin in France, later Louis XI, was educated, trained, and backed to create a new form of nation-state, which he put into motion the minute he became king.

He subordinated the landed aristocracy, and also the financial aristocracy of France and Europe, and took France, which had not been a nation up until that time. France did not exist as a nation, prior to Louis XI. Never did! It became a nation under him. He subordinated the potentates to—what? To the nation of France. What was the nation of France? Well, it was all its people. Did all the people participate, democratically, in this process? Not exactly.

No, but the *national intelligentsia*, the intellectuals of the cities, the scientists, the educated people, became the force upon which Louis relied to subordinate the nobility, both the landed aristocracy and the financial aristocracy.

And this group, the intelligentsia, the natural leaders, the Martin Luther Kings, if you please, of the people, became the force upon which the government relied to curb and check the power of the landed aristocracy and of the financial aristocracy.

And those representatives of the people, in the name of the people, with the authority of the head of State, constituted a nation. Prior to that time, there were no nations. Nations were simply extensions of feudal land ownership, or of financial interest. And the landowner, who was an aristocrat, was beholden to an overlord. And the overlord was beholden to an emperor, who had all power.

There were no nations. Nations were chopped up according to feudal title. There was no France, there was no Spain, there was no Germany, there was no Italy. There was no nation in Europe. Nations were merely names given to whatever the landlord owned, or the emperor controlled. And this was a new system.

The basis of the new system was education. Education meant the assimilation of Classical knowledge by young boys. The development of a national intelligentsia, a scientific intelligentsia of craftsmen of urban crafts, of urban society; and the transformation, gradually, of rural society, which is more difficult to do.

Louis *doubled* the national income of France during the 22 years of his reign as monarch. That became the model for all Europe. You had the attempt to build a nation-state in Spain, the attempt to build a nation-state in England, and so forth, as a result of this success in France.

But the principle is: education, scientific education, the assimilation of Classical knowledge. The creation of a national intelligentsia, drawn from the ranks of all of the people, and the subordination of every interest to the common national interest under the leadership of such an intelligentsia.

Under this policy of spreading education toward universal education, universal Classical education, and the fostering of

scientific and technological and cultural progress, we had, in European civilization, a growth of population, such that the world population in the Fourteenth Century of Europe, the world population, was about 300 million people. As a result of that, there was a rapid hyperbolic growth of the *world* population, as well as the European.

There was an increase in population densities, an increase in life expectancy, an increase in productivity, *all based on the role of the nation-state, the national government, in protecting the nation from feudal and financial aristocracy, in fostering the development of improvements in the condition of life and in productivity.* And that was the condition of mankind, with ups and downs, under modern society, until about 1966-67.

Despite the fact that Europe contained evil as well as good, that is, the old financial aristocracy maintained power (today it's called the British Empire, and what that represents), European society in itself was constitutionally good, even though it was still dominated by evil forces left over from the past. And thus, the world as a whole benefitted from European civilization.

Remember, that every culture prior to Europe's Fifteenth Century, had represented the great oppression of over 95% of all people in every culture: slavery, serfdom, and even worse, were the common condition of 95% or more of all humanity. And European civilization *changed that, for the better.* Every part of this planet today has benefitted, up until '66, from that revolution, and the spread of it. The spread of colonialism and imperialism, of course, was the other. But all the conditions which are evil under European influence in the world today, were *worse* prior to the Fifteenth Century. There were attempts to do things in this direction, but they all failed.

### The mission of the United States

*This* is what we in the United States represent. When France was destroyed, from the inside and outside, as a leading force in Europe during the course of the Eighteenth and early Nineteenth Century, it fell to the United States and its constitutional form of existence, under our Federal Constitution, particularly that Preamble to our Constitution which is the noblest act of law in all human history, to be the leadership for an aching world which aspired to the benefits of what European civilization *should have made available* to all people on this planet.

We were, for a long time, the bearers of the hope of every oppressed section of this planet. In the postwar period, when the United States came into power, dominant power beyond question on this planet, we failed. Perhaps because Franklin Roosevelt died too soon, and his successors controlled Truman, and brought about a system under which we were actually the dumb giant carrying the British monster on our back around the world, and doing the bidding of the British monster.

So we have betrayed, in that sense, our great calling as a



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nation, to bring the benefits of European civilization, minus its evil, to this planet, or take the leadership in so doing.

As a result of our doing that, as our failing, we have now brought ourselves into the condition, under British influence, in which we ourselves are about to be destroyed. *We do not* have to be destroyed.

What we have to do, is realize, that what this country was founded upon, the heritage of the Renaissance, the heritage of all the things that led into the Renaissance, that that is a great heritage. And we have *but to abandon the errors we've made*, especially in the postwar period, since Roosevelt died, and to get about our business, and to realize that our destiny as a nation, because of the power which has been given into our hands, our destiny is to free mankind from this great evil and take the leadership in bringing the blessings of the American Revolution, and our constitutional system, and making them available, not only to every person *in* the United States, but to every part of this planet.

*Only if we can get out of the mud*, and capture that vision of what the United States was *intended* to be, to be the cynosure among nations of all the despairing and hopeful around the world. We are the embodiment of this tradition.

Therefore, we don't need to find some miraculous new solution. All we have to do, is to recognize what was good about us, what was good about European civilization, what we *should* have done, and begin to do it.

We can mobilize this nation, together with other nations, to create a new monetary and financial order on this planet. We can do what the Founding Fathers of this Federal Constitutional republic intended to do, as they tried to do under Washington and Hamilton. We can create a national banking system. We can reorganize the currency. We can put the bankrupt system of the Federal Reserve System into bankruptcy. We can issue credit to employ the unemployed, in things which have to be done, to restore our productivity. We can restore the system of education. We can work with other nations to build world trade. We have new technologies we can foster and develop. We can "fix it," so to speak.

We may have periods of difficulty in times ahead, in doing this, the kinds of difficulty we've gone through before, when we fight wars, where sacrifice was made, sacrifice even of lives as well as material to fight wars. We can sacrifice in the same sense, if necessary, to ensure that this nation and the people of the world get through this difficult time, and come out to better times.

There is no reason to worry about why to fix up this old, sick system that's dying. *Bury it*, and go on, and get about our business.

Okay. That's my point tonight. And I hope that I have done, in my way, what Martin Luther King would have done in his.

Thank you.

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## Another Dope, Inc. stooge falls in Colombia

by Andrea Olivieri

A Jan. 22 decision by the former campaign manager for Colombian President Ernesto Samper Pizano, to “come clean” and finger his boss as “deeply involved” in taking drug money, is probably the final nail in Samper’s political coffin. After spending nearly 18 months dodging mounting accusations of corruption, the cocaine cartels’ wholly-owned President has now run aground, and his resignation, or impeachment, is considered imminent.

Six months ago, on Aug. 18, *EIR* published a feature entitled “Dope Inc. Stooges Go Down in the Caribbean”—a reference to the series of George Bush-endorsed Presidents who had fallen to corruption and fraud charges, or who, like Mexico’s Carlos Salinas, barely made it out of the Presidency (and the country) ahead of the law. That article pointed to Colombia’s Samper as the next to go, noting in particular the Clinton administration’s firm decision to take down Colombia’s cocaine- and heroin-trafficking Cali Cartel.

Today, Samper is literally under siege. Figures from across the political spectrum are demanding his resignation. These include his own former ambassador to London, the Conservative Party’s Noemí Sanín; Liberal Party Presidential hopeful Juan Manuel Santos, part of the powerful Santos family which runs the influential daily *El Tiempo*; Conservative Party Sen. Enrique Gómez Hurtado, leader of an anti-Samper congressional bloc known as “The Decent Ones”; former Justice Minister Enrique Parejo González; and Samper’s former Presidential rival from the Conservative Party Andrés Pastrana. A number of these political figures are currently living abroad, out of fear for their lives.

Samper’s ambassadors to both the United States and to neighboring Venezuela, have reportedly resigned. Samper’s health minister, brother of the martyred Presidential candidate Luis Carlos Galán, resigned because “the credibility of the

government is gravely damaged.” All of the country’s top business federations have issued a statement describing the political and economic situation in the country as untenable, and urging Samper to “relinquish office.” The head of the National Federation of Armed Forces Reserves has called on the military to “take power, if necessary.” Even the long-loyal daily *El Espectador* editorially withdrew its support for Samper, while the opposition daily *La Prensa* headlined its coverage of Botero’s revelation, “It’s Over!”

### The revelations

Samper’s former campaign manager Fernando Botero, described in the corrupted U.S. news media as a “highly respected former cabinet member,” has in fact spent the past five months in a military prison on charges of “illicit enrichment,” related to the multimillion-dollar infusions from the Cali Cartel into Samper’s Presidential campaign. The son of Colombia’s most famous painter, and scion of one of the country’s most oligarchic families, Botero was, until recently, a close friend of Samper, and had been rewarded with the choice post of defense minister in Samper’s cabinet. His sudden decision to “get it off my chest” and reveal the truth, was reportedly linked to Samper’s failure—thanks to U.S. intervention—to ram through congressional legislation that would have decriminalized “illicit enrichment,” and also to the expiring deadline on leniency for those cooperating with the Prosecutor’s office.

In his jailhouse interview with the media, Botero posed the question, “‘Did President Samper know of the narco-financing of his campaign?’ With sadness, because President Samper is my friend, I have to answer categorically that, yes, he knew. And not just that, I must also say President Samper is deeply involved in those actions.” Botero, who makes the

incredible claim that he personally knew nothing about the infiltration of drug money into the campaign until its final days, has also identified Samper's powerful Interior Minister Horacio Serpa Uribe as the man who personally distributed the Cali Cartel's millions to various campaign offices around the country. Serpa Uribe was a co-president of the 1991 Constituent Assembly, which was massively bribed by the Cali Cartel, and voted up a constitutional ban on extradition. He is a longtime intimate of President Samper.

Botero, who has sent his youngest children out of Colombia for fear of retaliation, is now engaged in a two-week-long process of giving documented testimony to the Prosecutor's office. That testimony, unless Samper has resigned first, is likely to lead to a Supreme Court recommendation for impeachment.

Samper's initial response was to go on national television and radio to label Botero "a liar out to save his own skin," and to insist that he will remain in the Presidency until he can walk out with his "head high, or dead." A follow-up address to the nation Jan. 24 repeated the line that "resignation is for cowards," but acknowledged the crisis in the country, and suggested a national referendum and/or congressional debate on his continued rule. Both proposals have been denounced as too easily rigged. Said the director of the ruling Liberal Party Luis Guillermo Giraldo, "I think the President should resign or step down temporarily. Who would believe a referendum in the face of judicial evidence?"

Samper's call for reopening the "investigation" by the tainted Congressional "Accusations Committee," which only a month ago ruled "a lack of evidence" to proceed with an investigation of Samper, was met with equal contempt.

Despite a heavy military contingent stationed around the Presidential palace and throughout Bogotá to "keep order," students have already massed in the streets of the capital, demanding Samper's resignation. The top military command has declared that it will remain "impartial," but there are unconfirmed reports that the Clinton administration will revoke the entrance visas of several senior officers in the Colombian military, including the commander of the joint chiefs of staff Gen. Hernando Camilo Zuñiga, and his deputy Gen. Jesús Vergara. According to the *Washington Post*, they had been named by former Cali Cartel paymaster Guillermo Pallomari, today a protected witness in the United States, as being on the Cartel payroll. According to U.S. Ambassador Myles Frechette, "a great number" of other Colombian visas were in similar danger of being revoked, but further decisions on that are still pending.

## Behind Samper

Samper was groomed for his role as the cartel's towel-boy by former President Alfonso López Michelsen (1974-78), who picked up Ernestito as a 25-year-old economist and brought him into the inner circle of "The Godfather," as López came to be known. Samper learned fast, and in 1979, told an

interviewer: "Morality, like criminality, is not an absolute category, as if set for all time. Criminal behavior is a political determination born of the State, which establishes that determination based on an interpretation of a *historical ethos*, that is, on popular ethical sentiments. That which was a crime yesterday, today is no longer, because of the golden rule of the nature of the function of the State."

Dope, Inc.'s capture of the Colombian Presidency through Samper was made possible through a pact struck with the Cali Cartel by Samper's predecessor (1990-94) César Gaviria Trujillo. Gaviria, whose only other claim to fame is a collection of Beatles records said to be the largest in Colombia, climbed into the Colombian Presidency over the corpse of Luis Carlos Galán, the anti-drug front-runner who was assassinated by the mafia in August 1989. With the full backing of the Bush administration in Washington and of Dope, Inc.'s headquarters in the City of London, Gaviria delivered the Colombian economy over to the illegal drug trade, and launched the political "reforms" which eventually brought Samper and his cartel buddies fully into power. For a job well done, George Bush gave Gaviria the post of secretary-general of the Organization of American States. Samper will not be so lucky.

One analyst nervously described Samper's political demise as "opening up a Pandora's box." In reality, it offers the opportunity not only for a long-overdue purge of the narco-corruption and narco-terror which ravages Colombia, but makes possible a global assault on the Bush/British forces *behind* Dope, Inc. If the opportunity is lost, however, it will give those networks a chance to regroup and consolidate their hold. It is no accident that British-Mont Pelerin Society mouthpieces everywhere have begun a renewed drive for drug legalization, claiming that this is the only way to stop corruption and violence.

The U.S. State Department has been extremely cautious in its comments on the latest escalation in Colombia's "narcogate," preferring to await the results of Prosecutor General Alfonso Valdivieso's investigations before taking a public stand. However, the mid-January visit of CIA director John Deutch to Colombia immediately following the prison escape of Cali Cartel boss Santacruz Londoño, was described as "extremely tough," with the cabinet-level U.S. official refusing outright to meet with Colombia's General Zuñiga and reportedly "reading the riot act" to Samper. The latest announcement of the revoked U.S. visas was also a carefully timed diplomatic intervention designed to have an impact on the quickly growing scandal.

A Clinton administration move on March 1 to deny Colombia certification as a "fully cooperating partner" in the war on drugs, until and unless Samper and his allies throughout the various branches of government are purged, would go a long way toward breaking the Cali Cartel's stranglehold over that victimized nation, and would be a "shot heard 'round the world" in the war on drugs.



# Taiwan elections: Resistance mounts to British efforts to split China

by Leni Rubinstein and Michael Billington

The Dec. 2, 1995 elections for the Legislative Yuan, Taiwan's Congress, resulted in a vote of no confidence in the new directions taken by the ruling Kuomintang Party (KMT), which barely held on to a two-seat majority. President Lee Teng-hui, who has led the KMT since the 1987 death of Chiang Ching-kuo (the son of Chiang Kai-shek), has abandoned the historic commitment of that party, defined by its founder, Dr. Sun Yat-sen, and developed under a half-century of leadership by Chiang Kai-shek, to unify and develop the Chinese nation as a whole. The negative response of the electorate has posed a serious challenge to what many consider to be President Lee's betrayal of that tradition.

In March, the Republic of China (the government in Taiwan) will hold the first direct Presidential elections in its history, as well as elections to the 334-member National Assembly. The just-completed legislative elections, and the upcoming Presidential election, must be seen in the context of intense British geopolitical destabilization operations aimed at provoking chaos and war on the Chinese mainland in the near term, with the relations across the Formosa Strait a major potential point of conflict.

The winner in the legislative elections was the New Party, a party recently created by former leaders and members of the KMT, who have mobilized opposition to the direction taken by President Lee Teng-hui. The New Party, as well as a rapidly growing faction of collaborators who still remain within the KMT, are fighting to retain the tradition of Dr. Sun Yat-sen, against President Lee's transformation of the party and the country into a tool of the British financial oligarchy, and of the Conservative Revolution fanatics in the United States.

Two of the four vice chairmen of the KMT, Lin Yang-kang (a former president of the judicial yuan) and Hau Pei-tsun (the former prime minister and military chief of staff), have announced their candidacy for President and vice president against their own party's official candidates, President Lee and current Prime Minister Lien Chan, demonstrating the depth of opposition within the party. President Lee and his allies expelled both vice chairmen from the party in December, accusing them of supporting New Party candidates in the legislative elections. Last summer, the KMT used the same desperate measures when they expelled Dr. Sun An-di, a member of the central committee, because of his effort to revitalize the KMT in opposition to the policies of President Lee.

The New Party itself, participating in its first election,

increased its strength in the legislature from seven (the original founders who split away from the KMT), to 21 seats, a result that surprised all the pundits. They won every seat they contested in the three major cities, and spread their base outside of the cities. The anti-nuclear, anti-development opposition party, the Democratic Progressive Party (DPP), which has led a campaign to declare the independence of Taiwan from China, lost the seats of several of their leading incumbents, ending up with 54 seats, an increase of only four. This relatively poor showing by the DPP is a further blow to President Lee's leadership of the KMT, because he has increasingly aligned himself with the DPP on major issues, including the issue of the formal separation of Taiwan from the mainland, to the extent that the DPP generally supported him.

## 'One China'

The maintenance of peace across the Formosa Strait since the victory of the Communist Army in 1949, has depended on the mutual agreement between Beijing and Taipei that China must remain an undivided unity, despite the two contesting governments. Reunification was the goal of both sides, with "One China" their agreed policy.

Chiang Kai-shek had learned through bitter experience that the British design to keep China weak and divided included support for the Communist insurgency and for various warlords against the Chinese government. With President Franklin Roosevelt's death in 1945, U.S. resistance to British colonial policy generally collapsed. The Taiwan-based government of Chiang Kai-shek after the 1949 communist victory, however, refused to give up on the designs of Dr. Sun Yat-sen for the international development of China. The KMT was not only dedicated to reunification with the mainland under republican rule, but continued in the preparation of extensive and detailed plans for the industrial and infrastructural development of the entire mainland.

Beijing, for its part, only threatened military intervention across the strait in the case of a foreign invasion of Taiwan, or in the case of a declaration of independence by the Taiwanese government. Such a call for independence is precisely what is being proposed by the DPP, and Beijing (as well as many in Taiwan) believes that President Lee is leading the KMT in the same direction. In the months preceding the December elections, Beijing held a series of military exercises and weapons tests in areas near Taiwan, including a 10-day landing

exercise involving air, naval, and ground forces, clearly intended to be a warning to the Taiwanese politicians and electorate.

### **Some myths dispelled**

One irony in the unfolding confrontation, is that Beijing, which until the last few years always portrayed Chiang Kai-shek as the greatest monster of modern Chinese history, is now openly commending Chiang and his political descendants as patriots in the battle to preserve a united China. The Hongkong-based *Wen Wei Po*, a Beijing-run paper which often publishes commentary on issues which are too sensitive for publication in the mainland, wrote on Dec. 12 that the anti-Lee candidates, KMT officials Lin Yang-kang and Hau Pei-tsun, had denounced President Lee for “destroying the party and betraying the nation.” The report praised the two for “standing by the greater China concept of Sun Yat-sen and the two Chiangs” (meaning Chiang Kai-shek and his son Chiang Ching-kuo). Chiang’s youngest and last surviving son, Chiang Wei-kuo, has even been given friendly interviews in both Hongkong and mainland newspapers.

A second irony arises from the historical relationship between the KMT and the United States. Taiwan’s most vociferous support in the United States always came from the conservative, anti-communist forces, dating back to the old “China Lobby” and the World Anti-Communist League of the McCarthy era. Since the election of the Newt Gingrich-Phil Gramm “Conservative Revolution” majority in 1994, however, Chinese patriots in Taiwan have finally realized that that support is not meant for the benefit of China as a whole, but to support the British geopolitical goal of keeping China weak and divided. When the Republicans pressured the Clinton administration to invite President Lee Teng-hui to visit the United States last year, not only was this viewed as a provocation by Beijing, but it signalled the patriots in Taiwan that they had been deserted by their “old friends” in the United States, who not only supported President Lee’s betrayal of the historic KMT commitment to the unification and development of China, but they were in fact primary instigators of that policy shift, together with their allies in the British foreign office. President Clinton, on the other hand, has assured both Beijing and the Taiwan patriots that U.S. policy will remain that of “One China.”

### **The next ‘incarnation’ of the KMT**

Many of those who are determined to reverse President Lee’s dangerous course, have not yet left the KMT to join the New Party. Following the legislative elections, the New Party announced that their own Presidential candidate was withdrawing, and that the New Party would support the candidacy of Lin and Hau, who had not yet been expelled from the KMT. There is still hope that the KMT can be saved as a patriotic institution. In a statement released last summer, the youngest son of Chiang Kai-shek, Chiang Wei-kuo, reviewed the many stages of development of the KMT since the “first incarna-

tion,” when Sun Yat-sen formed his first revolutionary society in 1895. Chiang ridiculed President Lee for telling a Japanese journalist that his party was “only two years old,” as if the party had been founded only when Lee assumed power after the death of Chiang Ching-kuo. Chiang Wei-kuo suggests that the KMT had been hijacked, and would better be called “The Two-Year-Old Party,” while the New Party had in fact become the “sixth incarnation” of Sun Yat-sen’s KMT. He concludes: “Only when fifth and sixth incarnation orthodox loyalists in Taiwan unite can they then join with followers of Dr. Sun in mainland China to become the seventh incarnation, and build a new China which is democratic, unified, secure, and socially just. Only in this way can the Chinese nation have a true renaissance, becoming the pride of all Chinese people and serving to put at ease the souls of Dr. Sun, President Chiang, and all the revolutionary martyrs who have gone before us.”

The New Party has made a significant effort over the past two years to organize the overseas Chinese, especially in the United States. In August, for example, a delegation of 20 leaders of the New Party toured the United States, including three legislators, several city and county officials, and a conductor, who conducted local Chinese choruses in Chinese songs as an important part of the organizing process. Public meetings in San Francisco and Los Angeles drew several thousand each. The group then split up and fanned out across the country for a week of intensive organizing. The result was evident in the election itself. All Chinese are allowed to vote in Taiwan elections, but this year, for the first time, there was no absentee voting. As a result, it is estimated that several hundred thousand overseas Chinese returned to Taiwan for the December election, with 20,000 coming from the United States alone. Even larger numbers are expected in the March Presidential election.

The KMT under President Lee has gone far beyond expulsions and threats against the New Party and its supporters within the KMT. Reports of “dirty tricks” have included the following actions: phone taps and personal surveillance of military personnel suspected of New Party sympathy, including their families; accusations that some of these military officers were being bribed by the mainland’s People’s Liberation Army; break-ins of New Party offices and theft of membership lists; suggestions that New Party networks were smuggling explosives into the country from the mainland to disrupt the elections; and similar threatening charges.

### **The economic crisis**

Beyond the question of relations with the mainland, President Lee Teng-hui is steadily eroding the economic protective structure established under Chiang Kai-shek’s leadership, which helped bring about the “economic miracle” in Taiwan (Taiwan is now one of the dozen largest economies in the world, and has recently surpassed the United Kingdom as the second largest foreign purchaser of U.S. public debt, after Japan). The British-International Monetary Fund policy for

Taiwan is to transform it into a new dirty-money laundromat, along the lines of the British-created Hongkong and Singapore. In the middle of January, Margaret Thatcher visited Taiwan to promote such a policy and to advise Lee Teng-hui on election strategy. President Lee's prime minister and vice presidential running mate, Lien Chan, proudly told a conference in September honoring Samuel Huntington, the author of the notion of "fascism with a democratic face" and, more recently, the "clash of civilizations," that the three professors who influenced him the most were Friedrich von Hayek (the fascist mentor of today's "Conservative Revolution"), Leo Strauss, and Hans Morgenthau, at the University of Chicago. Under such direction, the Taiwan policy toward the mainland has been primarily the export of low-technology, cheap-labor manufacturing, rather than the needed agricultural and industrial infrastructure. The institute dedicated to planning the development of great projects on the mainland, has been entirely dismantled.

Meanwhile, the "financial AIDS" of the bankrupt Western financial system is beginning to infect the economy, as a result of the liberalization of the financial markets. Indeed, the current confrontation may well determine whether Taiwan will become another degenerate Hongkong and a spark for civil war, or become instead a force for the development of China and the broader Eurasian landmass.

## British Crown fosters Canadian separatism

by Raynald Rouleau

*The author is a correspondent for the newspaper Nouvelle Solidarité.*

Canada, as a nation, is suffering from what is known in psychiatry as a "multiple personality disorder." This has been carefully crafted into the social fabric of the nation, by the British Crown's social engineers, using the "divide and conquer" method. Canada also suffers from a very virulent social disease, the unshakeable belief that the British monarchy is only an insignificant relic from the past, which has no influence on world events, and particularly not on Canadian affairs. This axiomatic assumption has prevented Canadians from seeing who has been pulling their strings, and especially who is now pushing them down the path toward self-destruction.

After the "No" vote in the Oct. 30, 1995 referendum on whether or not Quebec should secede from Canada, Jacques Parizeau, the leader of the separatist Parti Québécois, crowned his destabilization efforts by giving an inflammatory speech, blaming the "ethnic vote" for the failure of his referendum. He announced his resignation as premier of Quebec the day after. The script of which Parizeau's words were a part, has its origin in the policy enunciated by Britain's Prince Philip, during his last official trip to Washington, D.C., on May 18, 1990. The Queen's consort boasted about his idea of dividing the Americas into a multitude of "bio-regions." In other words, regions based on bio-diversity, in which human beings are considered as just another species of animal, according to their ethnic and genetic background.

Another key player, Lucien Bouchard, started his federal government career in 1984, when he was appointed by the Queen's Privy Council to the board of directors of the Canadian Development and Investment Corporation (CDIC), a Crown holding company set up a year before by British intelligence operative Maurice Strong. Later, as minister of environment in the federal government of Brian Mulroney, Bouchard was helping do the Malthusian dirty work of Prince Philip's World Wildlife Fund. He then "suddenly" turned separatist, and became the leader of the opposition in the Canadian House of Commons, at the head of the Bloc Québécois—a federal, Quebec-based separatist party which he himself created, to separate the "ethnic" entity called

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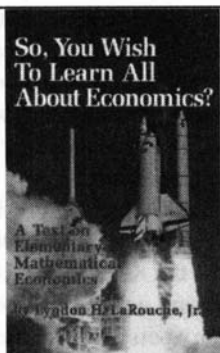
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“Quebec,” from the rest of Canada. He has now taken Parizeau’s place as the leader of the Parti Québécois, thereby automatically becoming premier of Quebec.

However, Quebec is by no means solely “ethnically French.” There are several other ethnic groups in the province, too. So, the plan would also split apart Quebec. The process is already very far advanced. In the near future, the northern third of Quebec is going to become an entity unto itself. Maps are already being published which show that area as distinct from Quebec (see box). A bio-region called Nunavik, it is sparsely inhabited by Inuit (Eskimos). It is set to become a section of a totally new, ethnically based country. It would emerge out of a British project called “The Circumpolar Conference,” and would encompass parts of Canada, Alaska, Greenland, Russia, and other countries north of the 55th parallel. In Canada, in the spring of 1993, none other than Her Majesty Queen Elizabeth, accompanied by Prince Philip, signed the official documents which carved out of Canada’s Northwest Territories, another new bio-region, called Nunavut. It comprises no less than one-fifth of all Canada’s land mass, a territory seven times bigger than England.<sup>1</sup>

The madness of ethnic partitioning is now taking a dangerous turn. The idea of dividing Montreal into parts is openly being discussed. It obviously doesn’t sit well with the French Canadian population. The main force behind this plan is the Montreal B’nai B’rith, which has been a conduit for British intelligence operations for a hundred years. As recently as Jan. 21, a meeting was held at the traditionally Tory McGill University in Montreal, where Keith Henderson, leader of the “pro-English” Equality Party (closely associated with the Bronfman interests in B’nai B’rith), took a hard line. “If Canada is divisible, so is Quebec,” he told the crowd. The theme of the rally was partitioning Quebec, but with a focus on Montreal. Henderson urged the federal government to take a stand for the right of loyal Canadians to remain Canadian, in areas where they form a majority. This is a recipe for social chaos.

One would think that the pro-independence “intelligentsia” of Quebec would be opposed to such nonsense. Some of them are voicing opposition, but the real players are helping the process along. High-level officials, the same ones who have been instrumental in setting up the Quebec state-owned Montreal Casino, are working behind the scenes to implement Prince Philip’s global bio-region scheme.

Let’s take an example. The vice president of Hydro-Quebec, Marcel Couture, who is the editor-in-chief of *Forces*, the semi-official magazine of Hydro-Quebec, writes in the editorial of the latest issue: “While the celebrated shift toward globalization is prompting broad restructuring in the Montreal and the Quebec City areas, the regions often take on this inescapable and demanding change . . . as regional identity is affirmed with unprecedented clarity. . . . *Forces* has based this overview on local realities and concerns, so

it does not touch upon the timely question of regionalization through decentralization of state power. But power is still an issue, as many of those interviewed here have indicated. If change is occurring—and ever more rapidly—it is because local and regional players are no longer allowing others to guide their destiny and have assumed the leadership that is theirs by right, in reflection as well as in action. Both the Inuit and the people of the Beauce assert this stance, with a determination that heralds other, similar empowerment.”<sup>2</sup>

The process is also going on in the realm of constitutional law. Guy Bertrand, a lawyer who once ran for the leadership of the Parti Québécois, announced on Jan. 11 the creation of a new movement, Citizens for a Democratic Nation (CDN), to challenge the Parti Québécois’s plan for separation. Last fall, he took the Quebec government to court, saying that their referendum on separation was unconstitutional. He has now asked the Canadian Supreme Court for a permanent injunction banning any further referendum on independence of Quebec. The problem is that, at the same time that Bertrand portrays himself as being against separation, he is also lobbying for a constitutional amendment that would give Canadian provinces the right to secede, and sets out clear rules for regions that vote against secession, to remain in Canada. No wonder that he was one of the main speakers at McGill University’s rally on the partition of Montreal.

### **Terrorist upsurge**

In order to shove this plan down the throats of the citizens, a “strategy of terror” has been created, bringing back memories of the October Crisis of 1970.<sup>3</sup>

In the past year, there has been an ongoing war between two motorcycle gangs: the Hell’s Angels and the Rock Machine. Several car bombings and bombings of bars have taken place, and innocent bystanders have been killed. That is the lower level of terror. But what is more reminiscent of the October Crisis period, is that several new terrorist organizations have come to light.

On Dec. 27, 1995, Lucien Bouchard, who nearly died a year and a half ago from a mysterious flesh-eating species of bacteria that cost him his right leg, was the target of a death threat, via a letter sent to the Montreal newspaper *Le Devoir*. The letter, written in English by a group calling itself the Anglophone Assault Group (AAG), warned Bouchard against continuing to try to separate Quebec from Canada: “One step toward independence, and Bouchard will be killed.” The letter also threatened the life of the former leader of the Parti Québécois, Jacques Parizeau. The AAG claims to have 75 members, an arms cache, and the financial support of many Anglophones.

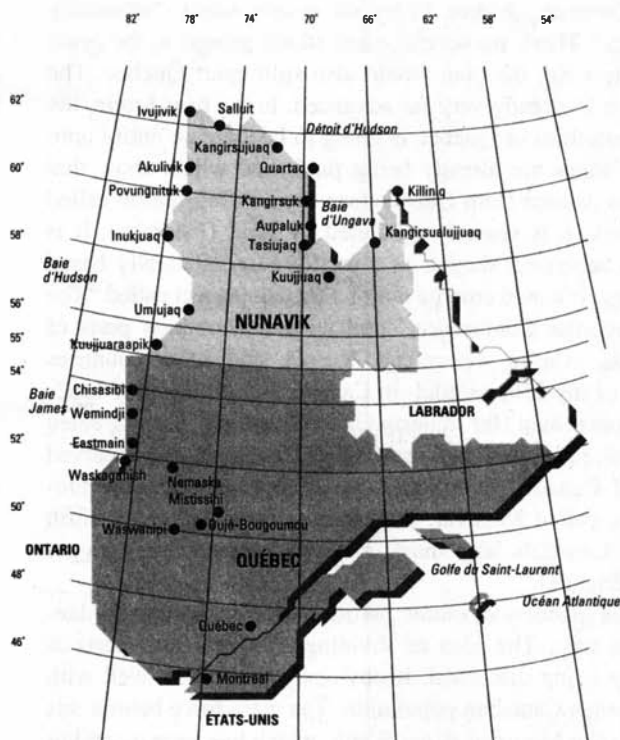
A second letter, received on Jan. 5, 1996, goes even further, threatening the lives of Bouchard’s children, and adding the name of Preston Manning, leader of the Reform Party of Canada, who they call “a traitor to Canada.” This second letter

## Hydro-Quebec promotes Third Wave agenda

*Forces* magazine, the semi-official publicity magazine of the Hydro-Quebec utility, is pushing the British Crown's plan to split Quebec into bio-regions, as shown in this map, printed in the magazine's last issue of 1995. Alongside that separatist plan, is a scheme to turn Quebec into a "post-industrial," "Third Wave" society.

Marcel Couture, vice-president of Hydro-Quebec and editor-in-chief of *Forces*, writes that "it is no longer a question of electrifying Quebec, but rather of 'electronifying' it."

Hydro-Quebec Chairman Yvon Martineau wants to bring the electric utility into the 21st century as the architect of Quebec's shift into the post-industrial society. Indeed, Hydro-Quebec's executives are so much "in tune" with the post-industrial agenda, that their company is the only large utility in the world that is not going to be put on the chopping block of privatization. It will become instead "an agent of change," to use the terminology of Malthusian ideologue Maurice Strong.



says that the AAG will start their action by killing a "male employee of the racist Quebec government." They state that this will be the first of "many political killings in the name of liberty and democracy."

Since the close vote of the Oct. 30, 1995 referendum, police say six anonymous letters have been sent to the media: five in the Montreal area and one in Rouyn-Noranda. Police have also logged an undisclosed number of anonymous telephone threats. One woman was arrested in December for threatening over the phone to blow up Bouchard's and Parizeau's cars.

The latest letter received was sent to the *Frontière* newspaper in Rouyn-Noranda, by the self-described Regroupement des Vrais Québécois Souverainistes (Regroupment of True Quebecois Sovereignists). The letter, written in poor French, claimed that the group had 750 members and threatened to kill Daniel Johnson, the leader of the Liberal Party of Quebec, if Bouchard were physically harmed by Anglo-phones.

The Montreal and Quebec provincial police, working with the Royal Canadian Mounted Police, have formed a special task force to deal with these events. Security has

been reinforced around the potential targets. But, knowing the history of the RCMP, how effective are these precautions going to be? After all, it was they who were in charge of Canadian Prime Minister Jean Chretien's security, when, the day after Israeli Prime Minister Yitzhak Rabin was assassinated, a man armed with a knife successfully penetrated the prime minister's official residence, walking all the way up to Chretien's bedroom door.

The stage is already being prepared for a coverup. Sociologists and psychologists are being used to divert attention from any possible links to the real authors of this destabilization process. The famous "lone assassin theory" has already come out in the press, even before anything has happened. For example, a clinical psychologist named Barbara Wainrib, who teaches crisis intervention at McGill University, has conducted a study to gauge the population's "mood" since the referendum. She has already put out the line that these letters are a manifestation of the anxiety many Quebecois are feeling these days, and says that the authors of the letters are highly troubled individuals who probably don't actually represent any groups but are acting out of fear and frustration.

An interesting lead comes from University of Montreal criminologist Jean-Paul Brodeur, who said that he has observed a similar phenomenon before. As a member of the official Keable Commission that looked into secret police activities during the FLQ terrorist events of the October Crisis of 1970, he heard testimony that a number of individuals, including members of the RCMP, had issued fake FLQ letters.

Then there is the case of an ex-FLQ terrorist, Raymond Villeneuve, who has spent 16 years in exile. On Dec. 11, he held a public meeting, creating a new organization, the National Liberation Movement of Quebec (MLNQ). Even if he did say, "This is not a new FLQ; we do not call for and neither encourage any illegal actions nor violence," still the specter of social terror is being created. The group expresses a very strong anti-immigrant stand—"The Republic of Quebec [sic] has to have full control of its borders"—and calls for "an immediate halt to the policy of multiculturalism," which means, in effect, that ethnic groups should be not be intermixed.

In this case again, if nothing else, pressure is being applied on the ethnic "fault lines," adding stress toward an eventual breakup.

It is certainly a very legitimate question to ask: Which secret intelligence service is behind this renewed wave of terror?

### **Montreal: the new Hongkong**

The Quebec government is under great financial pressure from its creditors. It recently announced that it is looking for ways to cut \$1 billion in spending, over the next few months. As a matter of fact, Bouchard has pledged to concentrate on Quebec's finances for a while, before taking up another referendum, as he has also promised.

It is very likely that Bouchard will use the hardships brought about by the budget cuts in social programs, as a propaganda device to show the necessity for Quebec to separate from Canada. His line will be that he has no choice but to implement these drastic budget cuts, and will blame it on the federal government.

Canada's economy is also under stress from the international financial oligarchy. The government has recently released figures that show that 1995 is going to have been a record year for individual and small business bankruptcies. But, at the same time, the large British-controlled Canadian banks made record profits in 1995. The Bank of Montreal, the Bank of Nova Scotia, the Royal Bank of Canada, and the Canadian Imperial Bank of Commerce have pocketed over \$3.5 billion. So, we begin to see who the beneficiaries of the British Crown's balkanization process really are.

Let's take a closer look at the "partition of Montreal" scenario. There is a double agenda: Aside from the conflict among ethnic groups, there is also the issue of government

regulation of Britain's financial oligarchy. The idea is to use social chaos to force the creation of some kind of "city-state" status for Montreal, or its parts, in order to "favor the establishment of a real international banking center,"<sup>4</sup> where hundreds of billions of dollars of the financial mafia can circulate. Montreal would become a full international money-laundering center. As it is said in Bouchard's party literature, "The government of the Parti Québécois will permit the creation of 'free zones' on its territory . . . a free zone is defined as an economic space, geographically determined, where the activities of international enterprises . . . escape from the custom regulations of the host country."<sup>5</sup>

Montreal already has the largest casino in North America, which has brought into the Quebec government's coffers three times the amount of money they hoped for. Now that the British are set to lose Hongkong, their money-laundering operations will have to be transferred elsewhere. Montreal seems to have been chosen as their new site. This could be why the president of B'nai B'rith, Robert Libman, has openly voiced his support for the "partitioning" scenario. As documented in *EIR's* best-selling book *Dope, Inc.*, the Bronfman interests, associated with B'nai B'rith, made their fortune in the drug-money-laundering business.

In this context, it is not surprising to see the *Wall Street Journal* also stepping in to promote Quebec's separation. In its Jan. 19 issue, an article titled "If Quebec Separates, Almost Everybody Wins," goes directly after the very concept of a strong centralized government promoting the general welfare of its people. The *Journal* also attacks government regulations, saying that it will be good if Canada splits, because this will necessitate the restructuring and reduction of the social transfer payments that Canada gives to its poorer provinces. Provincial governments will be forced to downsize their bureaucracies:

"The result would be freer provincial economies . . . small political entities whose residents have both the vote and the desire to be wealthy, and are driven to free trade by necessity . . . with the subsidies gone, the result is likely to be fewer . . . trade barriers between provinces."

### **Notes**

1. See *EIR*, April 28, 1995, "Splintered Canada: A Model for Australia."
2. *Forces*, No. 111, 1995, p. 4.
3. In 1970, a wave of terrorist bombings and kidnappings was perpetrated by the Quebec Liberation Front (FLQ). The Canadian government declared martial law, and sent tanks of the Royal Canadian military into the streets of Montreal and Quebec City. Hundreds of people were arrested, beaten, and jailed, without due process. It was later learned that the FLQ had been steered by Canadian intelligence services and other British servants. The reputation of the Royal Canadian Mounted Police was so tarnished, that Canada was forced to create an entirely new intelligence service, the Canadian Security Intelligence Service (CSIS).
4. "Des idées pour mon pays," Programme du Parti Québécois, Edition 1994, p. 59.
5. Programme du Parti Québécois, Edition 1991, p. 72.

# Spain's Thatcherites stand to gain as wave of ETA terror is unleashed

by Katharine Kanter

On the evening of Jan. 24, news arrived that the former interior minister of Spain, José Barrionuevo, had been indicted by the Supreme Court for alleged involvement in the 1983 kidnapping of a Basque industrialist, Segundo Marey. The indictment follows a three-year witchhunt against Barrionuevo, by press magnate Pedro J. Ramírez of the *El Mundo* group, who is a standard-bearer in Spain for the Thatcherite Conservative Revolution. Barrionuevo, who was interior minister from 1982-88, then transport minister, and most recently a Socialist member of parliament, lost his parliamentary immunity last November.

Marey was kidnapped by an illegal, underground police commando, part of the Anti-Terrorist Liberation Group (GAL), who had mistaken him for a member of the Basque separatist terrorists, ETA. During the 1980s, the GAL is said to have "executed," mainly over the border in France, 29 people whom they presumed to be terrorists. Eight of these people were murdered "by mistake": It late came to light that they never had anything whatsoever to do with ETA, nor were they even separatist sympathizers.

Barrionuevo was also charged with leading an armed band of outlaws, and misuse of public funds, i.e., applying the so-called "reserve funds" of the ministry, to uses of the GAL.

One can imagine the hue and cry, when the GAL mowed down, in France, in a single operation and by mistake, a 16-year-old girl and an 80-year-old French peasant.

It would appear that the GAL was formed under the control of then-Secretary of State for Interior Rafael Vera, an intelligence professional whose ostensible stock-in-trade was "negotiating" with ETA. Vera had cultivated an image of glamor and mystery, as he jetted around the world resettling ETA members who had "negotiated" their way out of jail, in African and South American beauty spots where they would supposedly "do little harm." That many subsequently employed themselves in South American terrorist movements or in narcotics, did not seem to disturb Vera in his colonization plans. Meanwhile, the GAL was hard at it, bumping off the surplus ETA population. That, at least, appears to be the meaning, behind what may best be de-

scribed as an "opaque" security policy.

The recruitment process to the GAL, is alleged to have been continued by the next Secretary of State for the Interior, Julián San Cristóbal, and by the law enforcement officer José Amedo. Vera is out on bail, the latter are presently in jail, accused of homicide in varying degrees.

Now, where does Barrionuevo come into all this? He was interior minister in 1983, when the GAL was formed. From what one can tell, he made mistakes, notably, with respect to the excessive license given to the inscrutable Vera, who seems to have a personal agenda somewhat unrelated to Spain's national interests. From a strictly legal standpoint, Barrionuevo is responsible for acts carried out under his authority, whether or not he was informed of them in detail; in any event, it would be naive to assume, that he knew nothing at all.

The problem of Barrionuevo, who is considered, even by his political enemies, to be a patriot, and a highly professional and dedicated law enforcement officer, is the problem of Giulio Andreotti, the former Italian prime minister now indicted on dozens of criminal charges. In order for him to defend himself adequately, he would have to open to the courts, the tenor of the discussions on anti-terrorist policy conducted between his ministry and Prime Minister Felipe González. In the present hostile climate, orchestrated by Ramírez's daily *El Mundo*, this would not only lead to the impeachment of González, but to the wrecking of the entire Spanish security apparatus, as one officer after another, no matter how high or how low the rank, is "Watergated"—as terrorism and separatism run amok. Barrionuevo is willing to go to jail to prevent that, and, despite pressures brought to bear over the last months, he has not caved in. That is the reason that he has been indicted.

This is statesmanlike behavior, but it has its limits. The truth is that Prime Minister González, like Andreotti when he was in power, never really had an anti-terrorist policy, because neither González nor Andreotti, were prepared to face the full horror of what British intelligence and its Kissinger-Bush circles, had done to them, of which the "Gladio" scandal gives only a faint idea. To face down the British on



the issue of terrorism, means full-scale intelligence war, and that sometimes means a shooting war. It means naming the names, and it means adopting as an absolute national priority, an economic policy which will allow the nation to face a virtual blockade by those hostile forces over a period of years. Albeit clumsily, that was the aim of the *desarrollista* (pro-development) faction around Franco's first industry minister Juan Antonio Suances (1939-57), whom Franco dumped in 1958 at the demand of the International Monetary Fund; Suances's dismissal was the IMF's "conditionality" if Spain wished to be "admitted into the international community" in 1958. *Desarrollismo* is the policy that Adm. Carrero Blanco would have put into effect, had he not been assassinated, allegedly by ETA, on Dec. 21, 1973.

### Blind terror grips nation

Doubtless in order to bring down the last vestiges of González's authority, and ring in the Thatcherite option for the March national elections, namely José María Aznar, president of the Partido Popular (People's Party), those who run ETA have given these terrorists free rein. The latest spate of attacks has mainly been outside the Basque country. On Dec. 13, a car bomb went off in Madrid, killing six civilian employees of the Defense Ministry. A few days later, a bomb went off in a shop in Valencia, killing a woman. In late December and early January, in two cities outside the Basque provinces, car bombs were set off, killing two Army officers and severely wounding their young daughters. On Dec. 28, the Basque police, Ertzaintza, stormed a cache in Vitoria, in the Basque province of Alava, where they found 179 kilos of explosive, submachine guns, and a complete arsenal for setting off remote-control bombs. The commando known as "Araba," who was arrested, had planned to assassinate the head of the Basque security establishment, Juan María Atucha, the head of the Alava Socialist Party, the head of the Alava Unity party, and three policemen.

But such high-profile attacks against prominent figures, have slipped into the background; what we now face, is more generalized, blind terror.

As every month goes by, the methods used by the "Abertzales" (pro-terrorist, separatist, so-called left) come to resemble—because they have advisers who study how Hitler did it—precisely and down to the last detail the methods used by the SA and SS in that critical year of 1933, when the Nazi Party unleashed a full-scale war *against the German population*.

During the regular gatherings of *Gestoras por la Paz*, an independent youth group which holds silent vigils against ETA, leaflets are scattered about threatening the lives of the leading organizers. Diego Apalátegui, a member of the People's Party youth group, had to flee the Basque provinces, after posters went up against him in the streets of San Sebastián. Judge Justo Rodríguez, who tried an ETA case, also

had to flee to Madrid after similar posters went up against him. Ana Urchegía, a Socialist Party municipal councilman in Lasart, has been the target of wall graffiti, reading, "Ana, fascist, you're next on the list." Then posters with her photo and ID card number were pasted up, bearing the caption, "Wanted—Terrorist." Like many others, the academic Xavier Elzo received death threats through the "Abertzale" newspapers; then one day, a threatening crowd gathered in front of his door to deliver the message: "You will pay." In Irún, 19-year-old Borja Semper, who is the youngest municipal councilman in Spain, was the target of escalating terror: first graffiti was painted against him, then he received threatening phone calls, people followed him in the streets to insult him, and finally, a gang attacked him in a café. Borja has been advised to leave the Basque provinces.

Just before Christmas, two hooded individuals tried to kidnap a boy from his classroom in the town of Gecho, in Vizcaya. The boy, 15, had made public statements against ETA, which became widely known as he is the nephew of a PNV (nationalist) leader, Ricardo Ansótegui. One should note here that PNV members, like José María Loiti of Arrasate, who say they are for separatism, but against ETA, are subjected to the same threats as socialists or conservatives.

Exactly a year ago, the head of the People's Party in San Sebastián, Gregorio Ordóñez, was assassinated by ETA. When his widow, Ana Iribar, tried to find a priest to say mass on the anniversary of his death, they were all so frightened—they claimed it was "too political"—that she had to call the Bishop Setién, who said he had "forgotten the date."

All this being not enough, the Basque provinces have been the scene, over the last six months, of horrific riots, in which a town or city will be "held hostage" for hours, as hooded individuals engage in pitched battles with police, set vehicles and buildings on fire, and erect barricades.

### Beware Ramírez

So José María Aznar (or "Boy Thatcher" as his friends call him) hopes to sweep to power in Spain behind a wall of flames. A pyrrhic victory, and certainly not a difficult one, given the sorry incompetence displayed only very recently by González at the big Socialist election rally, where, in a country whose unemployment stands officially at 22.7%, he proposed to create jobs by promoting early retirement and shorter work weeks with reduced pay, in order to promote job sharing!

Depressed as they presently are, not all Spaniards are utter dupes. A member of Aznar's own party, a senior parliamentarian with considerable knowledge of international terrorism, told this news service, that although Aznar may well be elected prime minister in March, the very machinery he relied on to set him upon the throne, namely, the slaving pack around *El Mundo* and Pedro J. Ramírez, will as soon pull him down—or any leader who might threaten to be a *desarrollista* and a patriot.

# ‘Body Shop’: cosmetics, or royal intelligence cover?

by R. Chamberlain

An *EIR* investigation has confirmed that the cosmetic company Body Shop International Plc was used by circles around Britain’s royal household to create Ken Saro-wiwa’s vigilante movement as a wedge to split apart Nigeria. In light of the tribal fault lines in Nigeria created by Britain during the colonial period, in order to fragment Nigeria, it were only necessary to achieve the breakaway of a single region; others would then follow. One of the “fairy godmothers” of Saro-wiwa’s Ogoni secessionist movement has been Anita Roddick, the public representative of Body Shop International. The chairman of the cosmetics business is her husband, Gordon Roddick, who has been Prince Charles’s polo partner since school days. One of Gordon’s behind-the-scenes tasks is to coordinate operations between the royal household and the anthropologist networks. Anita, who supplies large amounts of funding to indigenous and other separatist groups, has received numerous awards, including the Order of the British Empire.

The former personal assistant to Saro-wiwa, Deebi Nwido, made clear in a recent interview, who Ken Saro-wiwa’s Movement for the Survival of the Ogoni People (MOSOP) have discovered as their allies in Britain. “There is an arm of the British government back in the queen’s palace, a very important arm.” He noted that “Prince Charles and Prince Philip do lean in the right direction on some of these issues.” The significance of Body Shop? “Body Shop has been of *immense* assistance to us!” Anita Roddick, he exclaimed, is a real businesswoman and “she cares about our environmental problems.”

## More dead pawns

Deebi Nwido is at least alive to talk about the horror show he calls the “Ogoni separatist struggle,” and how Body Shop and the Unrepresented Nations and Peoples Organization (UNPO) “made our case to the world.” Eight other members of this Pol Pot-like vigilante grouping, including environmentalist- and human-rights darling Saro-wiwa, were executed last November after having been found guilty of murder. British-influenced media outlets call them “martyrs.” Closer to the truth, is that they were one more group of pawns set up to

play out British geopolitical designs. The result of this game is that the nine are as dead as the four Ogoni elders chiefs who they took part in murdering, in May 1994, because of the Ogoni chiefs’ opposition to Saro-wiwa’s UNPO- and Body Shop-dictated plans. It is this 1994 murder for which they were tried by a non-military tribunal and found guilty.

The deaths upon which the conviction rested, were however, not the only murders at the hands of Saro-wiwa et al. In the early 1990s, Saro-wiwa’s MOSOP took 3,000 to 4,000 youths, who were put through bizarre initiation rites and blood oaths of loyalty to the Ogoniland “president.” Schools were shut down; law enforcement ceased. Fourteen-year-olds were given military training. Saro-wiwa’s own statements again and again called for an independent Ogoniland, of which he would be “president” once the “vultures”—the elder Ogoni chiefs—were done away with.

## The Roddick connection

To find Anita Roddick, Amnesty International’s London office suggests that reporters contact the Ogoni Foundation in London. Lazaras Tamana, who describes himself as president of the Ogoni Foundation, told a reporter in late November that a lot of the Saro-wiwa crowd was in London, and that “we have run the Ogoni operation from here for at least the last three years.” Why was the operation coordinated from London rather than elsewhere in Europe? he was asked. “Well, as you know, London is closer to Nigeria; it is easier for those of us who are stationed here to communicate with Nigeria and Ogoni directly. And from London, we control the whole of Europe.”

The founder of MOSOP, Dr. Garrick Leton, who later resigned once it became clear that the Saro-wiwa youth mob was destroying MOSOP, notes that a MOSOP organization, as well as a “League of Ogoni People,” had been formed in London from the early 1990s, and that these groups “contributed huge sums of hard currency direct to Ken [Saro-wiwa], which contributions never featured in the financial secretary or treasurer’s ledgers.”

Deebi Nwido, in the interview that follows, makes clear that the Roddicks’ Body Shop has been, and is financing the

entire current London operation.

To all appearances, the Body Shop is a cosmetics company that benefits from resources found in rain forests and indigenous areas for “natural” body creams, etc. Anita Roddick is closely interlocked with British- and Canadian-controlled non-governmental organizations, in particular. She has held a U.N. post, won a series of British awards for marketing, was awarded an Order of the British Empire, and won the “Global 500” award from the United Nations Environment Program.

### A many-country operation

The central role of the Body Shop in funneling money to indigenists in Brazil, and its collaboration and coordination of the anthropologist/Green apparatus from the top, was exposed by Canadian investigative journalist Elaine Dewar, in her book *Cloak of Green*. Dewar concluded, in detailing the Brazil story, that the tightly run network, of which the Roddicks were a part, had its own agenda: to destroy the institution of the nation-state, break up nations, and seize the natural resources from the squabbling tribes that inherit the land.

Dewar notes in passing, in recounting the Roddicks’ early history: “While Anita got the first Body Shop going, her husband Gordon fulfilled part of his ambition to ride by horseback through South America from tip to tip. . . . He arrived in Argentina just in time for the military coup that deposed Mme. Peron. . . . He then stayed in Buenos Aires for two months making contacts, then went on to Uruguay.”

In the case of Brazil, Anita Roddick explained to Dewar that Body Shop supplied money by “setting up foundations through Cultural Survival,” which was headed by David Maybury-Lewis, the head of the Harvard Anthropology Department. Maybury-Lewis, from the British upper class, went to Oxford for his doctorate and, in 1960, joined the Harvard faculty, which wanted a tribal specialist. Cultural Survival is an offshoot of the London-based Survival International, founded in 1969, another project of the royal family.

Cultural Survival hopes to, eventually, but does not yet have operations in Africa, so they say. In manipulating the Ogoni, Body Shop appears to have teamed up predominantly with the Unrepresented Nations and Peoples Organization, based in The Hague, Netherlands. Body Shop is also known to fund UNPO, and, indeed, last year UNPO was the recipient of a Body Shop award. UNPO is one of the international command centers for secessionist movements. As documents, written by some of the murdered Ogoni chiefs and MOSOP founders, recounting the 1990s make clear, Saro-wiwa would return from his overseas trips with increasingly wild decisions made by the UNPO on how MOSOP should proceed to establish an “independent” Ogoniland. Once such a decision was made by the UNPO, Saro-wiwa and his youth vigilantes would push the decision through against all opposition, utilizing whatever dishonesty or violence the situation required.

The following interview with Deebi Nwido fills out the picture as to how, and by whom, the movement is run.

## We trust the royals, says MOSOP leader

*Deebi Nwido, the former personal assistant to Ken Saro-wiwa, was interviewed on Jan. 18 by a journalist who made the interview available to EIR.*

**Q:** I didn’t know there was an office of the Movement for the Survival of the Ogoni People [MOSOP] in Lagos.

**Nwido:** Yes, there has always been one in Lagos. Mr. Ken Saro-wiwa was into business before the Movement for the Survival of the Ogoni People started. What eventually became the MOSOP office in Lagos was his business office. He was into publishing. The business is still on. MOSOP shares the office with the business.

**Q:** Is there a MOSOP office in Ogoniland at this point, in Rivers State, or has that been closed down?

**Nwido:** The MOSOP office there is closed down; that is the real home of MOSOP. The business office in Port Harcourt is also closed down.

**Q:** Some leaders of MOSOP have ended up in London?

**Nwido:** Dr. Owen [Saro-wiwa] is the main activist there. He is Ken’s brother.

**Q:** I heard he was underground someplace in Nigeria and the Body Shop people helped get him out?

**Nwido:** Yes, that is true.

**Q:** What are your plans now? What is happening to the idea of an independent Ogoniland?

**Nwido:** It is not right to talk of an independent Ogoniland. Ogoni is part of Nigeria. We have an environmental problem because of oil drilling by Shell and other multinational companies. What we want is an autonomy within Nigeria, that would give us a fair share of that oil, so that we can address that environmental problem. It is not that we want to become separate of Nigeria; that is not true. That is a distortion by government propaganda, and it’s being believed in the U.S.

What we are talking about is the Ogoni people ruling themselves; we must have autonomy to do this—within Nigeria. We need the resources given to us from the oil so that we can now address our environmental problem. We should be paid royalties.

**Q:** MOSOP is also part of the Unrepresented Nations Peo-

ples Organization [UNPO]. Many countries who are part of this organization are seeking independence?

**Nwido:** Yes, a number of the countries who are involved in that organization are seeking to form independent countries.

**Q:** What were you seeking to achieve by affiliating with UNPO?

**Nwido:** What we seek to achieve relating to the UNPO is: One, we wanted to be heard in the international community. The UNPO has served as a window through which the Ogoni struggle came to the world. When the struggle started, we first approached Greenpeace. Greenpeace told us they had no program in Africa; that was the initial reaction of Greenpeace to the Ogoni struggle; that was about 1990-91.

We were seeking an opportunity to let the world know what was happening in Ogoni. The UNPO was *extremely willing* to help us. The UNPO readily accepted us, and from the UNPO our case was made!

**Q:** I gather Ken got to be an official of UNPO?

**Nwido:** Yes. He was the vice president, the vice chairman of UNPO General Assembly.

**Q:** I gathered that a certain number of people from MOSOP travelled to Europe. Did UNPO help this happen?

**Nwido:** I, as his personal assistant, travelled to Austria in June 1993, during the World Human Rights conference. Another activist, who is right now in California, Barike Idamkue, has regularly been affiliated with the United Nations; has regularly attended the U.N. Commission on Human Rights.

**Q:** What about Body Shop and the Roddicks? Anita Roddick obviously has a pretty big name all over the world, and has helped a lot of indigenous groups; was she a help to the Ogoni cause?

**Nwido:** Yes. Body Shop has been of *immense* assistance to us. We met Anita in Austria during the World Human Rights Conference. That's what I told you about UNPO; the UNPO, we owe everything to them.

**Q:** Is there a connection between UNPO and Body Shop?

**Nwido:** When we were in Austria, there was this UNPO official who knows Anita Roddick well—Anita Roddick is known the world over, when it comes to environmental problems. So, the UNPO official arranged a meeting between us and Anita Roddick in Austria. We went to Anita Roddick's hotel in Austria and talked with her and two other fellows. I was in that meeting. This was in 1993.

**Q:** That was the first time that MOSOP had known her?

**Nwido:** First she was showing pictures and holding a seminar on the environmental problems of Papua New Guinea.

This is when we first saw her before the UNPO official set up a meeting.

**Q:** So at that point you established some sort of an ongoing relationship with her?

**Nwido:** Yeah. After that point, Anita came into Port Harcourt, because she saw our dilemma. She decided to help us. She wanted to come into Ogoni to see in particular what assistance she could give to the women, especially in establishing an industry where the women could do something. She also came in, wanting to assist us, with our environmental program, with her own money. But events happen very fast; and we were waiting for her to come back, but then she was not allowed to come to Nigeria. She wanted to set up industries—you know Anita Roddick's philosophy is that you could do business without harming the environment; that is the philosophy of the Body Shop.

**Q:** The kind of business she wanted to do in Ogoniland was exactly what?

**Nwido:** She wanted to determine what the environment of Ogoniland could offer and whether that could provide an industry—they are into body-cream and things like that.

**Q:** What does Ogoniland have, as far as resources? It obviously has oil.

**Nwido:** It has a great deal of oil. The interest in Ogoni is not because of oil. Oil in Nigeria is found in the delta. Ogoni just happens to be a little unit of the delta. We are a little over 400,000 people. The difference between Ogoniland and the rest of the delta, however, is that we had a real intellectual leader, a very, very intelligent man, who could package his ideas and sell them to the world.

**Q:** You mean Ken [Saro-wiwa]?

**Nwido:** That was how the struggle came to the limelight of the world, with the assistance of UNPO. Oloibiri was the first place that oil was discovered in commercial quantities; that's in Rivers State, too. Today, Oloibiri oil has dried up. Oloibiri has been forgotten. We happened to be led by an intellectual leader, very adequate. He knew that a time would come in Ogoniland, also, when oil would dry up, and we wouldn't have anything for it. So stop these people; let them come and tell us what they are going to do for us. What we have in Ogoniland is acid water. Our problem was gas flaring. . . .

**Q:** British Shell, you and others say, is definitely in collaboration with the Nigerian government, and on the surface it looks like they are.

**Nwido:** It's not a question of looking like they are; they are.

**Q:** How do you make sense out of this? If there is one

country at this point that is trying to overturn the [Gen. Sani] Abacha military government, it is Britain. British Shell is not independent of Britain; it is part of Britain.

**Nwido:** That is not true. If an American wants to say something, he is forthright and says it honestly. But in Britain, they are very cute, cunning people, crafty. This is typically British.

**Q:** Which side are you saying is just playing a game then, in Britain?

**Nwido:** Whatever diplomatic efforts Britain is making for the world to see is only window dressing. Beneath it all, the British are firmly behind Shell. Do you think Shell would have been able to have the guts to sign the Liquefied Natural Gas Agreement, if they didn't have the backing of Britain? The whole world was saying: "Don't sign this agreement; stop it." Shell insisted they would sign; and they did sign.

**Q:** It was [Prime Minister] John Major and the British who were the main pushers at the Commonwealth meeting to expel Nigeria from the Commonwealth.

**Nwido:** That's true, as far as diplomacy is concerned. There are many window-dressing activities that they are involved in. But covertly, they are part of the problem of Nigeria. Even before now, during the civil war. All the problems we are having today, Britain is the quintessential of them all. For instance, when the northerners wanted to break away from Nigeria, it was Britain who advised them not to.

**Q:** Going along with your supposition for a minute, let's follow it through. British Petroleum is part of Britain, and they would go the same direction. Okay, but let's keep going. Amnesty International is also part of Britain. Body Shop is also part of Britain. As a matter of fact, Anita Roddick's husband plays polo with Prince Charles; has ever since their school days. All of this is part of Britain. So, if we are saying that, in fact, Britain is supporting the Abacha government, we are also saying that Britain is supporting you. So, is it possible that Britain is just playing all sides?

**Nwido:** You seemed to have used a very holistic approach in analyzing these people—

**Q:** —I'm following your logic.

**Nwido:** You can't use the holistic approach in these kind of matters. You talk about Anita Roddick and her husband. You talk about Greenpeace; Greenpeace is an international organization. The majority of the people who manage the Greenpeace affair are not entirely British; like, for instance, you have Mr. Christman of Greenpeace in the U.S. He is a very strong radical. So we are looking at individuals. There are people who are not quite comfortable with the Abacha government, but they wouldn't say it.

Anita Roddick is not part of the British government—

these are core policies of the government.

**Q:** Of course, maybe, when we are talking about Body Shop here, we are talking about the influence that they have; they have to have a lot of influence because of what they have done around the world, what they've done with respect to Latin America. So maybe one aspect of this is that Prince Charles, and maybe Prince Philip, also have a tendency to lean in the right direction on the environment. The fact that one of the Roddicks would be playing polo with Prince Charles, means there is some sort of a friendship here.

**Nwido:** Prince Charles and Prince Philip do lean in the right direction on some of these issues.

**Q:** Some of the British royalty seem to lean in the same direction that you do? Does that fit? Where John Major might be saying something else.

**Nwido:** That falls into line fairly well. John Major might have a view different from what the government says; and you know that the British government is not entirely what you see in parliament. There is an arm of the government back in the queen's palace. What I'm saying is that, John Major on Downing Street—what his personal opinion is on some issues might not actually be the position of government. There is an arm of the British government back in the queen's place, a very important arm.

**Q:** Was Ken [Saro-wiwa] ever given any distinguished awards by the queen?

**Nwido:** No, he wasn't, but I think he would have [been]. You see, the struggle was just growing and assuming more proportions, when we were trapped in this terrible incident of May 21, 1994. Maybe by the end of the day—the struggle was on the environment; the real context of the Ogoni struggle is on the environment. I'm sure by the end of the day, the queen would have taken notice of him for his struggle on the environment. You know that he was nominated for the 1996 Nobel Peace Prize; He was given the Right Livelihood Award by the Swedish government in 1994. After that, he got the Goldman Award. The European Union also gave him an award.

**Q:** Are you financing yourself on the basis of selling Ken's books; how are you all keeping going at this point?

**Nwido:** We have a lot of financial crises. We also have to operate with a lot of care. Sometimes we take different names, to escape arrest.

**Q:** Are there any Western foundations that are helping you at all?

**Nwido:** No, no foundations. In Britain, there is an Ogoni Foundation that, we understand, Anita Roddick and her husband contributed some money [to]. There are a group of

people there, like I mentioned to you Dr. Owen [Saro-wiwa]. In the U.S., I understand Richard Goldman also set up a foundation and paid into it \$20,000; all this we hear by way of information.

**Q:** But, in other words, that's not money that's coming into helping your group in Lagos?

**Nwido:** No.

**Q:** But at least the Body Shop and the Roddicks are keeping this organization going in London.

**Nwido:** Yes, at least. The Body Shop assisted to get us an office space. They are paying the rent; they pay for the electricity, and all communications, telephones, and fax machines; and they have given money in addition to this to keep the office going.

**Q:** So, do you think that that office is the biggest place in the West that is still functioning along the lines that Ken would have wanted it to function?

**Nwido:** No, I won't say that; the Ogoni struggle is here in Ogoni. We feed them all the information; like when the Ogoni Day took place on the 4th of January, they had to wait for us to hear what happened before they could act; all the people who were shot dead; and those who were shot, wounded, and detained; those who were released; all those sorts of information, they are depending on us for, before they can act at all. Once this information gets to them, then their job is to disseminate it to the world.

**Q:** So you then fax them information?

**Nwido:** Of course. I can't survive without a fax machine, that is my greatest asset here.

**Q:** At one point, Ken had made a fair amount of money hadn't he? I remember hearing that he had several companies?

**Nwido:** No, that's not true; he had just a single company. The other thing about him, though, was that he was a very skillful trader; he was a very prudent fellow, very technical. He went into buying and selling and made a lot of money from that point. The money he made this way, he then invested in the real estate market. So, then, the money used by his staff was rent from his houses. This is still how we survive. I do all that; I transact the business. We put it on a short deposit, and then the interest is what we use to run the office.

**Q:** So, you mean there is more than one house that you get rent from?

**Nwido:** Yes. We have a number of houses in Port Harcourt; we have a lot of houses elsewhere. You can do very well in real estate here. If you have some money to invest, bring it to me and I will direct you on how to make a lot of money. You can make a world of money within a short time.

## 'Mitterrand disease' infects the French political elites

by Christine Bierre

François Mitterrand is dead. For weeks now, the French and international media have devoted their pages to the eulogies for the man who held on to the French Presidency for 14 years. Is there anything to add to what has already been said? Yes, indeed. For one thing, the great majority of the coverage of Mitterrand's political career has been very favorable. In France, left- and right-wing political figures formed a single chorus to mourn the dead President. Internationally, many were the leaders who, like Germany's Helmut Kohl, wept over Mitterrand's grave, in spite of the fact that Mitterrand often betrayed those, including in Germany, who were purportedly his friends. Mitterrand's attempts to undermine German reunification and to stop Germany from launching a powerful policy of industrial reconstruction of eastern Europe, are typical of his relations to his "friends." It is therefore useful to expose the evil that Mitterrand represented, and which he brought upon the French nation.

This is particularly important today for the French population and elites, who elected and tolerated Mitterrand for 14 years. What can explain the fascination of whole sectors of the French population with François Mitterrand? Why is it that for 14 years, Mitterrand enjoyed support that ranged from the far left to the far right? How is it possible that, in spite of the fact that Mitterrand betrayed the ideals of those who elected him, still a majority of Frenchmen continued to vote for him, and are mourning him now? Indeed, the mental disease of "Mitterrandism" has corrupted all those who play his game.

Ironically, this man will enter into oblivion sooner than many others. The reason is that Mitterrand didn't really accomplish anything: Other than lasting 14 years in power, which for some might be considered an accomplishment, Mitterrand's fans can only attribute to him some vague contribution toward "European construction."

The only thing Mitterrand did accomplish, was the destruction of everything that President Charles de Gaulle stood for, leaving France considerably weakened. The two pillars of Mitterrand's Europe are the Single Act, which opened the borders of European countries to deregulated



*French President François Mitterrand (left) often betrayed those who were purportedly his friends. For example, he stabbed Germany's Chancellor Helmut Kohl (right) in the back, by attempting to undermine German unification.*

financial transactions; and the Maastricht Treaty, a monetarist concoction committed to maintaining the supremacy of financial power over industrial investment. These policies are poles apart from de Gaulle's vision for Europe. They are now being more and more called into question throughout the European Union, and have already led the European economies to a situation of near-bankruptcy.

### **Debt and unemployment**

Internally, the total deregulation of financial activity brought about by Mitterrand, especially after 1983, is the main cause of the whopping, 12%-plus unemployment (one out of every four French workers is either unemployed, partially employed, or is participating in the government's unproductive make-work projects). Unemployment, in turn, is the main cause of the cancerous growth of indebtedness: The public deficit and debt have reached more than 5% and 60% of GNP, respectively, and are also dangerously high among the regional administrations, threatening the very existence of the banks that lend to those administrations.

The only thing that flourished during Mitterrand's era was financial and real estate speculation. France's centralized Colbertist system was turned away from its original purpose of promoting useful industrial investment, and reoriented toward financial speculation. Public banks such as

Crédit Lyonnais led the way in a decade of wild financial practices that were adopted by public- and private-sector banks alike, as well as insurance and reinsurance companies. The de facto bankruptcy of Crédit Lyonnais (which holds a debt of nearly 80 billion francs, roughly \$16 billion), as well as that of other major banks and insurance companies that are left holding an unpayable real estate debt evaluated at 300 billion francs, gives a brutally realistic image of what the Mitterrand era was all about. Just days after Mitterrand's death on Jan. 8, the Général des Eaux, one of the two infrastructural giants in the country, announced losses of 3.5 billion francs due to bad debts in the real estate sector.

Unemployment, insolvency, loss of sovereignty, corruption: This is the true heritage of Mitterrand and of those who governed with him.

### **A master of deceit**

A series of articles published by Régis Debray in the daily *Le Monde* following Mitterrand's death, are most insightful concerning the sickening practices by which Mitterrand gained and maintained power, practices which were accepted by Debray, Mitterrand's long-time adviser (to his great regret, now).

Debray has commented on the remarkable conservatism of Mitterrand, a man who, unlike de Gaulle, was unable to



change course and to create something new—a problem so long-standing in the French ideology, that it was immortalized by Jean Renoir in the film “The Rules of the Game.” Incapable of breaking with established policy, Mitterrand, a goldfish in his bowl, was constantly attempting to integrate two world outlooks which were completely at odds. Thus, his attempts during World War II to conciliate certain activities with the Resistance, while submitting to the Vichy regime and going as far as accepting a decoration, the Francisque, from Vichy puppet Gen. Philippe Pétain’s own hands. In the same manner, as “Socialist President,” he maintained pretensions to his party’s ideology, while adopting the worst practices of the world’s financial elites.

This was the basis for Mitterrand’s ability to please left and right-wing alike, by using the whole gamut of ideologies available to him in a fixed universe, to serve his infinite opportunism. Debray recounts the instructions given to him by Mitterrand for ghostwriting his speeches or interviews. He asked Debray to fake interviews that never took place—to the point of adding the “aahhs and oohhhs” in the right places. Even worse, Mitterrand demanded that the speeches written for him contain an argument on one page, and its opposite on the next! This is the key to the ambiguity of his speeches, which were consciously constructed to please people who were often at totally opposite ends of the political spectrum.

His speeches were never conceived as developing ideas or a coherent world outlook, but only as acts of seduction, says Debray. Commentaries made after his death present him as a literary figure and a highly cultivated man. On the contrary: What was striking in his speeches was the poverty of language, willfully limited to a simple vocabulary tailored for people he conceived of as the ignorant masses, as well as the poverty of the idea-content, the speech being reduced to small phrases pronounced to please this or that part of the electorate. Mitterrand ruled the country not as a political figure, but rather as a magician, a master manipulator of perception games, who created in everybody’s mind the illusion that the President had a policy for the country, which, in reality, he didn’t have.

Thus was also his method of governing. Debray recounts the elaborate system reminiscent of a medieval court by which Mitterrand controlled his advisers, manipulating them through the distribution of good and bad points, to the point of leading some to suicide. (Could this be a reference to the fate of former Prime Minister Pierre Bérégovoy, who lost the “favours of the king” in the months prior to his suicide?) Like the kings of former times, Mitterrand had his own rituals: Sunday evening meetings in his Parisian home, Pentecost at Solutre, Christmas at Latché. Be disinvented, and that meant you were three steps behind, a severe loss of favours which could destroy the lives of some.

At the height of the Greenpeace affair in 1986, when information was leaked to the press that the sinking of the Greenpeace boat in the Pacific had been done by French secret service agents, Mitterrand’s close advisers pressured him to

hold a meeting with all those in government having to deal with this affair. Debray recounts why such a meeting was the last thing that Mitterrand desired. In order to “divide and conquer,” Mitterrand only met people one by one, “*tête à tête*,” managing to give everybody the impression that the President shared their views entirely. Mitterrand avoided bringing people together in meetings, lest they discover what his real game was.

It was thus that Mitterrand created a spiderweb of perception in which people, including honest people, were trapped. Why did they accept this? Using his own example, and speaking quite openly of why he collaborated for so long with Mitterrand, Régis Debray indicates the attraction exerted by Mitterrand’s petty “Machiavellianism” (in reality Venetianism; Machiavelli had worked in the service of the great humanists of the Renaissance) with regard to the French intellectual, political, and artistic elites. Unable to transform the world, and having put himself under the orders of the worst of the world’s financial powers, Mitterrand’s petty Venetian manipulations nonetheless gave him and others the impression of power in the world. Debray indicates that the reason he did not support Pierre Mendès-France, the other most important figure of the left during the 1960s and a man reputed for his moral stance, was that Mendès-France was too moral and impotent, boring almost. Mitterrand alone, with his pragmatism, would be able to impose himself.

### The hatred of ideas

The problem lies in what Debray is honest enough to confess to have discovered, after a few years. He believed that Mitterrand was an intellectual, and he discovered that there was nothing that Mitterrand despised more than ideas. “I don’t like de Gaulle’s phrase, ‘I have a certain idea of France,’ Mitterrand stated several times, adding, ‘Me, I live France.’” Debray thought that Mitterrand would maneuver in the name of truth and ideals, but he discovered that Mitterrand was nothing *but* maneuvers, because he couldn’t care less about the truth. He believed Mitterrand was using form to better accomplish content, only to find out that there was nothing beyond the form.

Ideologically, this mentality is one of the main diseases to plague the French political elites today. While they all bow before the dictates of the international financial oligarchy, before the “markets” and the controlled media, these petty manipulations within the internal political scene, as well as toward the outside, give all an illusion of having some real power in the world—at least, until a financial crash of tremendous dimensions comes to prove to all these fools, that real “*virtu*,” real political courage, lies not in petty Venetian manipulations, but in the capacity to break with the rules of the game imposed by established authorities, and to act in the name of truth to create a better world. This remains, to this day, the best lesson we can learn from General de Gaulle.

## **EZLN denounced as foreign mercenaries**

*A cardinal is warning that behind the Zapatistas, are foreign interests which seek to separate Chiapas from Mexico.*

In a Jan. 10 press conference, the cardinal of Guadalajara, Juan Sandoval Iníiguez, denounced the Zapatista National Liberation Army (EZLN) as mercenaries of foreign interests: "Who pays the expenses and maintains the EZLN?" he asked. At least 2,000 fighters who are with the EZLN's Subcommander Marcos "are not Indians, but well-educated people, who have been in rebellion for at least two years, and for who knows how many years of preparation; they are well-equipped, well-fed, and must be well-paid," he said.

"I have always suspected that there are international interests involved, because there, there is oil, natural resources, and it is located in the Isthmus of Tehuantepec, which could provide communication between the Atlantic and Pacific oceans. There are many interests behind this, and I believe that the last thing which these Zapatista gentlemen wish, is the good of Mexico," he added.

The cardinal raised the possibility that what stands behind the movement, is a foreign separatist bid. It is "symptomatic," that "this subversive group" has demanded autonomy for Chiapas, he said. He warned that Mexico could face a repeat of "what happened with the separation of Panama from Colombia in the last century; that this part of the Republic be broken off."

Sandoval delivered his warning after the Zapatistas' "Marcos" launched a New Year's offensive, absurdly welcomed by the Concordance and Pacification Commission (Coco-

pa) of the Mexican Congress, as a step toward peace.

Emboldened by the public support which the British Crown had just extended the real commander of the EZLN, Bishop Samuel Ruiz in Chiapas (see *EIR*, Jan. 5, p. 44), "Marcos" issued a call for the formation of a "Zapatista National Liberation Front" (FZLN), in order to provide the EZLN with a national political formation—but without disbanding the EZLN, or turning in their weapons. "Marcos's" Jan. 1 "Fourth Declaration from the Lacandón Jungle," which called for the formation of the FZLN, specified that the objectives outlined by the Zapatistas in their "First Declaration" remain in force, including the disbanding of the Mexican Army and establishment of a new national constitution.

Ignoring the threat to the State, Sen. Heberto Castillo, the president of Cocopa and a leader of the Revolutionary Democratic Party, welcomed the declaration: "The EZLN will not disappear; with this, its most important effort, that of entering into political struggle, the bridge is established over which the EZLN will stop being an organization whose force lies in its arms, to become a legal and peaceful organization."

Cocopa, made up of congressmen from all the parties represented in Congress, also threw its support behind another flank of the EZLN offensive, the so-called National Indian Forum, whose central theme is "Community and Autonomy"; that is, securing passage of laws which define Indians as a special class of persons,

distinct from Mexican citizens.

Participating in this forum, which opened on Jan. 3 in San Cristóbal de las Casas, were Cocopa, San Cristóbal Bishop Ruiz and his National Mediation Commission (Conai), delegates of the EZLN, and dozens of "advisers," mostly anthropologists and sociologists. It was an EZLN event. *El Nacional* reported on Jan. 4, "In convoys, each formed by Red Cross International vehicles, two groups of members of the Zapatista leadership arrived" at the forum.

In his greetings to the representatives of 32 different ethnic groups from around the country, "Marcos" cynically recognized that "the principal work in building the Indian Forum was done by the 'advisers,' " whom he hailed as being like Indian "elders" who set policy in a community.

Not everyone has accepted this national agenda. Various congressmen from the PRI; the National Action Party; the head of the Mexican Labor Federation, Fidel Velázquez; and various bishops of the Catholic Church, have all denounced the new FZLN as an attempt to expand the Zapatista insurgency nationally.

"Marcos" had announced that the EZLN would build "centers of cultural resistance" throughout the country, to help organize the new liberation front, each to be called *Aguaascalientes*. The Mexican Army objected that the *Aguaascalientes* would be logistical centers for armed attacks.

The EZLN had designated the so-called Free Center of Dramatic and Artistic Experimentation (CLETA), a notorious terrorist outpost which had functioned for 26 years in Mexico City's Chapultepec Park, 800 meters from the Presidential residence, as the site of the "First *Aguaascalientes*." That plan ended, however, when police raided the CLETA on Jan. 13, and bulldozed the facilities.

# International Intelligence

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## **Schiller Institute member addresses S. Africa group**

Schiller Institute member Philemon Sekoatle received a warm reception when he presented Lyndon LaRouche's ideas to 100 people at a meeting sponsored by the Evaton Development Forum outside Johannesburg on Jan. 9. The meeting was called to mobilize against the African National Congress-led government's announced plans to privatize many of South Africa's State industries, particularly in infrastructure.

The meeting was attended by local citizens' groups, the Pan African Congress (PAC), the African National Congress, the African Christian Democratic Party, Cosatu (the nation's major trade union confederation), and other organizations, including many local teachers. Although there were a half-dozen speakers, by mutual agreement among the organizations present, Sekoatle was the featured speaker, addressing the meeting for two and a half hours.

Besides criticizing privatization as a "Conservative Revolution" attempt to return South Africa to feudalism, Sekoatle presented LaRouche's triple curve function (see **Figure 6**, in our *Feature*), to demonstrate why the British oligarchy was desperate to loot South Africa and other countries. He elaborated on how the queen dominates all precious metals worldwide, and that the British Commonwealth was still the old British Empire. "Why should we go back into this organization?" he demanded. (South Africa quit the Commonwealth in 1961, but rejoined after the ANC took power.)

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## **Philippines smashes Hongkong drug network**

Philippine authorities in Manila smashed a major Hongkong "triad" drug network on Jan. 21, in what Interior Secretary Rafael Alunan told the press was "the biggest single seizure recorded so far in the history of anti-narcotics operations in the Philippines," according to wire service reports.

Alunan reported that 600 grams of "ice," or "shabu" (methamphetamine hydrochloride), valued at \$10.7 million, was seized from three suspects at Manila airport, following a tip that Hongkong triads planned a major delivery. The three included Malaysian Choo Yeh Leong and two British nationals, Wong Kwok Leung and Chik Chi Ping. The group's ringleader, a Chinese national named Cheng Ting-lun, was killed in a pre-dawn gun battle with authorities while en route to deliver drugs that had been brought ashore from a foreign ship.

Alunan said that Cheng was the "third most-wanted drug lord" in the Philippines, and that the two British citizens were top triad members.

Anti-Narcotics Command Director Rex Piad said the operation had "destroyed the pipeline of shabu smuggling," which would affect the entirety of drug smuggling, but "there are still other pipelines that we are trying to destroy."

Cheng was the fourth foreign drug trafficker killed in the last nine months. Two Nigerians and a Chinese were killed last year. At least 45 foreigners are in prison in the Philippines for drug trafficking; one, a Japanese, is facing the newly passed death penalty for trafficking.

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## **How Afghan mujahideen got into Chechnya**

An undisclosed number of Afghan mujahideen are reportedly fighting on the side of Gen. Dzhokar Dudayev's Chechen forces. *EIR* investigations reveal they were first brought into the area in the early 1990s to aid Azerbaijan forces then fighting the Armenian efforts to reunite with Nagorno-Karabakh.

British aid to Azerbaijan in the form of arms, training, and supply of mercenaries, including mujahideen, became known in January 1994, when the British Foreign Office admitted to knowledge of such activity. The main firm serving as a commercial cover for this aid has been the British-registered Summit Ltd, based in Northern Cyprus. Lord Erskine of Rerrick, a retired military officer, has admitted to his involvement in the British press. He was Lonrho's managing director in Iran, when the firm helped coordinate the British side of the "Iran-

Contra" operations.

In 1991, the Azerbaijan government negotiated a contract with Gen. Richard Secord and David Kimche to train its army. Secord had been a top figure in providing illegal arms to Ayatollah Khomeini; Kimche, the former director general of the Israeli Foreign Ministry, had been his Israeli counterpart. By 1991, Kimche had retired from official government service, and was a consultant to Lonrho, as well as to Shaul Eisenberg, the Mossad Asia specialist, who was investing on a large scale in Central Asian "cotton production." Secord was to coordinate the training of 5,000 Azerbaijan troops for use in commando missions against Armenian forces in Nagorno-Karabakh. Kimche was to arrange for the Israeli military to provide training in both Azerbaijan and Israel.

To provide cover for the operation, the Azerbaijan government hired MegaOil USA of Marietta, Georgia, and Ponder Industries, of Alice, Texas, purportedly to provide technical services for its oil industry. Secord was nominally hired by the firm.

Despite two changes of the Azerbaijan government, by 1994, an estimated 1,000 to 3,500 former Afghan mujahideen had also been brought into Azerbaijan.

It is ironic that Dudayev, who is using these mujahideen for terrorist operations, had been the Soviet Air Force general who first began the systematic bombing of Afghan civilians during the Soviet occupation of Afghanistan.

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## **Club of Budapest joins zero-growth crowd**

In an interview with the Munich daily *Süddeutsche Zeitung* published Jan. 19, senior Club of Rome member Ervin Laszlo says that it has become so "boring" for people to constantly hear the same warnings about coming ecological catastrophes in the way this is usually done, that this method "no longer works. Therefore, I founded two years ago, a complementary organization to the Club of Rome, the Club of Budapest."

The Club of Rome is the oligarchist organization of politicians, economists, and scientists, founded 25 years ago to promote zero-growth ideology. The Club of Budapest

is made up of "artists, authors, and philosophers," the Hungarian-born Laszlo explained. Half of these have "big names," including the Dalai Lama, Peter Ustinov, Elie Wiesel, and Lord Yehudi Menuhin.

Asked how the world can pass to the stage of "an ecologically friendly communications society" of the type he recommends, from its previous industrial stage, without the complicating problem of the developing nations wanting industrialization, Laszlo averred: "I don't think that these countries must go through an industrial phase. One doesn't unconditionally need heavy steel production. . . . The socio-biospheric system can not withstand this. If China goes through everything that we, in Europe and North America, have gone through in this century, there will be, within ten years, an ecological collapse. From this standpoint, it is necessary, that the underdeveloped countries go immediately from pre-industrial technologies to post-industrial technologies, and work more organically, biologically, and socially."

### 'Third Rome' alliance emerging in Russia?

In a full-page feature spread on Jan. 22, the French daily *Le Figaro* profiled the growing strength of the Russian Communist Party, including the increasingly warm cooperation between Gennady Zyuganov's Communists and the "Holy Mother Russia" proponents around the Russian Orthodox Church. Before the Dec. 17 elections, Zyuganov had gone so far in "bending over" to Orthodox Patriarch Aleksii II, that one could say that the earlier Communist slogan "Proletarians of the world, unite!" has been replaced by "Patriots of Holy Russia, unite!" the paper commented.

*Le Figaro* focused on the activities of the Russian magazine *Spiritual Heritage*, which is oriented toward the "Third Rome" ideology, which envisages Moscow as the capital of a "third and final Roman Empire." It has received some 300 contributions from various Russian intellectuals since its founding in the late 1980s. Its director, Podberyozkin, used to advise former Vice President Aleksandr Rutskoy, including during the bloody

showdown between President Yeltsin and Parliament in October 1993, but he then found Rutskoy to be "too anti-communist" and broke the tie. Later, he advised the Skokov-Lebed Congress of Russian Communities, but now finds them to be "an empty shell."

So now, he has gone over fully to cooperation with the Communist Party, affirming that they are most able to fight the "systematic political weakening of the State under the Yeltsin reforms." Podberyozkin told *Figaro* that he doesn't care what label is put on him, as long as an alliance is formed in Russia that can "assure the restoration of the Russian State." He works closely with the CP-linked *Sovetskaya Rossiya* daily, in mutual "self-defense" against the destruction of the State. Podberyozkin said that *Spiritual Heritage* was set up as part of a cooperative venture with the U.S. RAND Corp., "but the Americans tricked me," and the deal was broken.

### Prince Bernhard's Nazi past confirmed

The Nazi past of Bilderberg Club founder Prince Bernhard of the Netherlands, repeatedly exposed in *EIR*, has been further confirmed by the Dutch Canadian paper *De Krant*, of Dec. 23, 1995. The text reads in part:

"Prince Bernhard seems to have been a member of the German Nazi party, NSDAP. The prince, now 84 years old, has always denied being a member of the party.

"He became a member in 1933 and only resigned from the party, one day after becoming engaged to Princess Juliana in 1936. He did this with a letter, signed with the words 'Heil Hitler.' Four months later, one day after his marriage to Princess Juliana, in January 1937, his resignation became official.

"The Dutch government in 1948 tried to get Prince Bernhard taken off an American list of members of the NSDAP, with the argument that the prince only became a member in order to get his pilot's license. The Americans however, left Bernhard on the list, even though the information was not made public."

## Briefly

**THE SOCIALIST** International's European Section met in Reith, Tyrol on Jan. 25-27, upon an invitation of the Austrian Socialist Party, to discuss the crisis of the welfare state and the labor market.

**NATION OF ISLAM** head Louis Farrakhan was quoted from Monrovia, Liberia on Jan. 18 calling on blacks to form a united front to fight discrimination. "It's time that black people regardless of being Christians or Muslims understand the importance of being united for a common goal," he said. Minister Farrakhan is on an African tour.

**CARDINAL** Agostino Casaroli, the former Vatican secretary of state, in a TV documentary on his career in mid-January, said he was convinced that Mehmet Ali Agca did not act alone in his 1981 assassination attempt on John Paul II in Rome.

**TEN NATIONAL** leaders of the Anti-Defamation League, the notorious U.S. organized-crime front posing as a civil rights group, went on an eight-day mission to the Middle East to meet with government officials in Saudi Arabia, Israel, Egypt, and Gaza in November, according to the ADL's December 1995 newsletter.

**AUSTRALIAN** Prime Minister Paul Keating was in Malaysia Jan. 20, and met five hours with Prime Minister Mahathir Mohamed. Keating is playing a key role in the new "Commonwealth" push of the British in Asia. Previously, Mahathir had been, on the surface at least, the chief opponent of the new, Asian face of Australia.

**LUIGI EINAUDI**, the Kissingerian State Department envoy, monitored talks between the foreign ministers of Peru and Ecuador over the Jan. 20-21 weekend in Lima. His presence is a sure guarantee that the border dispute, and perhaps a renewed war, will remain on the front burner. Sources in Peru say Einaudi is practically living there now.

## Puerto Rico takes on bigger role in the war on drugs

by Iván Gutiérrez del Arroyo

As part of its strategy to defeat the drug cartels in the Caribbean and Andean regions, the Clinton administration last year announced its plan to set up a sophisticated radar on the island of Puerto Rico to detect and prevent aircraft loaded with drugs from entering the United States. Known as ROTHR (Relocatable Over the Horizon Radar), the system scheduled to be installed on the island is part of a broader system which includes two other radars located in the states of Virginia and Texas, whose purpose is to detect and constantly track all air transport of drugs from Bolivia to the southern United States (see map). When the radar is set up in Puerto Rico, it will give U.S. agencies such as the Drug Enforcement Administration (DEA), the Coast Guard, and police almost double the time now available to more efficiently detect, pursue, and confiscate air and sea shipments of drugs which reach Puerto Rico, on their way to the United States.

ROTHR's big advantage is that it has the ability to detect movement beyond the area of direct line of sight, that is, beyond the horizon, and, for this reason, it was used to detect Russian bombers in Europe. It is not a "magic bullet," but, as Puerto Rico Gov. Dr. Pedro Rosello told *EIR* in an interview, "it is a highly effective tool . . . which significantly enhances our efforts to control drug trafficking."

There is no question that the new Puerto Rican radar is of strategic importance.

Predictably, the announcement of the radar's coming installation provoked a violent campaign against it, led by Puerto Rican political forces associated with the São Paulo Forum, the narco-terrorist coalition created in 1990 by Fidel Castro. These forces say they have the support of the majority of

Puerto Rico's population. However, the daily *El Nuevo Día* reported at the end of last year that, in its survey, most Puerto Ricans support the radar's installation, while only 31% of respondents opposed it. The survey's results take on greater meaning, because it was conducted *after* the unfortunate and insensitive public relations campaign organized by the U.S. Navy in support of the radar system's installation. Because of the way it was handled, the Navy's campaign created more opposition to the radar than had existed originally, especially among members of the opposition Popular Democratic Party, whose president, Héctor Luis Acevedo, is a lieutenant colonel in the U.S. Army Reserve.

Puerto Rican groups affiliated with the São Paulo Forum, and the pro-drug Inter-American Dialogue which supports it, include the New Independence Movement (NMIP), the Puerto Rico Independence Party (PIP), as well as avowedly terrorist groups such as the Nationalist Party and Los Macheteros. Their purpose is to make Puerto Rico a terrorist bridge for the São Paulo Forum to the United States, and among them, they have organized several protest demonstrations against President Bill Clinton's war on drugs.

### Money-launderer of the Americas

After a lengthy stay on the U.S. mainland, this correspondent recently returned to his native Puerto Rico to conduct a series of interviews with important leaders in the war on drugs, including Gov. Pedro Rosello, the general in charge of ROTHR, and the head of the DEA for the Caribbean region (see interviews which follow). As the governor told a Spanish-language daily in Miami, Puerto Rico "has the dubious

honor” of being the country with the highest rate of criminality and auto theft in the Americas. In addition, it is one of the primary launderers of drug money in the world, and holds first place in the United States for per capita confiscation of dirty money.

The island’s crime rate is so high, that it is unusual to see a home or apartment without iron gratings or some other form of protection, and police generally advise motorists not to stop at traffic lights after 10 p.m. Headlines in the local press regularly proclaim that there is an “unstoppable crime wave in Puerto Rico.” It is commonplace for 15 murders to occur during a single weekend. All of this is primarily a result of the drug trade.

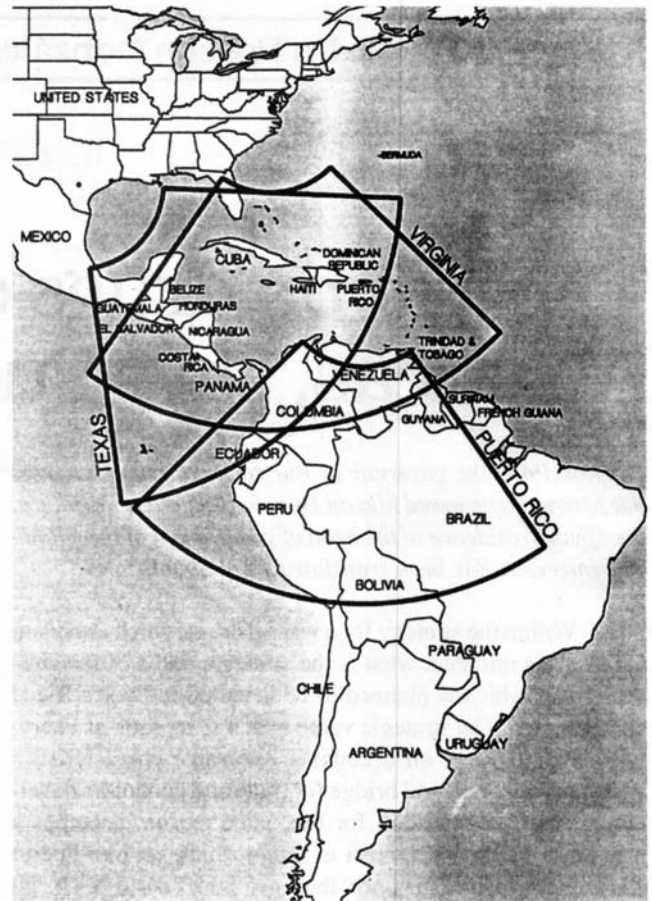
Despite this hellish picture, none of the officials interviewed repeated the line of the São Paulo Forum or the Dialogue that “the United States is losing the war on drugs,” and that, therefore, as the *Washington Post* and the *San Juan Star* insist, drugs must be legalized. On the contrary, all emphasized that illicit drug use can be, and is being fought, and that those who are proposing drug legalization are “throwing in the towel,” as Governor Rosello put it.

Beginning in 1993, the governor took a “hard line against crime,” including deploying the police and the National Guard to occupy public housing. The island was incorporated into those regions designated by the United States as “high-intensity drug-trafficking areas” (HIDTA), which not only means an increase in the allocation of federal funds for fighting drugs, but that federal and state personnel can also be brought in to combat the drug cartels. Federal agencies on the island, led by the DEA, have targetted the Colombian cartels’ money-laundering operations, and, through Operation Golden Trash, succeeded in dismantling 18 money-laundering organizations.

Despite these short-term achievements, Governor Rosello recently explained that “everything that we do here will be a waste, if we don’t extend a helping hand to our neighbors,” especially in the Americas, “which will allow us to consolidate a more effective and efficient joint force.” This year, this will include holding an anti-drug summit to launch “a concerted, continental action against crime and drugs.”

### The vulnerable flank

In the interviews, however, I detected a few points of vulnerability among these otherwise committed anti-drug fighters. For example, Governor Rosello, who clearly maintains a firm personal and political commitment against drugs, is at the same time an admirer of the Chilean economic model and its guru, Milton Friedman, one of the leading promoters of drug legalization. As seen in the regimes of such corrupt former Presidents as Carlos Salinas de Gortari of Mexico, Carlos Andrés Pérez of Venezuela, and current Colombian President Ernesto Samper Pizano, the neo-liberal model of “free trade” is based on speculation and money-laundering.



*The Relocatable Over the Horizon Radar (ROTHR) planned for Puerto Rico, will dramatically expand the area (southern-most black-bordered figure) in which drug traffickers’ planes can be identified and intercepted.*

Under this system, the so-called “informal economy” preys on and ultimately devours the productive physical economy.

In an *EIR* study (see July 21, 1995, “An Obituary for London’s ‘Chilean Economic Miracle’ ”), we revealed the real “achievements” of Milton Friedman and his Chilean “Chicago Boys”: destruction of all sectors of the physical economy, while increasing by six times the speculative bubble of the illegitimate foreign debt.

This same vulnerability to free trade ideology leads Dr. Rosello, a Democrat, and some of his advisers, to feel great admiration for aspects of House Speaker Newt Gingrich’s (R-Ga.) and Sen. Phil Gramm’s (R-Tex.) “Contract on America,” such as privatizing public services and drastically reducing benefits to Puerto Rican workers.

Another weak point, is the lack of understanding of how the so-called independence movement and its narco-terrorist allies are mere tools of the international oligarchy, whose puppets include Fidel Castro’s agents on the island, as well as the supporter of drug legalization, Milton Friedman.

# The war on drugs can be won in the Americas, says Puerto Rico governor

*Dr. Rosello is the governor of Puerto Rico. Iván Gutiérrez del Arroyo interviewed him on Dec. 6, 1995 at La Fortaleza, the official residence of the head of government of the island. The interview has been translated from Spanish*

**EIR:** Within the strategy for a war on drugs which President Clinton has initiated, what is the strategic value of the anti-drug radar which is planned to be installed in Puerto Rico?

**Dr. Rosello:** The strategic value is that if we look at Puerto Rico: Puerto Rico, on account of the same characteristics which make it a natural bridge for trade and economic development in the Americas, for this same reason, becomes a bridge for the transshipment of drugs which get into Puerto Rico, but which also, once they get into Puerto Rico, go directly to the United States. Puerto Rico lies inside the [U.S.] customs barriers, and therefore, if the drugs are already in Puerto Rico, it is as if they were in any state [of the United States.] Ninety percent of the drugs which come into Puerto Rico end up in one of the states of the American Union. Therefore, we understand that the port of entry for many of these drugs is via Puerto Rico.

The radar will add to an armamentarium against this illegal transshipment, because it complements the systems that are in Virginia and Texas to look at that area, where the trafficking starts, an area which at present is hidden, which cannot be spotted by traditional methods and which also at the moment allows [the traffickers] to go by different routes than those covered by the two radars. Thus, from the perspective of the nation, it is important to shut the door on the entry of illegal drugs, not just into Puerto Rico, where about 10% remain, but the whole rest of the nation.

And for me, the efforts we have made in Puerto Rico are very important, because we have tried to utilize all the help we can get to control illegal drugs in Puerto Rico. This starts from the local initiatives: increasing the security forces in Puerto Rico, professionalizing the security forces, carrying out some initiatives at the points where drugs are trafficked locally in Puerto Rico. And nationally, we have requested and have been granted the designation of Puerto

Rico as a HIDTA [High-Intensity Drug-Trafficking Area], which allows for the integration of the federal and state forces for the control of the drug traffic. This is for me a very effective instrument—not a “magic bullet,” but one which adds significantly to the effort to control the transshipment of drugs through Puerto Rico and into the United States.

**EIR:** Many people have referred to the radar technology as obsolete, saying that a more modern technology is needed. What is your view of this criticism?

**Dr. Rosello:** From all that I know, this is a modern technology, which will allow the radius of coverage what can be seen by radar to be widened, and I understand that, unless someone brings us an alternative that would not only be more advanced, but more cost-efficient, this is one of the new generations of technology.

**EIR:** President Clinton recently stressed in his speech at the United Nations, that one of the principal points in his campaign against drugs is to get rid of the companies and financial centers that act as drug-money laundries. You mentioned, in a column that appeared in the [U.S.-based Spanish daily] *Diario de las Américas*, the possibility of holding a continental anti-drug summit in Puerto Rico early next year, in which joint strategies could be discussed by all the countries of the hemisphere against the financial centers that launder drug money. What importance do you ascribe to the battle against the financial centers that launder dirty money?

**Dr. Rosello:** I think that the drug issue has to be seen from a very broad perspective. It is a very complex problem, a problem where the drug traffickers have been able to establish very powerful operations with a great deal of financial backing. We have to see this not from the perspective of countries that produce drugs, nor the countries which are transshipment points for drugs, nor the countries which are consumers of drugs. The drug problem is affecting us all, and it does not matter what may be the principal role of each of these societies.

Therefore, what we are trying to do is, that, here in





*Governor of Puerto Rico Dr. Pedro Rosello González (left) is interviewed by EIR correspondent Iván Gutiérrez, in San Juan.*

Puerto Rico, we might bring together countries, leaders, and experts who are in each of these phases, and that we might join our efforts; not saying that my problem is to see how we can stop producing drugs, or my problem is to see how we can stop consuming drugs, or my problem is to see how we can stop drugs from being transshipped. But that we might all see, that if money-laundering is allowed, it is going to affect me, no matter where it occurs. And our intention is that this conference take place here in Puerto Rico.

We are planning it for February of next year, and more than a conference, it is a meeting to search for solutions, where we would set aside our traditional roles and set aside the attitude that the problem of drugs is in who produces them, or who consumes them, or who allows them to pass through. That's not the issue, the issue is that the problem affects all of us.

**EIR:** I read a series of articles published by the daily *San Juan Star*, where it is said that the war on drugs has been a failure, and that we need to study the possibility of legalizing drugs. David Noriega, the candidate for governor for the Puerto Rican Independence Party, who is close to the pro-legalization Inter-American Dialogue, and other persons in Puerto Rico, are promoting this possibility. What do you think about legalization of drugs?

**Dr. Rosello:** I am adamantly opposed to it. First, the premise

that the war on drugs is being lost, is a farce. Here in Puerto Rico, the statistics are overwhelming, in confirming that the initiatives that we have begun here are giving results. I can give you the latest figures, which in fact we discussed today in the meeting of my administration's Security Council. Statistics are published today in one of the newspapers of the capital, which clearly indicate that after a decade of increasing drug trafficking and its result, which is violent crime, these figures have started to go down during the last three years.

Therefore, the premise is incorrect. We *can* effectively combat the illegal use of drugs here. It seems to me that this attitude is throwing in the towel. It seems to me that it is like saying that it is such a hard problem, that we are going to ignore it. And I, as a health care professional, as a medical doctor, don't believe that any of us can accept legalization, something which we know eventually ends up with sickness and death. So I find it totally illogical that a society would assume the position of saying that it can accept for a certain number of its citizens, voluntarily and without the State doing anything to prevent it, to take on lifestyles which are totally destructive.

For me, I say this emphatically, it is a mistake. I could never support drug legalization, because I think that it means giving up in the face of what I know, which is that right now in Puerto Rico, we are obtaining obvious positive results.

# Radar system in Puerto Rico will boost anti-drug capabilities

*General Arzola is the military official in charge of the anti-drug radar for the U.S. Department of Defense. He was interviewed on Nov. 28, 1995, in his offices in San Juan, Puerto Rico, by Iván Gutiérrez del Arroyo. The interview has been translated from Spanish.*

**EIR:** In the context of President Clinton's war on drugs, what is the strategic value of the anti-drug radar which is planned to be built in Puerto Rico?

**Arzola:** The radar being established in Puerto Rico is the third prong of a system, which we already have set up in Virginia and Texas. It will allow us to complement and complete the capacity to see the air transport of drugs from Central and South America, and the Caribbean. The two systems in Virginia and Texas already allow us to cover the southern flank of the United States, up to the northern coast of South America. When this radar system includes Puerto Rico, it will allow us to cover as far as Bolivia and Peru, which are the places of origin of this drug [cocaine].

As you know, the Defense Department is the leading agency in this anti-drug strategy, which is established by law, with the task of aerial and maritime oversight over all the traffic which approaches the United States. This is not only the function of the Department of Defense; that is to say, this anti-drug strategy spans all the federal agencies. The Navy is just one of the components of the Department of Defense.

The strategic value of this system is to complement the aerial oversight of the transfer of drugs on the southern border of the United States. What is the use of this system? We can compare it to the system they want to establish in Brazil, which is certainly very different from the system we want to set up in Puerto Rico.

Brazil's system has the purpose of preserving sovereignty over their airspace, and it is a commonly known system of radar, in which the beam travels on a straight line. When you reach the horizon, this radar beam keeps going straight, and what is beyond the curvature of the Earth, it does not see. The ROTH (Relocatable Over the Horizon Radar), which is going to be set up in Puerto Rico, has the shape of a fan, which stretches from 500 to 2,000 miles out from the transmitter, and there is nothing that can hide from it.

Because, now, instead of coming directly from below, the radar comes from above, off of the stratosphere. This system has a look-down capacity.

Is that useful? Of course it is. I can cite you a period of time—I will give you the exact dates—i.e., 1993 to 1995, in which some 20,000 trajectories were identified with the radar in Virginia. Two hundred of these were linked to the drug traffic; 90% of those were followed, and \$5 billion worth of drugs was captured. Of course that's useful.

The good thing about this system, is that it works if the plane is going toward the United States. If the airplane is flying east to west, then we are not interested. This system, given its technical capabilities, is a Doppler effect system, and hence, if it is not coming toward us, we are not going to see it.

**EIR:** If the radar is installed, how much additional time would it give to the anti-drug agencies in Puerto Rico and the United States?

**Arzola:** This would double the time we have now. Right now, the present systems cover 500 miles; or two hours, and with radar this time is doubled, and additional time is given to the police and Coast Guard. . . . This radar is going to be a terrific help. . . .

ROTHR extends the limits of oversight, it gives us early warning, and then when the target is getting closer to Puerto Rico, now we can wait and we can start to eliminate the target; . . . we already know where it is coming from. The police of Puerto Rico and FURA [United Rapid Action Forces] are the agencies which have jurisdiction here in Puerto Rico. If the landing is in Puerto Rico or near the coast, the jurisdiction is the police's. If it is on the high seas, the jurisdiction is the Coast Guard's. . . .

**EIR:** How would ROTH help the anti-drug struggle on the continental level?

**Arzola:** The information obtained is processed at a central point, and then, it is made available to an interagency group, and, via the team we have, it is made available to these countries, where the flights came from.

The Southern Command of the United States does not have the power to send planes and down these flights in

Peru and other lands. This is the jurisdiction and sovereignty of each country; that is, the information is given to that country, and they are the ones to act on it. This is going to allow us to cooperate with those countries in their battle against drug trafficking.

**EIR:** What do you think about the accusations that drug traffickers are financing the opposition to establishing the radar in Puerto Rico?

**Arzola:** I have no evidence, but clearly this system is going to do tremendous damage to the drug traffickers. We are talking about billions of dollars in traffic. A system which will allow us to focus a beam on the air traffic over any one of those countries—well, look, this is a tremendous threat to the Colombian cartel. Those gentlemen have the capacity to move big quantities of money, they have large funds. I am speaking now as an ordinary citizen. . . .

How can you explain, that in the area of Lajas, where there is a plan to set up this system—floodplains which are only useful for cattle grazing—there is so much protest being raised? This is strange. If you read between the lines, you can realize that something is happening there.

I have no evidence in hand which says whether the drug traffickers are involved, but, yes, I do find it strange, as a citizen who sees and perceives what is going on, I find it very strange. Also, I am surprised by the level of opposition, although it is still a minority in Puerto Rico, but it is going far beyond what was expected. You know that the pro-independence movement, which I respect, as a very beautiful but not very practical idea, only gets 5% [of the overall vote in elections]. However, although it is a minority, it has succeeded in raising up a movement which goes well beyond its vote. . . .

**EIR:** The opponents of the radar refer to this as a piece of junk, which really does not fulfill the requirements for dealing with this threat. What do you think about that?

**Arzola:** Well, I would like to already have a “piece of junk” that would let me see from 500 to 2,000 miles of distance, which could see the drug trafficking as it approaches the United States. There is no radar system at present which gives us this capacity, they are all of limited reach.

**EIR:** And what about the assertion that this radar system will affect the environment?

**Arzola:** As a matter of fact, we just finished the environmental impact statement on the system last night. We already have these systems operating in the United States, and I know a person who was there on his own and knows it from up close. The receiving antenna, like the one that will be installed in the Lajas Valley, the signal it receives, is 1,000 times weaker than the signal you have on the antenna of your car. It is like looking for the needle in a haystack.

That’s the receiving station. The transmitting station,

which is going to be on federal property on the Puerto Rican island of Vieques, is like a radio transmitter, and quite powerful. But it is designed with a fence with a warning sign posted on it, and everything that indicates that you cannot go in. Beyond this fence there is no problem. You and I can go in and out, the technicians tell me, even when this antenna is transmitting in the vicinity, and as long as it is within an interval of two or three hours, it is not going to affect us because of the type of waves we are talking about. If we stay there to have lunch and sleep there, then there will be a gradual effect, and we are going to start getting warmer. . . . It could even have an effect, but that’s where it is.

But even if somebody pays no attention to the signs on the fence, beyond that fence certain engineering safeguards kick in. That is what you would expect in any transmitter station for television or radio. If somebody grabs an antenna which is transmitting, they are going to get burned; it will cause a microwave burn.

**EIR:** Aren’t you afraid of the possibility of an attack by terrorist groups on the radar, or against Navy personnel, by terrorist groups such as the Macheteros, who are publicly against the radar?

**Arzola:** I have no evidence in that regard. Yes, these groups were active some years ago when there was an ambush of a Navy bus. Every democracy today is exposed to these kinds of groups, as happened in Oklahoma with an extremist group.

I cannot say it won’t happen. This is a democracy, and so I would like to examine all the alternatives and listen to all the arguments about the problem and the concerns about it and what should be done, in terms of dialogue and through democratic procedures. And that is what we are doing with the public hearings.

**EIR:** David Noriega, the gubernatorial candidate for the the Puerto Rican Independence Party, PIP, recently mentioned that in an election year, President Clinton will not want to have problems with the Hispanic vote, and that, ultimately, he is the supreme commander of the Armed Forces of the United States. And Noriega says that, therefore, the radar will not be installed, because it would create political problems for President Clinton. Is there any truth in that?

**Arzola:** Well, Mr. Noriega, as I said, is the head of a very precious ideal, which I respect, but this has to be supported in terms of votes. What he is expressing, has barely reached 5% of the vote. Politicians make their decisions based on a whole heap of considerations, and one of those is that this is a democracy, in which the majority decides.

At the moment, the majority, although silent—not necessarily silent, because there was a poll here that I have just seen, that, right now, the majority is indeed pro-radar and not anti-radar. That’s the democratic process.

# If properly informed, the people of Puerto Rico will support the radar

*Mr. Jiménez is the Drug Enforcement Administration (DEA) agent in charge of the Caribbean region, which has its headquarters in Puerto Rico. He was interviewed on Nov. 28, 1995, at the DEA offices in San Juan, Puerto Rico, by Iván Gutiérrez del Arroyo. The interview has been translated from Spanish.*

**EIR:** In the context of President Clinton's war on drugs, what is the strategic value of the anti-drug radar which is planned to be built in Puerto Rico?

**Jiménez:** The radar in Puerto Rico will complement two other radars which are functioning in Virginia and Texas. The Puerto Rican one will be the radar which would cover the producing area, where coca is harvested and cocaine is processed, with the final destination of the United States via the Caribbean. . . .

**EIR:** If the installation is blocked, what will be the effect with respect to drug trafficking on the island and to the United States?

**Jiménez:** Radar is an instrument which is going to aid our cause and mission, which is to stop these international drug-trafficking organizations, whose aim is to introduce drugs into the United States. The radar is definitely going to be a help, because we will be able to identify suspicious planes, and also we will develop intelligence which will help us in the not-too-distant future, to be able to identify the points of operations of these organizations in South America. And, if the radar can be established in Puerto Rico, we would have a piece of the puzzle which we are missing.

**EIR:** Is the island the best place to install the radar?

**Jiménez:** Based on the studies I know, there can be no doubt that Puerto Rico would be the most strategic point. This radar is in two phases: the transmitter on the island of Vieques and the receiver in the village of Lajas, and there had to be a certain distance between the two.

**EIR:** I would like to discuss with you the general campaign against drugs in Puerto Rico. Has the island been turned into one of the major drug-money-laundering centers?

**Jiménez:** Puerto Rico definitely is a bridge for drugs and

money; the island is being used to bring money from the United States into South America. At present, the traffickers use many different mechanisms: Huge amounts of money have been captured in the international San Juan Airport coming from Santo Domingo, New York, the Caribbean islands.

In Santo Domingo, the criminal organizations are using the major exchange houses to move this money. Later, this money returns to Puerto Rico on its way northward or southward. Puerto Rico is not only a cocaine bridge from south to north, but also a bridge for money derived from drug trafficking, from the United States to Puerto Rico, and, finally, to South America.

**EIR:** When President Clinton spoke at the United Nations, he named a series of entities and companies which launder drug money in Colombia. Do any of these companies work on the island?

**Jiménez:** We have identified a number of organizations which not only work in Puerto Rico, but in the Caribbean. These organized-crime groups are in contact with financial organizations, such as banks or exchange houses, to launder their money.

**EIR:** Do the DEA and other governmental organizations have the capacity to detect the laundering of money on a large scale here in Puerto Rico?

**Jiménez:** Keep in mind that Puerto Rico is part of the United States, and the banks here have to follow regulations. These traffickers and these criminal organizations prefer to use banks which are outside the control of the United States, because those banks are not regulated by the Internal Revenue Service, by certain federal laws which the [U.S.] banks have to comply with concerning deposits and monetary transactions. Once this money leaves the United States, it no longer has to comply with federal regulations, and, then, it is easier to be laundered and arrive already clean in Colombia. . . .

The focus of money laundering is the Dominican Republic. Let's not look at [the banks in] Puerto Rico as foreign banks; the banks here have to follow federal regulations. And so, the traffickers use Puerto Rico because Puerto Rico is a bridge with access to the north and the south. Why? Because of the facilities and the numbers of flights that exist between

the United States and Puerto Rico, and from Puerto Rico to South America.

**EIR:** In Puerto Rico, is a lot of money laundered through the building of shopping centers and other kinds of investments?

**Jiménez:** These kinds of transactions used to be done earlier in the 1970s when the major Colombian organizations started to accumulate huge amounts of money, and then, they would invest this cash in the United States. The problem was that the laws of the United States changed, and then, we—the federal agencies—were given the authority to confiscate all the properties which we could identify that were the products of a drug-trafficking transaction. And so we were able to confiscate a number of shopping centers, banks, organizations, hotels, urban developments, houses, cars, yachts, planes, etc., which we were able to identify as having originated from cocaine to money, money to a bank, bank to another bank, and bank to a loan to a trafficker, who then invested it and knew that this money came from drugs.

In these kinds of cases, the individual, and not the government, has to prove where the money came from.

**EIR:** People complain that the authorities never arrest the big fish, the executives who neither consume nor sell drugs. Is this assertion valid?

**Jiménez:** This complaint, which you hear as a reporter, I hear as the chief of the agency here in Puerto Rico. The problem is not that we don't know "who's who," but that we need sufficient evidence to be able to take a case to court and be able to convince a jury that this person is guilty of some charges or crimes. And this is our mission: to investigate to the point that we can arrest someone and that this person can be convicted of the crimes he is accused of. We do not arrest him nor suggest to the prosecutor that arrest warrants be sworn out, when the case could fall apart in court for lack of evidence. When the cases collapse in court, they are disastrous for the agency and the society. . . .

It is a question of time; these people fall, but it takes time. The big families of the cartel have all fallen. Here in Puerto Rico, bankers are being arrested, who are laundering money, countless persons are being arrested. . . .

**EIR:** Some legislators and politicians, such as Carlos Romero Barcelo, the Resident Commissioner in Washington, D.C.; Sen. Vélez Barlucea; and the president of the College of Engineers, have mentioned that drug traffickers are financing the campaigns against the radar.

**Jiménez:** I have no knowledge of this. I have heard these rumors that the drug traffickers are financing all of these organizations, but I have no evidence that it is so.

In my opinion, I believe that the Puerto Rican people are not correctly informed about the functions and capacity of this radar, and that is what has to be done. I think that when the Puerto Rican people get a clear explanation of what this

radar is going to do, and how it works, and what its environmental impact is, they will give 100% backing to it, because the drug problem has reached our family and it has to be stopped in some way. We have to unite in order to carry out a hand-to-hand fight against these people, including using radar.

**EIR:** What percentage of crime is linked to drug trafficking?

**Jiménez:** I would say that 90% or slightly more of the crime in the island and the United States is linked to drugs. . . .

**EIR:** In Puerto Rico, articles have already appeared in the press proposing the legalization of drugs because the war on drugs has been a failure. How do you in the DEA view this proposal?

**Jiménez:** The DEA is totally opposed to the legalization of drugs. I am going to answer your question with another question: What drugs would be the ones to be legalized—cocaine, heroin? What age would be the average age for a person to consume this legally? If these drugs were legalized, do you think that crime would be reduced? These are the questions that the people have to ask, because then all the means that exist at the present time to report crime, maintain statistics on crime, and keep a barometer of where we stand with crime would all go out the window.

These people propose that legalization would regulate the drug trade, but they don't say how it would do it. . . . These persons propose, as an example, the legalization of alcohol, but alcohol, although it is a drug, is an almost inoffensive drug. What we are talking about is cocaine, a drug which turns [people] violent because it is a stimulant. Heroin, if used with alcohol, has a powerful impact, which would cause some incredible results in this society. The personality of individuals would drastically change and the incidence of crime would double or triple.

Today we have controls so that people don't use drugs, and look at the crime rate we have. Just imagine if people were authorized by law to use drugs. It would be devastating. It is easy to talk about decriminalizing drugs, but how will it be enforced? . . .

**EIR:** Have you had important successes in Puerto Rico against drug trafficking in the last few years?

**Jiménez:** Definitely. We are hitting hard and relentlessly at the organizations that use Puerto Rico as a bridge and are trafficking here in Puerto Rico. . . . The federal and state agencies are working jointly against the organizations of international drug trafficking. . . . I feel absolutely optimistic about this battle and I will not rest for a moment until these organizations are put out of circulation. This has been my mission from my first day on the job. I feel very positive because I understand that we can do a great work in penetrating these organizations and destroying them, and I am convinced that we are going to do it.

## LaRouche campaign brings reality to 1996 election

by Mel Klenetsky

In a half-hour televised address to the nation on Jan. 27, Lyndon H. LaRouche, a candidate for the Democratic Party's Presidential nomination, developed an analysis of why the current discussion of balancing the budget, which Newt Gingrich and company are spearheading, is totally irrelevant and incompetent. LaRouche's prime-time, paid political address was a wakeup call to the American people, with the global financial edifice on the verge of total collapse. The television broadcast was excerpted from the candidate's Martin Luther King Day speech, which is printed in full in this week's *Feature*.

With LaRouche's sharp message on the airwaves, the LaRouche campaign reached a new level of intensity. According to campaign headquarters, this is the first of a series of half-hour broadcasts. The LaRouche campaign is now on the ballot or has now filed in 21 states and will wind up on the Democratic primary ballot in 27-30 states. LaRouche has indicated that the purpose of his campaign is to shape the policy discussion leading up to the Democratic Convention, after which he plans to back President Clinton in the general election.

Despite the clear indications from the LaRouche camp that his campaign will lead the drive against the Gingrich fanatics, thereby contributing to setting the stage for a Democratic victory in November, there are those in the Democratic National Committee (DNC) who are trying to close down primaries and stifle debate. The week of Jan. 15, Arizona Democratic State Chairman Sam Coppersmith joined with the Libertarian Party in a lawsuit to try to cancel the Arizona primary. According to newspaper accounts, Coppersmith feared that LaRouche could be the top Democratic vote-getter, since Clinton is not on the ballot. Their efforts, to date, were turned down by the courts, and there will be an Arizona

primary, with LaRouche's name on the ballot.

Arizona and Delaware have primaries on Feb. 27 and Feb. 24, respectively, both in violation of a Democratic National Committee ruling that no Democratic primary should occur before March 5, except for New Hampshire. This ruling was designed to preserve the uniqueness of the New Hampshire primary, and Clinton, respecting the party ruling, was not to be on the Arizona and Delaware ballots. In Delaware, when Democratic Party Chairman Gary Hinds saw that LaRouche was the only person on the ballot, Hinds, on the last day of the filing, hastily gathered signatures to put Elbert Carvel, the 85-year-old former governor, on the ballot as part of a "stop LaRouche" effort. More recently, a new primary law was rushed through the state legislature which places all candidates with federal matching funds on the ballot, allowing Clinton's name to be added. LaRouche has qualified for matching funds.

More importantly, Donald Fowler, the head of the DNC, has sent out a letter saying that LaRouche delegates will not be seated at the Democratic Convention, should he win any. The Fowler letter maintains that LaRouche is not a "bona fide" Democrat, falsely accusing LaRouche of being racist and anti-Semitic. LaRouche responded that Fowler's letter was scurrilous, based on pure lies (see *EIR*, Jan. 19, p. 54).

### The CityVote experiment

The DNC, starting with their lack of support for CityVote—the experimental urban straw poll and forum for open political debate, organized for a score of cities last fall—has demonstrated a foolish and potentially disastrous tendency to avoid all discussion. In the case of the CityVote straw poll, Clinton came out the clear victor, and could only have benefited from whatever exposure CityVote would have provid-

ed. Harold Ickes, of the Clinton campaign, and his close associate Fowler, led the charge to close CityVote down.

LaRouche commented: "You see what the Democratic National Committee did, for example, with CityVote. Here, the mayors of most of the cities of the United States wished to have a nationwide, free, primary look-see at all the candidates . . . and to have these candidates face questions from people who are representative of urban communities. . . . That was an excellent idea. I participated in the CityVote process. What I saw was excellent . . . better than most of the primary events which are broadcast on television. . . . But the Democratic National Committee took the lead in crushing it. The DNC is doing everything possible to prevent the President, who is a fairly good campaigner, from getting out and talking to people! In a sense gagging the President. . . . Now this bunch up there in the Democratic National Committee, around Fowler and Ickes—I think Dodd's all right—but the apparatus, the bureaucracy in the DNC, which is dominated by only one section of party interests, is wrecking the party from within and is doing about everything you think could be done, to sabotage the effectiveness of the President's re-election campaign."

## The State of the Union

Newt Gingrich's Conservative Revolution has proved an effective foil for Clinton's Presidential re-election efforts. The latest *New York Times*/CBS polls show that 60% of the public disapproves of Congress's performance. Forty-seven percent of those polled said they would vote for a Democratic congressman, compared to 40% saying they would choose a Republican, should the elections be held today.

LaRouche's upcoming broadcasts will continue to present an antidote to the unreality that pervades this election year, and will further demonstrate the insanity of the policies of Gingrich and his Red Guard, thereby adding to the public awareness demonstrated in this last poll.

In an interview with this reporter on the weekly "EIR Talks" radio program on Jan. 24, LaRouche commented on the President's State of the Union speech of the night before: "Well, of course, the opening of the address was most unfortunate; but this is what some people think is politics, as opposed to policy. The President indicated a successful condition of the economy which is *absolutely not true*. But maybe he felt obliged to say that.

"You can see, when you look at the State of the Union as a whole, it was a Christmas tree. Probably, vis-à-vis the Republicans, the speech will work; and I think that, perhaps, was the intention. It offers a bit of something to almost everyone; had a couple of highlights which were good; and had a lot of also-rans. But these are Christmas gifts to various constituencies and individuals which would be classed around the White House, I believe, as 'political in character.'

"So, I was not entirely displeased with the short-term result of the address; but, certainly, the President is not yet

saying what has to be said. And perhaps that will have to be done under different circumstances, on a different occasion.

"I think it largely is up to me, *personally*, to do something to get this across. There's the reality of the situation. So, it was not the State of the Union, it was the State of the Election Campaign."

## Bloody toll of the Contract with America

LaRouche has emphasized, in a number of recent statements, the murderous effect of the Contract with America. In his speech at a Schiller Institute press conference mobilizing opposition to the Gingrich Revolution (see article, p. 70), he compared Gingrich's program to that of Adolf Hitler. This theme was drawn out further in an open letter to the governor of Delaware, dated Jan. 24 and titled, "Contract Also Sentences Many Seniors to Die." In the letter, LaRouche wrote, in part:

"It appears now that the state of Delaware will hang Billy Bailey tomorrow. Billy, who was convicted of the 1980 shotgun slaying of two senior citizens, has been turned down by the Delaware Board of Pardons and the U.S. Supreme Court. Billy, the court decided, killed the two seniors; Billy says he did it while he was drunk. When I hear about Billy, I ask myself: 'What about Newt Gingrich's crime?' Will Newt also claim that he was drunk at the time he acted to cause the death of many senior citizens?

"Newt Gingrich's 'Contract with America,' unless stopped, will kill many thousands of senior citizens, and other innocent victims. Do citizens have any moral grounds for objecting to our comparing Newt Gingrich's crimes with that for which Billy Bailey was convicted? Not according to the post-war Nuremberg courts which tried the Nazi officials.

"Remember, during the post-war trials of Nazis at Nuremberg, U.S. Justice Robert Jackson successfully argued that government officials or relevant professionals, who either knew or should have known their decisions would lead to the wrongful deaths of others, were as guilty as had they killed those victims themselves. I know of no case in which Adolf Hitler slew any person while he was Chancellor; had Hitler lived to be tried at Nuremberg, he would have been tried for the murders caused by his policies. Which is worse: the hired killer, or the person whose policy the hired killer carries out? Which is guiltier, Gingrich, or Billy Bailey? . . .

"The rock upon which civilization depends, is the recognition that all individual human life is sacrosanct. It is the law of civilized nations, that one may kill in the course of justified warfare, but may not kill a prisoner in one's custody. Until the middle of the 1970s, Americans had come to recognize that that principle of life applied to all prisoners, not only prisoners of war. . . .

"The worst human swine are of the self-righteous variety.

"When you think of Billy Bailey hanging by a rope, think of our civilization hanging by a thread."



# Activists call for 'covenant of good will' to stop 'Contract on America'

*On Jan. 19, the Schiller Institute sponsored a press conference in Washington, D.C., for prominent political figures who were calling for the formation of a coalition to stop Newt Gingrich's murderous efforts to "balance the budget." Speakers included Dr. Benjamin Chavis, national convenor of the National African-American Leadership Summit and national director of the Million Man March; former Rep. John Dow (D-N.Y.); and Lyndon H. LaRouche, Jr., Presidential pre-candidate (D). Much of Mr. LaRouche's remarks were a summarized form of his more extensive discussion which appears in our Feature. Messages to the press conference were also sent by former congressmen Clare Callan (D-Neb.), Byron L. Johnson (D-Colo.), and Jeffrey Cohelan (D-Calif.). Excerpts from the three speakers appear below.*

## **Dr. Benjamin Chavis**

It is time that those of us in America who recognize the utterly destructive impact of the Republican Party's "Contract with America," call the people of the nation together in town meetings and citizen assemblies, to arrive at an alternative. We must say, in no uncertain terms, that the Contract with America has failed. The "Contract with America" has been nothing less than a contract *on* America, and the time has come to tear up that contract.

America needs a covenant of good will, so that citizens are able to strive for a more perfect union. . . . America needs a third force, an independent force that is not for sale. Since the time of the Million Man March, progressive forces from throughout the country have been on the move. When they saw, last October, close to 2 million African-American men come together in a spirit of atonement, without violence, and responding to the call by the Honorable Minister Louis Farrakhan to take leadership, these forces took heart.

Organized labor has begun to move against the Contract. Senior citizens have begun to move. The Hispanic community is considering the initiative of a "million man march." These efforts need to be combined, to liberate the people from this immoral and ungodly contract.

We must now move to implement the registration of at least 8 million unregistered African-American voters. Further than that, we must hold citizens' hearings, and town meetings across the country, to hear from those who offer an alternative to the Contract with America. All points of view that offer a real alternative must be heard. We will hear from anyone—doctors, labor leaders, educators, religious leaders, community

activists, elected officials, candidates, youth—that wish to form a united front to eradicate the Contract. . . .

When Republican representatives, such as Rep. Dick Arme, state they *expect* 25% of all hospitals in the U.S will close as a result of cuts in Medicare and Medicaid, that affects all Americans, and especially African-Americans; when 1.5 million Americans, most of them African-Americans, sit in our jails, and privatization of the prisons creates a new cheap labor pool that returns us to the days of slavery, that affects all Americans, especially African-Americans. When a national campaign to privatize schools tries to loot the \$800 billion in the budgets simply to turn a profit, and not provide education, that affects all Americans, and especially African-Americans. When 40 million Americans officially live below the poverty line, but the Contract with America seeks to give tens of billions of dollars in tax cuts to the rich, that affects all Americans, and especially African-Americans. When senior citizens are forced to eat dog food, while the funds are allowed to run out of Social Security that they were assured would "see them through the hard times," that affects all Americans, and especially African-Americans. . . .

## **Former Rep. John Dow**

. . . We have in this country an oligarchy. . . . Now, when it comes time to do something, they think of cutting down the poor people. In ancient times, when there were troubles in any community, it was generally a case where the affluent people were the target of the "have-nots," the "haves" versus the have-nots. We have that confrontation now; but the peculiar thing about the present one, is that the haves are taking the initiative to put down the have-nots, which is kind of tragic. It's against history. . . .

The present budget negotiations cover a desire of the Republican Party to cut out the, you might say, the best parts of the budget, as it was figured by the Congressional Budget Office, cut \$1,111 billion, out of the budget. . . . Of that, the Democrats have agreed to \$698 billion of cuts. . . . And that's where they're at, and I'm rather sorry that the Democrats, and President Clinton, have listened to the idea of cutting more than half as much as the Republicans. I'm a little bit disappointed in that, although I admire the fact that he is confronting them, and standing up, and I hope he'll continue to stand up. If they have a compromise between \$1,111 billion on the Republican side, and \$698 billion on the Democratic side that he's willing to concede, if they have a compromise, that will



*Dr. Benjamin Chavis speaks at the Schiller Institute press conference on Jan. 19: "We must say, in no uncertain terms, that the Contract with America has failed." To Dr. Chavis's right are Lyndon and Helga LaRouche.*

give the Republicans *nearly all*, about 80% of what they want. And that's tragic. . . .

I think that the President should climb into his bully pulpit, and make a stand, and say that we're not going to have any more of these concessions. I don't think he should concede any more. I think he ought to stand up and say, "We've had it, no more! We're at the 'No!' point," he should say, in these negotiations.

And, in order to support that, if I were he, I'd get into the bully pulpit, and I'd tell the nation what I'm telling you. . . .

### **Lyndon H. LaRouche**

. . . First of all, the moral issue: Now, suppose that Hitler had lived at the end of World War II, and we brought him to trial, say, at Nuremberg. Of what would we have accused him? We would not have accused him of killing people individually, of shooting them. We'd have accused him of launching policies which killed millions, murdering millions. At that time, Robert Jackson, the Justice of the Supreme Court who represented the United States at Nuremberg, proposed a doctrine which was generally accepted at Nuremberg. And it was the United States' position: That any public official, or a person in a learned profession, who took actions which he should have known would result in the death, the wrongful death of persons, is accountable as a criminal.

Now, what we're faced with, with Gingrich, is we have the effort of a group which is called, sometimes, the "Red Guard." . . . What they're proposing to do, is to gut the budget

of a substantial amount, to give tax concessions to people who need it least. And they propose to obtain these sums out of Medicare and other programs which are essential to our senior citizens, the poor, and others who are vulnerable.

These measures, if taken by the Congress, will result in the increase in the death rate among poor people, among the senior citizens, among the chronically ill, and so forth. Therefore, those who propose these policies, like Hitler, are guilty of causing the wrongful death of those who die as a result of accelerated mortality rates.

Therefore, *on no moral grounds* could anyone compromise and accept what Gingrich and company are demanding. It is an immoral act, tantamount to the actions of an Adolf Hitler, particularly since it was laid down by the United States, with Justice Jackson at Nuremberg, that if someone *caused* the increase in wrongful deaths, that person was guilty of mass murder. And therefore, Gingrich is attempting to perpetrate, from an official position as Speaker of the House, the mass murder of millions of Americans, as a result of these programs.

When you're faced with a problem like this, a budgetary problem, you say, "Well, if the policy that Gingrich is proposing results in an increase in deaths which is not acceptable to us, morally, then there has to be an alternative." . . .

We need a budget which promotes growth in the country, to rebuild the tax revenue base, to employ the unemployed, to cure the sicknesses which are rotting our economy. We have to go in directly the opposite direction to that these fellows are doing. . . .

# Gingrich holds 'wake' for Conservative Revolution

by Jeffrey Steinberg

One year ago, House Speaker Newt Gingrich's (R-Ga.) own private think-tank, the Progress and Freedom Foundation (PFF), held a conference in the Mayflower Hotel in Washington, D.C. It was a triumphal affair, a mini-Nuremberg rally, celebrating the recent congressional sweep by the Conservative Revolution wing of the Republican Party. Speaker after speaker, led by pop-cult futurists and Gingrich "spiritual advisers" Alvin and Heidi Toffler, proclaimed their loyalty to the mythical post-industrial "Third Wave." Even Sen. Phil Gramm (R-Tex.) proclaimed the Republican Party "the party of the Third Wave."

Tobacco baron and former George Bush White House Counsel C. Boyden Gray presided over a table full of Seagrams executives, who, along with Gray, had bankrolled the affair. When Gingrich arrived, late in the proceedings, he was greeted by thunderous applause. The crowd even made a serious effort to follow the strained logic of Gingrich's rambling speech—even the part about the magical future in which every ghetto kid would have his own laptop computer and could escape the tenements for a front-row seat in cyberspace. Kooky? Yes. But Newt and company were on top of the world.

What a difference a year makes.

On Jan. 22, 1996, the PFF sponsored another conference in the same hotel. The event had all the makings of a wake. The deceased? The much ballyhooed Conservative Revolution.

Gone were the Tofflers. Gone was any mention of the Third Wave. When Gingrich briefly showed up to deliver a canned luncheon speech, he drew groans from some of his own troops when he tried to defend the Tofflers. After fumbling a tough question on the budget negotiations from David Gergen, Gingrich politely excused himself and made for the nearest exit.

From beginning to end, it was a "tough love" session. Former Rep. Vin Weber (R-Minn.), now a top official at the PFF, bluntly admitted, during a morning panel appropriately titled "In Search of the New Majority," that the Republicans had been outclassed by President Clinton throughout the recent budget debate. GOPAC (another Gingrich front group) pollster Frank Luntz went even further, acknowledging that the "Revolution" was on the ropes, and desperately needed an infusion of new, positive ideas and, yes, a new

lexicon of buzzwords. Andrew Kohut, president of the Gallup Organization, politely informed the assembled revolutionists that the American public still believes that the federal government has a role to play. They are not, he asserted, "with the revolution."

After that, there was no end to the self-flagellation. Weber admitted that he finds the seven-year balanced-budget plan "dangerous," and that the Republican efforts to exploit Whitewater are counterproductive.

## A second Clinton term

In the afternoon panel, titled "The Future of the Revolution," Arianna Huffington, the millionairess airhead socialite, practically mugged former Reagan Office of Management and Budget Director James Miller when he tried to cheer up the crowd with a string of trite war analogies. She equated the revolution with a chronic alcoholic showing up for his first AA meeting. "If we don't start by admitting the problem," she shrieked, "this revolution won't be saved!" Her solution? Stop whining and, above all else, stop sounding like a bunch of mean-spirited accountants. She bluntly predicted Bill Clinton's reelection, and bitterly complained that the President had hijacked all of their "best ideas."

Grover Norquist, a Mont Pelerin Society/Lord William Rees-Mogg clone, was about the only voice in the crowd who was satisfied with the state of the revolution. Norquist was blunt that the Republicans had already succeeded in snatching \$1.5 trillion in federal spending. "We're lucky there were no snipers sent up onto the roof to shoot us," he told the handful of die-hards who remained.

The conference sponsors had hoped to liven up the day by bringing in three prominent international "revolutionaries" to flank Gingrich at the luncheon head table. John Redwood, former British Prime Minister Margaret Thatcher's rising Tory star, and Preston Manning, leader of Canada's post-conservative Reform Party, did their best to remoralize attendees, and a TV audience watching the luncheon on C-SPAN.

But Japanese Frontier Party head Iwao Matsuda rained on everybody's parade, when he bluntly rejected, repeatedly, any suggestion that Japan should go for a balanced budget and other austerity measures. "Stimulating the economy" to revive Japan's shrinking economic growth rate "is our top priority," Matsuda told the audience. He later professed to be baffled over why the Republicans had insisted on the budget being balanced in seven years. And when he lifted his voice to proclaim that "the U.S.-Japan partnership is primary," and added, dripping with sarcasm, that maybe, someday in the future, there would be close ties between Japan and Britain, Redwood winced, and everybody laughed at the put-down.

Maybe next year, if they hold another conference, the PFF execs will get Seagrams to send over a few cases of cheap whiskey—just in case things don't improve.

# State Dept. officials back Russian 'reform'

by EIR Staff

U.S. Secretary of State Warren Christopher and State Department spokesman Nick Burns have both underlined recently that the United States wants to see Russia continue to support the "reform" policies demanded by the International Monetary Fund. As *EIR* has reported, IMF conditionalities have reduced Russia to bankruptcy, fostering organized crime and creating an explosive political situation.

In a speech at Harvard University's John F. Kennedy School of Government on Jan. 18, Christopher was asked whether "our support for loans by the IMF should be contingent on what we consider to be good behavior" on the part of Moscow. He replied that Russia is a powerful nation, and that the United States has "very great stakes" with Russia. "But at the same time, I think they must understand that if they're to be welcomed into western institutions, if they're to have the support of institutions like the IMF, that they need to stay on the path of reform."

At the State Department briefing on Jan. 17, spokesman Nick Burns said, "We think it is absolutely essential that President Yeltsin and Prime Minister Chernomyrdin reaffirm the reform basis of the Russian government concerning economic reform. We think it is very important that the Russian government continue to work productively with the International Monetary Fund, with the World Bank, and with the American, the German, and other governments who wish it well and who are supporting it, with billions of dollars in international assistance."

## Exchange with EIR's Jones

*EIR* correspondent William Jones asked Burns for further clarification, at the State Department briefing on Jan. 19. Jones pointed out that the Russian Duma (parliament) elections in December were a defeat for those who favored the IMF reforms, so there is a contradiction between supporting the reform and supporting democracy. Here is Burns's reply:

"Well, I'm not in a position to offer political advice to anybody inside Russia. But I am in a position to restate for you, as a way of answering your question, the fundamental foundation of U.S.-Russian relations and, indeed, of Russia's relations with the West.

"Something very dramatic happened on Dec. 25, 1991. A totalitarian empire crumbled, and a new democratic State took its place. And the essence of the relationship between

Russia—democratic Russia—the United States, Germany, Japan, and international institutions like the IMF and the World Bank, is the following: that reform by Russia will be assisted by countries and institutions in the West; that the extent of that reform is important; and the depth of that reform is important.

"What's at stake, right now, for the Russian Federation, is a \$9 billion credit from the IMF, the largest single source of financing that Russia would ever have received. The IMF, of course, expects that Russia will adhere to economic reform, to a stringent budget, and to other economic indicators that have been negotiated with Prime Minister Chernomyrdin and First Deputy Prime Minister Chubais, in the past. We want to see—we, the United States—that \$9 billion credit go forward, because it will support President Yeltsin's economic reforms.

"It's in Russia's interest to continue the economic reforms. It's in all of our interests to see that Russia is integrated with Western institutions.

"Secretary Christopher said, at the Kennedy School yesterday, that that is the strategic objective here; that we will continue our end of the bargain as long as reform continues. But if reform does not continue, then the basis for Western support will have eroded; the political basis, when we think about the reaction here among the American public and the American Congress, and that is certainly true of other governments in the West; and certainly true of financial institutions like the International Monetary Fund and the World Bank. There's a lot at stake. We hope and expect that reform will continue.

"But it is a critical moment, considering the events of the last several weeks, and we're on Russia's side in a sense that we want Russian reform to continue. But if it does not, Russians should not be surprised if those of us in the West have to look at this situation, perhaps, a little bit differently. . . .

"The elections in December were for the Duma. The Russian Executive, the Presidency, and the Executive institutions have not been changed by that election, not by law. The Presidential election awaits. It's in the future, and there is a very—rather dramatic debate under way in Russia about the issues that you raise on economic reform.

"And there's no question that a lot of people in Russia are unhappy about the situation that has unfolded over the last couple of years, but we can only speak for ourselves here. And we, as Americans, believe that the economic reform course set out by Prime Minister Chernomyrdin—President Yeltsin, Prime Minister Chernomyrdin, and First Deputy Prime Minister Chubais—is correct, that it will be to the benefit of Russia. They have to think about support from the international financial institutions and governments, and support from private investors. Private investors will respond to reforms; they will not respond well to a slackening of reform."



## 'The malthusian syndrome has caused a world of pain'

Former state Sen. Theo Walker Mitchell was born and reared in Greenville, South Carolina. He came through the state's educational system under the "separate but equal" doctrine. Mitchell holds a bachelor's degree from Fisk University in biology and chemistry, graduate study credit from Howard University in cytology, and a juris doctor degree from Howard University Law School (1969). He is married and has three daughters and four grandchildren.

After law school, Mitchell went to work for Legal Services for Greenville County for two years, before going into private practice. He has practiced law on behalf of the underdog throughout his life, cooperating with the American Civil Liberties Union (ACLU) to represent people of diverse backgrounds, even including members of the Ku Klux Klan.

Mitchell first ran for the South Carolina House of Representatives in 1972, and won the Democratic nomination but lost the general election. He ran again and won in 1974, serving ten years before being elected in 1984 to the South Carolina Senate, where he also served ten years. He ran for governor in 1989-90, becoming the first black person to win a statewide election, the Democratic primary. He was chairman of the Senate Committee on Corrections and Penology and the first African-American to serve as chairman of a Senate committee since 1870. There hasn't been another since.

Mitchell was expelled from the Senate on Jan. 17, 1995, after a brutal witchhunt, intended to stop his political career, resulted in his incarceration for 90 days in federal prison. Mitchell was blackmailed into pleading guilty to the misdemeanor of failing to file IRS Form 8300, for not reporting monies expended by a client in excess of \$10,000, under threat of federal prosecution for at least 14 felony counts. Mitchell testified about his case before an independent body of elected officials investigating corruption in the Department of Justice, which conducted hearings over Aug. 31-Sept. 1, 1995. (His testimony was reported in *EIR*, Oct. 6, 1995. Videotapes of the proceedings, including a summary of the hearings, testimony on the LaRouche case, the FBI targeting African-American elected officials, the Demjanjuk case, and the Waldheim case, all referred to below, are available from the Schiller Institute.)

Senator Mitchell was interviewed on Jan. 18 by Mariana Wertz.

**EIR:** At the 19th Annual Legislative Conference of the National Black Caucus of State Legislators (NBCSL), at Birmingham, Alabama last December, you motivated an investigation of misconduct by the U.S. Department of Justice by that body. Can you tell us about that?

**Mitchell:** I was one of the founding members of the NBCSL and had attended all of its annual meetings. In fact, I served as chairman of Region V, North and South Carolina, from its inception. I was on the NBCSL Executive Committee for many years and participated openly and actively with it. I was invited down by my colleague, chairman of the Task Force on Ethics, Sen. McKinley Washington of Charleston, who in concert with Senator Harper from Tennessee co-chaired the workshop on ethics. They felt that I would be able to speak to the problem befalling the African-American through singling out, without probable cause, of African-American politicians who are on the move, or endeavor to be on the move. I accepted the speaking engagement and, along with others, participated in that forum. That is when I had the occasion to give out the information that I had on Operation Fruehmenschen [German for "primitive man," the FBI's ongoing targeting of African-American elected officials].

The inquiry was into what we can do, how can we go about assisting? I helped get the mode in place to have a resolution drawn and passed, calling on people in responsible positions—certainly the Congress of the United States, which has oversight of this area and others; members of the Congressional Black Caucus. I brought them back to [California Democrat] Congressman Merv Dymally's presentation on the House floor in 1988, where all the information, including affidavits of FBI agents on Operation Fruehmenschen, was read into the *Congressional Record*, but nothing was ever done.

As you can imagine, there have been many more African-American casualties, people who have suffered because the Congress has failed to do anything with the FBI and Operation Fruehmenschen, and also with the Justice Department's Office of Special Investigations [OSI], which has certainly,

in bad faith, in corrupt and mean-spirited bigotry and racism and classism, destroyed whatever concepts the Constitution of the United States holds so dear.

**EIR:** The final NBCSL resolution also discusses the case of Lyndon LaRouche, citing his railroad trial and conviction as “the largest-scale single case, involving the same corrupt Department of Justice apparatus that operated in the OSI and ‘Operation Fruehmenschen’ cases.” You were among the first in the nation to call attention to the injustice in LaRouche’s case.

**Mitchell:** I am very proud to have been the first person holding public office to step up and step out on behalf of Mr. LaRouche. Others had endorsed his concepts and called for exoneration. We called for his release; I go back quite a ways with trying to get attention for Lyndon LaRouche.

If ever there has been a man who has been, what I call run over by a Sherman tank, Lyndon LaRouche has. But this man is a stalwart. He is a guiding light to those of us who know that you can’t get anywhere without suffering pain. So, early on I learned more about Lyndon LaRouche—what he stands for and what he suffered and how he has suffered, and the denial of his wife and those who love him, and about his organization, the publications; about how he kept his head high for five years in prison, how he’s keeping it high now, still speaking out, speaking the truth; how he’s bringing knowledge to people who had no knowledge.

I think it was one of the most effective things that has ever happened. They don’t realize what they did, because Lyndon LaRouche now is much more notorious—and I say this positively—than he was when he was out, before he went to prison.

**EIR:** He’s almost a folk hero now.

**Mitchell:** That’s right. He’s a *hero*. Like he told me, when I had lunch with him, before I went to prison: I had been one of the members of the independent panel that examined information in regards to his case, along with Ramsey Clark, former Congressman Jim Mann, and others, and I had not even been sentenced. I had already entered a plea, under plea-bargaining: I should have gotten probation, but I went back and got sentenced; I got 90 days active time. I remember him looking at me and saying, “What is it that you think is going to come out of your sentence?” I said, “Possibly probation, but I might even have to go to prison.” He looked at me, and he said, “If you can stay out of prison, don’t go.” I’ll never forget it. He showed his sensitivity there.

But I did go. It was an education, it was an experience, it was an eye-opener. It was an enlightenment.

**EIR:** After the Birmingham meeting you flew directly to Eltville, Germany, for the Schiller Institute’s international meeting there.

**Mitchell:** I think it was one of the finest conferences that

has been held in modern times. There were people from 36 nations, including members of parliament. In fact, after I spoke, members of parliament of Russia and Ukraine wanted pictures with me. Presenters included the former vice-premier of the former Czechoslovakia, Dr. [Josef] Mikloško. Also Judge Carlo Palermo of Milan, Italy, who had pulled the door closed on the mafiosi. There were people from Bosnia-Herzegovina, from Hungary. They had translations into four languages: German, Italian, Spanish, and French. I believe a lot of world leadership will emerge from many of those people. I think it was one of the greatest things the institute has done.

This is the second time I’ve had the pleasure of addressing a human rights conference of the European community, and this one, at a time that is so critical in the development of what I call the Western world, gave the exposure to what should be overtures for peace through the economic programs that Lyndon LaRouche has projected. [See *EIR*, Jan. 1, 1996, for the text of LaRouche’s address to the conference.]

But there are people of the oligarchy that do not want it, will not accept it, and will resist it till hell freezes over. And that is what is so bad, including the Windsor family, as we know.

The humaneness issue is something that we continue to look at, but the malthusian principles—I call it the malthusian syndrome—is still pervasive, unfortunately, in the Anglo-American connection; where the colored peoples and underdeveloped nations will continue suffering disproportionately, and losing millions of their population, especially of their children, from diseases that I believe have been manufactured, many of them, by the West, by England and the United States, by starvation, by the cutoff of foodstuffs, by the denial of medical attention and facilities that can help alleviate many of these conditions, including smallpox and things that we take for granted: unfair and unrealistic conditions, contaminated water, not providing enough heat, deliberately trying to control the number of births of the peoples of color. The malthusian principle is alive and well, not just in England, but the Anglo-American connection: Certainly the Kissinger doctrine, NSSM-200, that memorandum has certainly caused a world of pain and suffering. And there is indifference from the people in power, especially in the International Monetary Fund and World Bank, keeping these nations of Asia, South America, Ibero-America, and Africa in abject poverty and confusion and strife and civil war, where they can never sit down and have a resolution of their problems.

We discussed a lot of these things, and the world’s problems are getting worse: It is something that the oligarchy is quite satisfied in knowing that there will be outbreaks of violence, civil strife which will lead to civil war, such as in Bosnia-Herzegovina. People whom I met in 1991, from Kosova and former Yugoslavia: Many of them are dead now.





*Senator Mitchell (third from left) with parliamentarians and other political figures from Ukraine and Russia, at the Schiller Institute's conference in Eltville, Germany, December 1995. From left: Dr. Vasili Stolyarov, Gabrielle Chaitkin (Schiller Institute U.S.A. and Germany), Sen. Theo Mitchell, Dr. Natalya Vitrenko, Dr. Taras Muranivsky, Anatoly Voznitsa, Vladimir Marchenko.*

I told them about Operation Fruehmenschen and the Office of Special Investigations of the Department of Justice and the corrupt system in place. I told them about the persecution of Lyndon LaRouche. I mentioned to them about John Demjanjuk, the man who went to Israel with a noose around his neck, put there by the Office of Special Investigations. And of course, about [former Austrian President] Dr. Kurt Waldheim, whom I had the pleasure of meeting in Vienna. We had a long discussion. Here is a man whom the United Nations had as secretary general for so many years and who enforced resolutions. He told me, there were about three countries that caused him problems, that wanted to be exempted from having resolutions by the United Nations enforced while he was U.N. secretary general. And by virtue of his going forward and enforcing these resolutions, they came after him when he ran for the Presidency of Austria, tried to destroy him, smear him, besmirch his name.

**EIR:** This came out in testimony at the September hearings here.

**Mitchell:** That's correct. Dr. Hans Koechler of the International Progress Organization represented Dr. Waldheim. He was also there at the Eltville meeting. The Waldheim case just shows the corruption, the bigotry, the prejudice, the abuse of power, the arrogance, the Aryan concepts.

That's what Operation Fruehmenschen means: that no black person, no matter what you do, where you are or what you are, will ever get to a point of responsibility or influence in the United States. That means they're going to cut us off from going to the Senate and certainly to the Presidency

and many of the mayors' chairs, governors' offices—arbitrarily and capriciously—out of bigotry and racism and hatred, which is what J. Edgar Hoover put in place, in 1969 with then-President Richard Milhous Nixon.

After the Civil Rights Act of 1964 and Voting Rights Act of 1965 came into place, blacks were running for office in various places throughout the United States, especially in the South. The numbers of black elected officials were multiplying, and we were actually impacting on the legislation and laws of various states, and had gotten some seats in Congress and were making an impact as far as national politics was concerned. Then this man met with Nixon, to bring to a screeching halt the advance of the African-American politician in America, setting in motion Operation Fruehmenschen—"primitive man."

**EIR:** And also the assassination of Martin Luther King.

**Mitchell:** Yes, the assassination of Dr. Martin Luther King, Jr.; no doubt about that. In my speech, I called for the files on Dr. King to be opened up, to open up the files on John Fitzgerald Kennedy. We need to have the files opened on Malcolm X, we need to have the FBI and Justice Department open the files on Operation Fruehmenschen. We need to have them open the files on Lyndon LaRouche, the most classical case of federal misconduct in the history of this nation—the most classical example of the abuse of power. They shredded the Constitution of the United States when they came down on him. Because of his outspoken advocacy for human rights and dignity as an alternative to economic chaos, his alternatives to bring about an economic revival



in this country and in many countries that are considered Third World countries, he was put on the altar, he was sacrificed.

I certainly think it was the biggest mistake they ever made, because he's influencing more people now than before he went to prison. I know that I am—the best thing that ever happened to me. I wouldn't have wanted to run with that ball when they told me, but at least people know that I know what I'm talking about. I know that Lyn knows what he's talking about.

**EIR:** That you've taken the cup of Gethsemane.

**Mitchell:** And I've drunk deeply. I think, without a doubt, I have always been an advocate of human dignity and human rights. I have personally always upheld law and order and called for justice: But I saw so many black people in prison— young blacks—people who have no hope, no aspirations, no vision, no dream, many of them are crushed, most of them have no aspirations, because they know it isn't going to be fair. There are many who are hostile.

Putting a person in prison to break a person's spirit, it's not going to do it. It revitalized mine. I believe in God. I learned more about the Bible, more about the teaching of our Lord and Savior Jesus Christ, by virtue of being concentrated in a place at a moment in time that God gave me. I didn't have time to learn more about Him while I was out here, doing what I was doing. I went to Bible study three days a week. I learned more about the Bible in 88 days [in prison] than I did in 45 years.

**EIR:** Let me ask you about the future: On Jan. 15, Martin Luther King Day, Lyndon LaRouche addressed an audience in Washington, and he said that it will take a "movement of people whose skin color is slightly darker than Newt Gingrich's" to save this country. Can you comment on that?

**Mitchell:** Of course. We've often wondered why God allowed the African-American to come to America the way that we came, in chains, against our will. But, we have to think back that, Africans were the only ones who never did line up and seek passports to come to America. I understand we were content over there in Africa.

You have to remember the history. Lyn knows the history of the Africans and the people of the African continent—they're the original man. The Operation Fruehmenschen—primitive man—is true! We are primitive man, we are early man. As I told an audience this past week, we are the original man. It has been shown that everything came out of Africa that is civilized. People created and governed dynasties, empires that were so vast that they went from the Euphrates all the way throughout the lower part of Africa. Writing, medicine, music, the arts, science, literature: Scholars in Europe came to Africa to learn.

So now that we are in America, Lyn understands, we're not going anyplace. That's why I feel a lot of our young

black men are so frustrated, because there is an innateness of creativity within us: This is God-given.

**EIR:** It's God-given to all people. I'd also like your comment on how a movement to defeat the Gingrichite Congress can be realized in time for the November elections.

**Mitchell:** The key is coalition-building. It is going to take people forming alliances, calling truces among the divergent factions. It is going to take tearing down fences and building the bridges to each other, so that blacks and whites and others will be able to join the hand that Dr. King talked about, and be able to work together to attack the beast that is destroying the world and emanating from America and England. The whites can't do it alone; the blacks can't; neither can the browns: It's going to take us all. This is something in which we all must play a role. We don't expect everybody to participate; only those of like mind, that is, for human dignity, human decency and human rights, human honor, and a fairness, as far as the future is concerned, to live a wholesome and positive and productive life for every one of God's children.

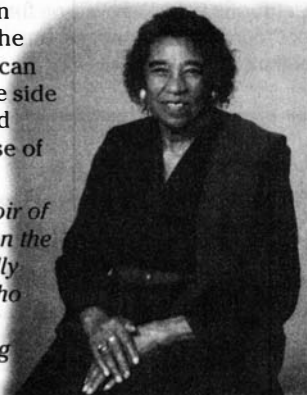
That's what life is about. Greed and arrogance and the abuse of power and evil versus that which is good, that is fair, honorable, and that believes that the world is big enough and wholesome enough to support many more of God's children in dignity.

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# National News

## Hispanic march set for Oct. 12, 1996

Coordinadora 96, a coalition of Hispanic organizations, has announced in a nationwide flyer a March for Justice in Washington, D.C. on Oct. 12. The march is modeled on the Million Man March initiated by Nation of Islam leader Louis Farrakhan, which drew well over 1 million African-American men to the capital on Oct. 16, 1995. The October 1996 march is for civil rights, individual rights, human rights, education and health rights, and labor organizing rights.

On Jan. 17, the Texas state AFL-CIO Committee on Political Education Convention passed a resolution endorsing the march, which commits the Texas AFL-CIO to "seek linkages and support from the rest of our brothers and sisters in labor without regard to any distinctions made by race, ethnicity, gender, nationality or lineage and to support the march to Washington, D.C., Oct. 12, 1996, to jointly protest and seek enfranchisement; an end to racial discrimination, legislative protection for farm and domestic workers; the bill of rights for undocumented workers; and equal access to government, employment, education and medical care." The text of the resolution also denounces California Gov. Pete Wilson for his support of Proposition 187, the anti-immigrant referendum.

## McCaffrey tapped as new anti-drug director

Army General Barry McCaffrey, head of the U.S. Southern Command in Panama, was chosen by President Clinton during the State of the Union address on Jan. 23 to replace Lee Brown as the White House drug policy director. He has coordinated anti-drug cooperation with Ibero-America, including joint radars with Peru and Colombia.

In an address, "U.S. Interests in Latin America," he gave to the Heritage Foundation on Jan. 11, McCaffrey targeted the prob-

lem of "transnational Marxist movements that have now become international criminal conspiracies, narco-guerrilla forces," citing the 10,000 under arms in Colombia, and denounced the "apathy" of Americans, who argue that there is nothing that can be done, using the excuse that this "a sociological phenomenon that is beyond our capability to address." He countered: "I don't believe it . . . The most effective tools will be new legislation, international cooperation, courageous prosecutors, honest, brave judges, prosecutors, and oh, by the way, the armed forces—we'll have to cooperate in that. So we are taking a shot at it. . . . We're achieving some successes."

Other parts of the speech, however, suggest that McCaffrey suffers from delusions like those enunciated in the 1995 Pentagon document, "U.S. Security in the Americas." He went out of his way to praise Kissinger's man at the State Department for Ibero-America, Luigi Einaudi, and stridently defended free trade: "There is an economic revolution going on in the region that is probably far more significant than the death of the Marxist model. . . . the biggest threat to Latin America, many would argue, wasn't Fidel Castro; it was Raúl Prebisch and statist economics. And then when you take away that bar, and you add democracy, and you release the creative spirit of free people, and have open-market trading and Mercosur and NAFTA . . . then you see an economic explosion."

## National Review pimps for drugs again

"The War on Drugs Is Lost" is the title of a symposium that will appear in the Feb. 12 issue of William F. Buckley's "conservative" magazine *National Review*, which distinguished itself in the past by advocating pedophilia among consenting parties.

In an introductory essay, the *National Review* editors state: "It is our judgment that the war on drugs has failed, that it is diverting intelligent energy away from how to deal with the problem of addiction, that it is wasting our resources, and that it is encouraging

civil, judicial, and penal procedures associated with police states. We all agree on movement toward legalization, even though we may differ on just how far."

Participants in the symposium include: Ethan A. Nadelman, director of the Lindesmith Center, purportedly a drug-policy research institute; Mayor Kurt Schmoke of Baltimore; Joseph D. McNamara, former chief of police in Kansas City and San Jose; Robert W. Sweet, New York City District Judge; Thomas Szasz, of the Department of Psychiatry at Syracuse University; and, Steven B. Duke, Law of Science and Technology Professor at the Yale Law School. Each of these symposium attendees is a board member or activist of the Drug Policy Foundation, the main lobby for drug legalization, whose largest funder is arch-speculator George Soros.

Buckley begins the symposium with a reprise of comments he made to the New York Bar Association last summer, including these gems: "More people die every year as a result of the war against drugs than die from what we call, generically, overdosing. . . . I would hope that the good offices of your vital profession [lawyers] would mobilize at least to protest such excesses of wartime zeal, the legal equivalent of a 'My Lai' massacre. And perhaps proceed to recommend the legalization of the sale of most drugs, except to minors."

## Rohatyn warns U.S. default would be catastrophe

Right for once, Lazard Frères managing director Felix Rohatyn has warned of possible "catastrophe" should there be a U.S. default on its debt obligations, in an op-ed in the Jan. 17 *International Herald Tribune*. "We are not living in normal times," he wrote. Rohatyn is the investment banker best known for imposing "pain and agony" in New York with his Big MAC austerity program in 1976.

"The stalled negotiations over the U.S. federal deficit run the risk of creating significant instability in the financial markets," Rohatyn said. Constant talk of a markets cri-

## Briefly

**REP. DOUG TEPER**, a Democratic member of the legislature in Speaker Newt Gingrich's home state of Georgia, has filed legislation to allow execution by guillotine. The bill is being introduced to allow inmates to donate their organs after dying, a proposal fielded two years ago by Jack "Dr. Death" Kevorkian.

'**MOTHER TERESA** social work' was the sobriquet Council on Foreign Relations spokesman Michael Mandelbaum used to describe President Clinton's foreign policy, in an acid critique printed in the January/February 1996 edition of *Foreign Affairs*.

**OLIVER REVELL** of the FBI, nicknamed "Buck," is identified as one of the chief architects of the cover-up of who was responsible for the December 1988 terrorist bombing of the Pan Am-103 jet over Lockerbie, Scotland, in the film by Allan Francovitch on Lockerbie that was aired on the German-French "Arte" television network in January. Revell was a key figure in the frameups against Lyndon LaRouche and his associates.

**SEN. AL D'AMATO** was likened to the infamous Joe McCarthy in an unusual signed editorial by Mortimer Zuckerman, editor-in-chief of *U.S. News & World Report*, in the weekly's Jan. 29 issue. Recalling how Joseph Welch rebuked McCarthy and stopped the Army-McCarthy hearings 40 years ago, he wrote: "How one longs for a Joseph Welch to emerge in the middle of the extraordinary affair now known as White-water!"

'**VIRGINIANS** who reject barbarism, have no option but to support my campaign for U.S. Senate against Republican John Warner," said Nancy Spannaus in a statement issued Jan. 25 decrying the "murder season" in which the state has executed two people already this year. Spannaus, a colleague of Lyndon LaRouche who helped defeat Oliver North's Senate bid in 1994, is seeking the Democratic Party's nomination for U.S. Senate in 1996.

sis creates a "self-fulfilling prophecy," potentially triggering precisely that crisis, he warned. But the "much more dangerous" reason is something that could lead to "market unrest, and worse," namely, "the continued threat of default on the \$4.9 trillion national debt, if the congressional Republicans refuse to raise the legal debt limit next month."

Politically, default on the national debt could appear to the world that the functioning of America's democratic institutions had collapsed, and that the country was no longer governed by traditional means. "Financially, a default could trigger a global financial crisis of completely unpredictable proportions. It could impair the equity capital of hundreds of the world's largest financial institutions. This is simply reckless," he said.

### Gingrich's Contract won't balance budget

Documents produced by, and interviews with personnel of the Congressional Budget Office (CBO), which produced the final "authoritative" estimates that both Republicans and Democrats are using in the budget debate, show that by 2002, under the terms of the Conference Committee December resolution, the U.S. budget will not have a surplus of \$3 billion, as claimed, but a \$185 billion deficit. This is the final proposal of the "Contract with America" crowd around Speaker Newt Gingrich.

In a table appearing on page 42 of the CBO's "August 1995 Economic and Budget Outlook Update," officially, the budget changes from a \$161 billion deficit in FY 1995 to an eventual surplus of \$6 billion in FY 2002 (i.e., in the December resolution, the budget surplus is projected to be \$3 billion rather than \$6 billion). But this involves fraud.

The next line shows the surpluses of several trust funds, including the Social Security Trust funds, the Medicare Trust funds, the Civil and Military Retirement Trust funds, the Highway Trust fund, the Airport and Airways Trust fund, the Federal Deposit Insurance Fund, and a few others. In FY 2002, the

combined surplus of these trust funds will be \$173 billion. This money will be removed from these trust funds and spent to cover over a \$173 billion deficit of the operating budget of the U.S. government. These trust funds will be given \$173 billion of Treasury bonds and notes in return.

If the deficit of the budget were financed instead by selling Treasury bonds to the public at large, then the government would be forced to publicly declare a \$173 billion deficit officially. When one also includes \$19 billion in debt being financed off-budget, listed as "other charges," the actual deficit for FY 2002 will be \$185 billion.

### House Ctte. to re-open Mena, Arkansas file

According to a front-page article in the *Washington Times* on Jan. 18, House Banking Committee chairman Jim Leach (R-Iowa) has decided to look further into reports of drug dealing, gun-running, and government coverups involving events around the Mena, Arkansas airport in the 1980s. The *Times* said that Leach "issued a memo to committee members saying staffers would try to determine whether money from Barry Seal, a drug dealer, was laundered by businesses in and near the secluded airport in the Ouachita Mountains 130 miles southwest of Little Rock."

Mena, according to allegations by Terry Reed, was a center of large-scale drug- and gun-running involving Lt. Col. Oliver North, who posed as "CIA agent John Cathey," under which cover North recruited Reed into George Bush's Iran-Contra operations.

Former Arkansas Democratic Congressman Bill Alexander was quoted saying he had tried for years to get an investigation going, but had been "stonewalled" by the Reagan and Bush administrations. Since Bill Clinton was governor at the time, various Republican circles have tried to link him to the Mena scandal. But the House Banking Committee source cited by the *Times* said he had "seen nothing" to link the President to the Mena activities.

## Editorial

### *Blunders worsen Russian crisis*

Just three months ago, Lyndon LaRouche issued a major policy document, "Blunders in U.S. National Security Policy." It was issued as his first Presidential campaign white paper. He warned of the blunders which were destroying the U.S.-Russian partnership which President Clinton had sought to create, amidst the deepening human catastrophe in Russia.

No sooner had the Berlin Wall come down in 1989, than LaRouche issued a call to the leaders of the West to oppose British free-trade policy and implement instead a massive development initiative which would call upon the resources of what he named the Productive Triangle of Europe, centered on German industrial potential. Tragically, although LaRouche's proposal elicited much interest, it was not implemented, and instead, the economies of Russia, Ukraine, and the other former East bloc nations, including Poland, have been systematically stripped of their economic capacities and ruthlessly exploited.

Under such circumstances, no one should be surprised at the large support for the Communists in the Duma election in Russia in December. This should have been taken as a sign that time is now running out for the West, a warning to take heed of LaRouche's warnings and act accordingly. The election results were followed by the resignation (i.e., dismissal) of Anatoly Chubais, who as privatization czar was playing a key role in the destruction of what was left of the Russian economy, and by the appointment of head of Foreign Intelligence and former Oriental Institute director Yevgeny Primakov, as foreign minister.

What makes the emerging crisis even more dangerous, is the fact that the ongoing political shakeup in Moscow is being played out to the accompaniment of the fiasco for Moscow, that is occurring in Chechnya. The events there are exemplary of the viciousness of British geopolitical manipulation. The Chechnya crisis is not an internal problem of Russia, but an outgrowth of British intelligence's oil politics over the past de-

cade. (Chechnya is a major oil transshipment point for Russia.) Terrorist forces under the control of the British have been introduced into Chechnya, in order to control the whole region, including Turkey.

One reason for the present danger, is the role being played by the Republican Party, whose spokesmen have been working closely with the British intelligence services to undermine the authority and credibility of President Clinton. They have deliberately fostered the delusion among Russians that President Clinton is a lame duck. This was backed up by the British, who told the Russians that this was true; and unfortunately, credulously, they tended to believe it.

Moreover, in a continuation of the vicious policies pursued by George Bush and Margaret Thatcher, the GOP has worked to defeat those forces within Russia who wished to present a genuine nationalist alternative to communist tyranny and International Monetary Fund conditionalities. The victory of the Communists in the recent election can be directly attributed to the Republicans who worked hand-in-glove with the British to defeat forces associated with Gen. Aleksandr Lebed, who wished to rebuild Russia as a modern nation-state, with cooperation from the United States and other nations—contrary to what Thatcher and Bush had done.

A great opportunity is being lost, because of the stupid, and in many cases wittingly treacherous, behavior of the Republicans (and some Democrats, as well), who are acting in the interests of the British Foreign Office. There is still time for the West to wake up to reality, and implement the policies spelled out by LaRouche at the time that the Soviet Union dissolved, and now most recently in his paper cited above. But the window of opportunity is closing rapidly.

In the present situation, British liberal economics and the machinations of their Republican stooges, are being fast discredited. The question is, whether we can create the conditions rapidly enough, to turn the situation around.

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Table of Contents of the  
January 18, 1996 issue:

British oil geopolitics and  
Chechnya

Shubeilat still being treated  
inhumanely

Mt. Pelerin meeting features  
Chileans

G-7 will discuss reflation

China cracks down on financial  
reporting

HongShang seeking openings in  
South America

Mexican drug arrest a big move

Complaint prepared against Soros