

EIR

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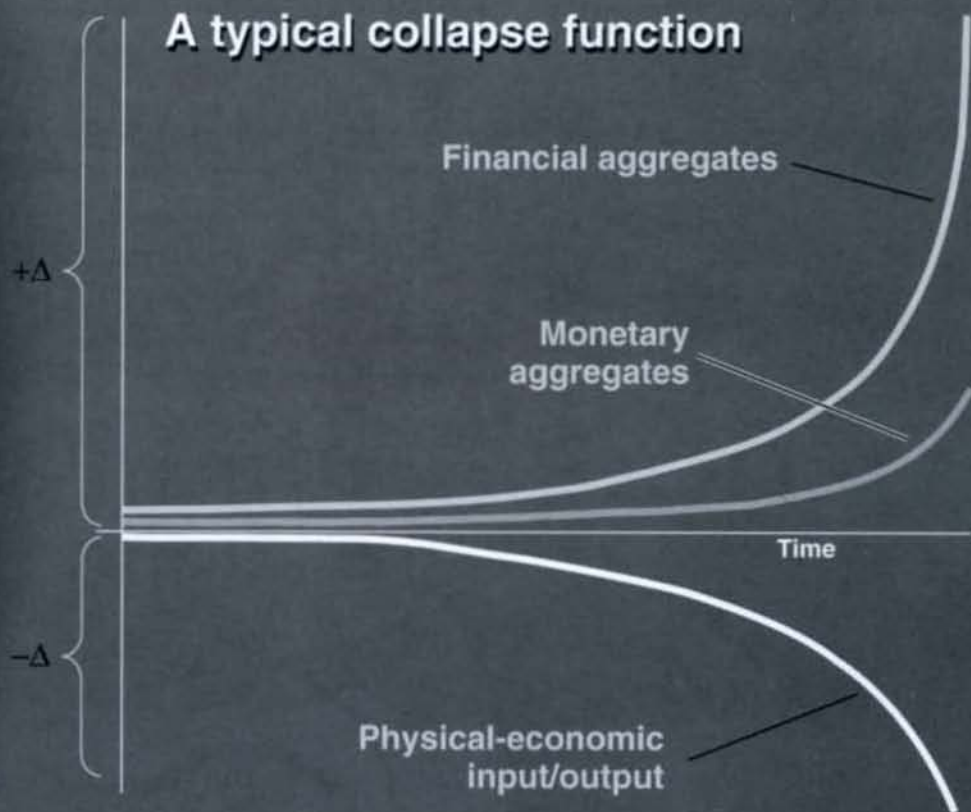
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DOJ misconduct fuels demand for hearings
Wrong policies caused Flood of '97 damage
London lights Africa powder keg vs. Clinton

**LaRouche was right: London
prepares for derivatives crash**



A typical collapse function

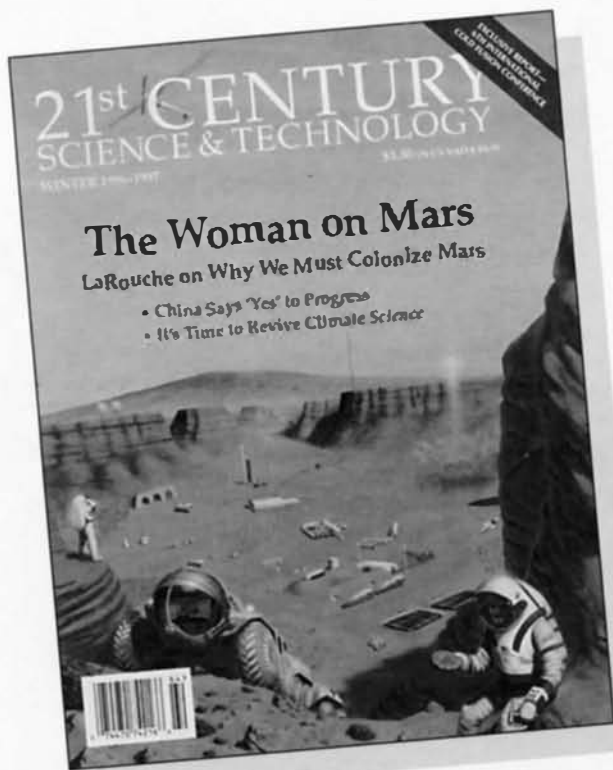


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From the Managing Editor

LLyndon LaRouche and *EIR* have consistently documented that the U.S. economy has been shrinking in physical terms at a rate of about 2% a year since approximately 1970, and the standard of living, or market basket of the average American, right along with it. The depression has been ongoing for some time. And, as LaRouche forecasted, most especially in his Ninth Forecast in the June 24, 1994 issue of *EIR*, the point would come when the financial system would disintegrate, literally overnight. That point is now at hand.

Our Feature updates the derivatives threat to the global financial system, in the context of public admissions, including by the British *Sunday Telegraph* in particular, that LaRouche was right, that that disintegration is imminent (see also p. 4). The question is, how to save the nation, and the world economy. For that, a new Bretton Woods conference is needed, along with the exoneration of LaRouche, whose hands-on role is essential if an economic recovery program is to succeed.

New developments important to the effort to exonerate LaRouche, are reported in *National*. As LaRouche noted in last week's *Editorial*, the decision by U.S. District Judge Falcon Hawkins, who singled out divisions with the Department of Justice by name for corruption, "could prove to be that one added decision that makes a crucial margin of difference" in cleaning out the U.S. Department of Justice. And, Manuel Noriega received prominent coverage of his charges of George Bush's personal role in running drugs into the United States (p. 61). This Bush-league network must be excised from government for the exoneration of LaRouche to go forward.

In *International*, I call your attention to the article on Indonesia, where the British oligarchy and its minions, including the Nobel Prize committee and supposed guerrillas such as José Ramos Horta, are working to return East Timor to colonial status under Portugal. This is information crucial to stop the British-instigated boycott against Indonesia, a ploy so far followed by Massachusetts.

And, we report preliminarily on the battle to preserve Mexico's national sovereignty (p. 36), which we will cover in-depth next week.

Ronald Kokinda

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A turning-point in history.

Photo and graphics credits: Cover photo, EIRNS/Stuart Lewis. Pages 12, 13, 15-19, 27, 30, 39, EIRNS/John Sigerson. Page 23, EIRNS/Stuart Lewis.

Correction: Through an editorial error, our Sudan coverage last week stated that the American delegation met with Dr. Riak Machar, who heads the opposition group SSIM. The delegation did meet with Taban Deng Gai of the SSIM, which Dr. Machar heads.

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Feature



Lyndon LaRouche and the now well-known representation of his triple collapse function, showing the hyperbolic rise in financial aggregates over monetary aggregates, and the sharp turn downward of the productive foundation of the physical economy.

22 London in a phase-twitch

The warning by a growing number of individuals of a meltdown of the global financial system “reflects a radical phase-shift in both the international financial situation, and also the political situation,” Lyndon LaRouche writes. Someone is using the London *Sunday Telegraph* “to signal that a very big blow-out has either occurred, and will soon be reported, or that something sudden and enormous is expected to blow very soon.”

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The *Sunday Telegraph* pegged the world value of derivatives at \$55 trillion, but that is a dramatic understatement of the actual size of the international exposure.

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Thailand financial collapse may spark broader crisis

by Michael O. Billington

There is a sense of panic in official places, concerning the banking crisis sweeping across East and Southeast Asia. The economy of Thailand, the pre-eminent “Southeast Asian Tiger,” held up to the world as a model for the supposed success of “globalization,” is collapsing at a pace which *already* compares with the 1994 Mexican disaster—and the worst is yet to come. With the continuing crisis in Japan and the recent chaos in South Korea, the Thailand collapse is viewed as a potential detonator of a larger crisis—not only in Asia, but for the entire global speculative bubble. This is due in part to the fact that the Asian economies have purchased the bulk of U.S. debt issues over the past years, propping up the decrepit U.S. economy. Continuing financial breakdown in Asia threatens to cause a “run on the bank” in the United States, as Asians cash in their U.S. Treasury bills to cover their own losses.

One sign of the seriousness of the crisis, as viewed by the international financial oligarchy, was the presence of International Monetary Fund (IMF) Managing Director Michel Camdessus in Asia for a week of meetings and damage control. Camdessus met with finance ministers from the Association of Southeast Asian Nations (ASEAN) in Thailand over the weekend of March 1-2, pleading with ASEAN nations to formalize a regional emergency fund to meet the expected new “Mexico” crisis in Thailand, and perhaps elsewhere. Camdessus knows it is unlikely that the United States will move in to bail out an Asian crash, as they did in Mexico. Better, he insisted, that ASEAN bail out the international speculators themselves!

The day after Camdessus left Thailand, the Thai government declared emergency measures to save the (in fact) bankrupt banks and financial institutions in Thailand. Halting trade in all bank and financial institution stock on the Stock Exchange of Thailand on Monday, March 3, Finance Minister Amnuay Viravan and Bank of Thailand (the central bank)

Gov. Rerngchai Marakanonda announced that the country’s largest and most prestigious finance company, Finance One Plc., had gone bottom-up. The \$3.8 billion company was merged with the country’s twelfth-largest commercial bank, Thai Danu bank, with an undisclosed government bailout of Finance One’s debt. The government also imposed higher reserve and bad-loan provisions on banks and finance companies, and even more stringent measures on the ten most-exposed institutions.

The intended boost in the “confidence of the markets” failed to materialize—over \$700 million was withdrawn from the finance companies over the next three days, and the stock market (nearly half of whose trade is in bank and finance company stock) continued its collapse, falling to one-half of its 1996 peak.

Camdessus moved on to Hongkong for an IMF-Hongkong Monetary Authority conference on financial integration in Asia. On Friday, March 7, he praised the Thai bailout. “What you are doing is exactly what you must do to avoid the recurrence of a Mexico-like crisis,” he told the conference. Whistling past the graveyard, he added: “We are ready to continue assisting them in this effort and don’t see any particular reason for this crisis to develop further.”

On that same day, the Bank of Thailand displayed its servility to the IMF by proposing to guarantee repayment of all finance company promissory notes. The Thai cabinet approved the proposal the following Tuesday, March 11. The money for this bailout (of primarily international speculators) will supposedly come from new government bonds to be sold to the banks (!), thus further draining available credit away from any real productive investment.

As documented in the Feb. 7 *EIR*, “London Sells a Killer ‘Tiger’ Tonic to Southeast Asia,” the myth of the Southeast Asian tigers had been artificially created, especially since

1993, and peddled to other Third World nations in Africa and Ibero-America as “proof” of the success of the globalization process: forgoing investment in heavy industry, infrastructure, education, and similar measures to improve the productivity and standard of living of the nation’s workforce, in favor of the unregulated, free flow of hot money, seeking quick profits in low-technology process industries, real estate and portfolio speculation, or other more overtly illegal operations. Just as 19th-century colonialists stole raw materials and agricultural products through “free trade” between the mother country and the foreign-owned mines and plantations in the colonies, so today the new colonialism of globalization provides for the utilization of cheap labor in foreign sweatshops, exporting the consumer goods and the profits back to the West, functioning as a net drain on the developing nations.

Primary globalization targets

The Southeast Asian nations, and Thailand, in particular, were primary targets for the globalization process begun in the 1980s under Margaret Thatcher and her fawning partner, Sir George Bush. Virtually every Southeast Asian port city has for centuries served as British, French, Dutch, and Portuguese colonial hot-money centers. The British banking operations in colonial Hongkong and semi-colonial Singapore have laundered the bulk of the world’s drug money since the 19th-century British Opium Wars against China, and this continues still today. With Hongkong soon to be returned to Chinese sovereignty, Bangkok and other Southeast Asian cities were bribed to compete through financial deregulation for the “honor” of replacing Hongkong as the filthiest financial center in the world.

Thailand leapt at the chance. In 1992, it set up the first Asian offshore banking operation, the Bangkok International Banking Facility (BIBF). During 1993-96, some \$86 billion in hot money flowed into Thailand through the BIBF—no questions asked. More than half of the money had a term of less than one year. Most of the loans went to the private sector, and most of that into real estate speculation, such that today Thailand is the *world’s biggest bank debtor*, with 82% of Thailand’s over \$100 billion in foreign debt held by the private sector. Rather than shaping investments according to the already mild restrictions of the Thai regulatory agencies, private interests, both foreign and domestic, took the unregulated “easy” money from the offshore facility to rush into speculative schemes of every variety. There are now over 360,000 luxury houses, which remain empty, on the market, with 100,000 more coming on line this year, while Thai farmers are camped out in the capital, demanding the right to survive, and some Thai workers in the export industry sweatshops even burned down their factories to protest poor working conditions.

The BIBF provided an even safer means to launder funds from the black economy in Thailand into the international financial system. A report issued by Bangkok’s Chulalongkorn University in 1996 revealed that the Thai black economy—mostly from prostitution, gambling, and drugs—is

larger than the national budget. The BIBF facilitated the spread of “financial AIDS” in the financial system, with one result being the further spread of drugs and the disease AIDS throughout the region.

Bush, Soros, and the British

Although the current crisis is the necessary result of the globalization process, Thailand has also been helped along its disastrous course by a series of scams and speculative attacks by the global, criminal apparatus directed by George Bush and his British allies. In early 1996, one of Thailand’s leading banks, the Bangkok Bank of Commerce, suddenly collapsed, dumping \$3.2 billion in questionable debt on the government. The bank’s lending had been guided by Saxena Rakesh, an intimate of Bush’s buddy Adnan Khashoggi of Iran-Contra fame. Saxena fled to Canada, while the Bank of Thailand stalled providing the evidence needed in the criminal investigation, forcing the government to drop charges because the statute of limitations ran out. Three Bank of Thailand officials were fired over this default, during the same week that the Bank of Thailand announced the financial sector bailout.

Throughout 1996, as the decline in exports further threatened the Thai bubble, speculation against the Thai currency, the baht, began in earnest in Britain, Hongkong, and Singapore derivatives markets. Desperate to keep the foreign hot-money flowing into their fragile economy, Thailand chose to follow the doubly suicidal demands of the IMF: Keep interest rates high, squeezing out growth, while drawing in hot money, and defend the baht against devaluation. The defense of the baht has cost the government billions of dollars in foreign exchange, but a devaluation would drastically increase their \$100 billion foreign debt at the stroke of a pen, as in Mexico.

The government of former Prime Minister Banharn Silapachai pumped money into the failing stock market and into defending the baht, but the dam had already broken. His government fell in the fall of 1996. The new government, under Prime Minister Chavalit Yongchaiyudh, appointed the same economics strongman from the Banharn cabinet, ex-Bangkok Bank Executive Chairman Amnuay Viravan, as economics czar, assuring the continuation of IMF control over the nation’s economy. Moody’s Investors Services joined in the fray, downgrading Thailand’s short-term debt last October, and then, in February, threatened to downgrade the ratings on the banks and finance companies, increasing further the cost of foreign borrowing.

In January, the government agreed to a \$2 billion bailout of the bad property loans. It proposed a budget with \$4 billion in cuts in crucial infrastructure projects, and the privatization of strategic industries in power and communications. The IMF was not satisfied. In February, yet *another* company connected to Saxena Rakesh, Samprasong Land, failed to meet payments on a Eurobond loan, sending panic throughout the financial community.

Reports then emerged in the Bangkok press that speculator George Soros had launched an assault on the baht on the

Singapore derivatives market. It is no coincidence that during the same week, Thailand significantly aided the government of Myanmar (Burma) in its military mop-up of the Karen National Union (KNU), the only ethnic army in Myanmar which had persistently refused to make peace with Yangon. Thailand last month prevented KNU soldiers from crossing the border for refuge without first being disarmed, leading to an hysterical outcry from the Bush-linked networks running the destabilization of Myanmar. Not only have the Karen historically been tools of the British (even fighting with the British against the Burmese independence forces), but their bases now serve as headquarters of the opposition groups associated with British puppet Aung San Suu Kyi. These opposition operations, both within Myanmar and abroad, are financed primarily by Soros personally and the International Republican Institute, connected to Bush. Soros, the world's leading sponsor of legalized drugs, is desperate to prevent the Myanmar government from uniting the country and cutting off the world's largest source of opium and heroin.

Thailand's refusal over the last year to carry out Western demands to cut relations with Myanmar have provoked threats against Thailand in the West. Thai help to Myanmar's army in wiping out the Soros-funded insurgent base camps could well have provoked Soros's special targeting of Thailand's already faltering currency.

Target: the Eurasian Land-Bridge

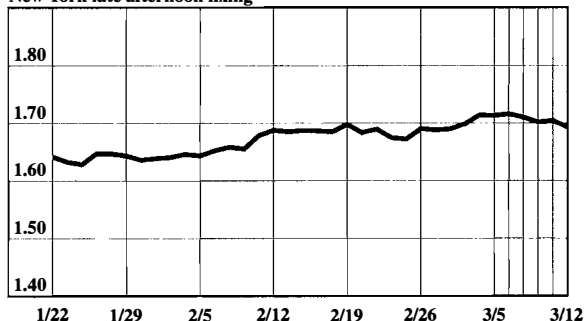
The British hand is thus visible in every manipulation and dirty trick against Thailand over the past year, leading up to the March trip of the IMF's Camdessus and the massive bailout in Bangkok. This must be seen in the context of Britain's primary objective in Asia: the breakup of the extraordinary momentum for the construction of transportation and development corridors, connecting Asia with Europe and Africa, called by the Chinese, "the Land-Bridge." There is considerable support within Thailand and in other ASEAN nations to link Southeast Asia with the various Land-Bridge routes, opening up the Mekong region of northern Thailand, northern Myanmar, Laos, Cambodia, and Vietnam for development. However, if both public and private credit within the ASEAN nations are under the control of British or British-linked foreign interests, the investments needed for the Land-Bridge development will be sabotaged.

On the other hand, such foreign control is running up against the reality of the ongoing global economic breakdown and the pending financial collapse. It is in such moments of crisis that people and nations—as in Thailand—can break from the deeply entrenched assumptions and political arrangements, which have brought on the crisis. The Land-Bridge project provides an orientation through which Thailand, in league with China and other nations, can begin the process of real development of its nation, while breaking the century-long stranglehold of the "Dope, Inc." apparatus of British finance.

Currency Rates

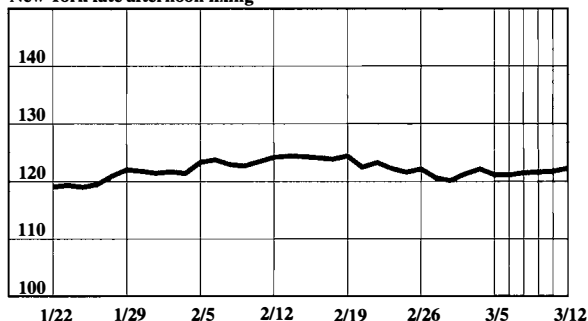
The dollar in deutschemarks

New York late afternoon fixing



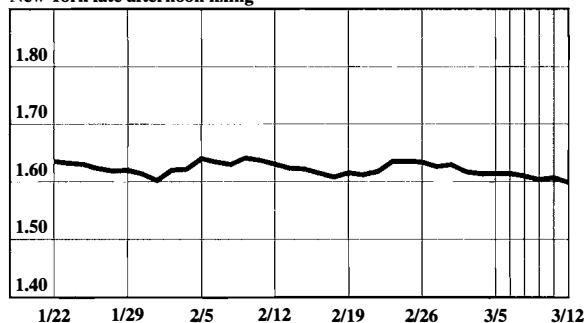
The dollar in yen

New York late afternoon fixing



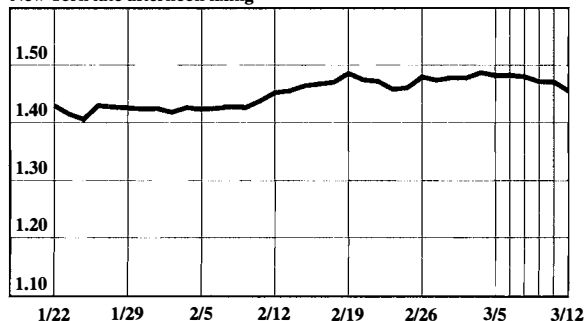
The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



Venezuelan workers rebel against IMF

by David Ramonet

Speaking before a gathering of more than 2,000 angry farmers on Feb. 22, Federico Ramírez León, president of the Venezuelan Labor Confederation (CTV), vowed that “the general strike which workers haven’t announced in defense of their own bargaining position, on the issue of benefits, will now be carried out together with farmers, in defense of national production.” At this conference, held in Acarigua in Portuguesa state, trade union leaders vowed to mobilize to halt the Caldera government’s continued imposition of free-market austerity measures, agreed on with the International Monetary Fund (IMF), and to support passage of an Agricultural Development and Food Security Law in the national Congress.

“The country must defend its sovereignty, and that is why we must defend agriculture,” Ramírez said. To do so, “consumers, workers, and producers must join forces,” to define a “policy of protection for agriculture, and stop indiscriminate imports, which mean more unemployment and the impoverishment of the country.”

For more than a year, agro-industrial companies, largely controlled by such multinational cartels as Cargill and Unilever, have refused to purchase domestically grown agricultural products, buying from abroad instead. This indiscriminate import of subsidized farm products has jeopardized Venezuela’s sorghum and corn crops, and enraged the farm sector.

Producers’ anger is such that on March 11, thousands of farmers in Acarigua blocked the entry into the city of trucks carrying imported corn and sorghum from national ports to agro-industrial companies controlled by foreign cartels. Agitation is spreading in the country’s crucial central agricultural region, including the states of Portuguesa, Barinas, and Guarico. On March 11, after Portuguesa Governor Iván Colmenares signed a decree prohibiting the entry of imported corn and sorghum into his state, the governors of Guarico and Barinas followed suit and signed similar decrees.

Expansion potential

The potential for this action to quickly expand to other sectors is indicated by the CTV’s decision to join producers in opposing the IMF’s murderous policies. The CTV executive has also officially backed a producers’ proposal to seize ships in the ports carrying foreign farm products. The action will have the support of CTV-affiliated longshoremen.

This is the first organized reaction against Agenda Vene-

zuela, the name given to the IMF’s free-market “stabilization” program which the government of President Rafael Caldera has agreed to impose. This mobilization is actually the second phase of the strike called by public-sector physicians in early January, which resulted in a significant wage increase, and a government promise to increase the health care budget, in order to guarantee that public clinics and hospitals are adequately stocked. While the agreement has yet to be implemented, the fact is that the doctors’ success paved the way for other sectors to repudiate these economic policies.

Four days after the farmers’ conference, to which representatives of the CTV and other important sectors were invited, such as the bishop of Caracas, Msgr. Ignacio Velasco, the public sector workers’ federation reached an agreement with the government for a 76% wage increase. This raises the monthly salary from 53,000 to 97,000 bolivars. A week later, the government agreed to raise public schoolteachers’ minimum monthly salary from 67,000 to 138,000 bolivars, an increase of 100%.

These wage agreements were signed by Finance Minister Luis Raúl Matos Azócar, over the opposition of the former communist, Planning Minister Teodoro Petkoff. Speaking at the World Economic Forum in Davos, Switzerland last month, Petkoff promised that Agenda Venezuela’s reforms would be intensified. Also at Davos, Venezuela’s central bank President Antonio Casas González insisted that the government could not raise salaries beyond the levels indicated by the IMF, without further cuts in the public-sector budget.

These wage negotiations reveal that there are real divisions inside the Caldera government over the interpretation of Agenda Venezuela. A case in point is the setback suffered by the Tripartite Commission (including representatives of government, labor, and management), which is now negotiating social security reforms, including all social benefits. Minister Petkoff, speaking for the government and backed by the business sector, has refused to even discuss wage increases, until the system by which benefits to labor are calculated were reformed. Business leader Jorge Serrano accused Matos Azócar of jeopardizing the agreement with the IMF, by promising wage increases.

Last month, the London publication *Economist Intelligence Unit* expressed the fear that President Caldera would give in to labor demands, thereby threatening reform plans which, for this year, include creating a Chilean-style private pension system, and privatizing state-run basic industries that produce iron, steel, and aluminum. These fears have become reality, and this is why London’s allies inside the government are resorting to economic and financial warfare. At the beginning of March, the central bank unilaterally devalued the currency by 4.5%, claiming that there had been a delayed application in the monthly parity alteration. At the same time, news media linked to financial speculators dredged up reports of a coup threat, in an unabashed attempt to create unrest.

Business Briefs

Germany

Job losses grow under globalization policy

Berlin and eastern Germany continue to suffer massive job losses. During 1991-96, the electric engineering sector lost 57% of its workforce. While in 1991, this branch still employed 90,000 workers, only 38,000 remained at the end of 1996, and the trend is continuing downward. In February 1997, the regional unemployment office listed 43,000 workers without employment in Berlin's otherwise booming construction sector.

In the state of Saxony, more than 90% of textile workers have lost their jobs since 1990, a Textile Workers Union spokeswoman told *EIR* on March 6. The process of downsizing began almost seven years ago under the auspices of the Treuhand agency, which managed the privatization of East German state firms. Today, there are only 8,000 jobs left, and the process of downsizing and outsourcing—for example, to the neighboring “low-wage” countries of Poland and the Czech Republic, where workers get paid a fraction of the average German wage—is continuing.

Worse, under globalization, which exploits low-technology input outside of Germany, there is no market for German textile machinery know-how, so the end of the textile industry means the end of the textile machinery sector. The situation is similar in the mining sector.

Central Asia

Kazakhstan, China focus on increased cooperation

China's President Jiang Zemin and Kazakhstan's President Nursultan Nazarbayev discussed economic cooperation, especially around the Chinese-Kazakh railroad (part of the Euro-Asian Continental Bridge) in Beijing on Feb. 21, according to Nazarbayev's spokesman Krymbek Kusherbayev, the Foreign Broadcast Information Service reported.

Nazarbayev said that bilateral trade

could be increased by expanding the capacity of the railroad pass from Druzhba, Kazakhstan, to Alashankou, China. Kazakhstan is currently developing the Druzhba railroad station and building additional terminals there with the help of a \$75 million loan from the Ex-Im Bank of Japan. Jiang supported the importance of increasing freight transport, and announced that he had instructed the Chinese government to accelerate the construction of a second line of this railroad on Chinese territory.

Nazarbayev also proposed that Chinese oil companies take part in tenders for the privatization of Kazakh oil and gas facilities, and told Jiang that the two countries might cooperate in the joint construction of oil and gas pipelines starting in southern Kazakhstan and going via northern China. “Almaty [the capital of Kazakhstan] is interested in developing projects to transport hydrocarbons to international markets,” he said. According to the Feb. 28 London *Financial Times*, the Chinese National Petroleum Company is taking part in a tender to develop Kazakhstan's Uzen oil field near the Caspian Sea.

South Asia

Indian Ocean Rim group set up to boost trade

A new regional economic and trade grouping, the “Indian Ocean Rim Association for Regional Cooperation,” was established in a meeting of 14 nations in Mauritius on March 6. The founders are Australia, India, Mauritius, South Africa, Singapore, Oman, Kenya, Sri Lanka, Malaysia, Indonesia, Yemen, Tanzania, Mozambique, and Madagascar. Its charter states that it will accept any nations that border on the Indian Ocean, giving it 30 potential members, which would include 1.5 billion people, two-thirds of the world's oil reserves, and one-fifth of its arable land.

According to the March 7 *Journal of Commerce*, the association was first suggested by South Africa, which nation has been increasingly acting as a cat's paw for the British Commonwealth in the recent period. And, it was strongly pushed by Australia, the key country behind the establishment

of the free-trade Asia Pacific Economic Cooperation bloc. “Like APEC, the new association aims to rely on the private sector to stimulate trade and investment,” the *Journal* said.

However, not all necessarily share that “private sector only” vision. *EIR*'s New Delhi office reported that some of the ministers present “called for concerted efforts to withstand the onslaught of unbridled liberalization through a process of regional integration in orienting a new world economic order.”

Indian External Affairs Minister I.K. Gujral urged members to cooperate in generating productive employment, developing human capital, ensuring transfer of knowledge and technology, and contributing to the individual and collective well-being of the nations. The association is a vital reaffirmation of Jawaharlal Nehru's vision of Afro-Asian partnership, he said.

Italy

Unions threaten general strike vs. unemployment

In a conference in early March in Reggio Calabria, the capital of the region with one of the highest jobless rates in Italy (officially 25.20%), national trade union leaders promised action if the government does not implement job-creation programs. Sergio D'Antoni, leader of the CISL trade union, threatened the government with a “general strike,” according to *Corriere della Sera*. Unions scheduled a national demonstration in Rome on March 22.

Sergio Larizza, leader of the UIL trade union, called for funding infrastructure projects and received strong applause, *La Stampa* reported. Larizza reminded the government of its promise to invest 140,000 billion liras (about \$95 billion) in highway, railway, airport, and water infrastructure.

Recently, Italy's President Oscar Luigi Scalfaro, in a highly unusual move, convened his cabinet to discuss the “unemployment emergency.” The government announced a package of measures, which does not seriously address the crisis, but was enough to enrage the globalists and free-market supporters.

In an op-ed in the March 9 *Corriere della Sera*, Alessandro Penati argued that the solution is "to downsize the role of trade unions in the economy," and to eliminate the national labor contract. This was "the main dish of Margaret Thatcher's recipe: results in terms of flexibility and jobs came quickly."

Middle East

IMF admits Palestinian economy has been destroyed

In 1993, and again in 1994, following a visit to Gaza, *EIR* documented that the policies being imposed by the International Monetary Fund and World Bank on the partners to the Oslo peace agreement, would undermine any hope for peace, and lead to devastation of the fragile Palestinian economy. The IMF has just admitted the same, albeit without acknowledging its own responsibility. Its report, misnamed "Recent Economic Developments, Prospects, and Progress in Institution Building in the West Bank and Gaza Strip," issued by its Middle Eastern Department in Washington, was excerpted in the March 7 London *Financial Times*.

"Palestinian unemployment has nearly doubled and per capita income has shrunk by a fifth since the start of the Oslo peace process" in fall 1993, the report said. The IMF lays the blame on the Israeli blockade, which has cut Palestinian access to jobs inside Israel. Thus, only 25,100 workers had access last year to their jobs, compared to 116,000 legal workers in 1992. The estimated loss to the Palestinian economy is \$94 million per 10,000 people who are denied access to their jobs.

Investment in the Palestinian-ruled areas has dropped from 28% of GDP in 1992, to 18%, while private investment has dropped from 25% of GDP to 10% in the same period. Israel's blocking of exports has created a trade deficit of 38% of GDP for 1995 and 1996. At the same time, Israel's exports increased by 43%, "nearly doubling in Asian markets opened up by the peace process," and foreign investment in Israel increased sixfold to over \$2 billion per year.

The report admits that of \$2.49 billion pledged in 1994-95 by the donors for the Pal-

estinian Autonomy, only \$1.35 billion has been delivered. Unemployment is now at 34.2%, compared to 18% in 1993.

Jobs which could have been created for hundreds of thousands of Palestinians in the West Bank and Gaza Strip, have been eliminated by the World Bank and IMF's stranglehold on the flow of funds. The World Bank, from the outset, vetoed all large infrastructure projects which would have meant employment and economic growth.

Public Health

Britain returns to 19th-century conditions

The British Medical Association (BMA) warned on March 6, that "Britain is returning to the 19th century in terms of public health, with problems such as dirty water, contaminated food, and old infectious diseases re-emerging," the London *Independent* reported. It headlined its coverage, "Doctors Warn of a Return of Past Plagues." Sandy Macara, the BMA's chairman, said: "We have slipped backwards. The public-health legislation of the 19th century put Britain ahead of other countries, by addressing the issues of contaminated water and food. Yet, we still have all these problems today, in an affluent society."

Macara said that health care is the number one election issue for most of the public, in the weeks leading up to the early-May national general election. However, "hidden in public spending plans accepted by all the main political parties, is a well-disguised decision that NHS [the National Health Service] will be severely squeezed until the next century," the *Independent* said.

One hospital official said, "We would see a major program of hospital closures under these spending plans. We would have to cut national programs such as medical education, and quietly reverse the new deal that reduces junior doctors' hours. The government's commitment, that no one should wait longer than 18 months for an operation, would have to go. Some people would have to wait longer, and those dealt with more quickly, would be treated according to clinical need, rather than, as now, on the waiting list."

RENAULT'S decision to close its operations in Belgium and eliminate 3,200 jobs, has led to coordinated protests by unions in the three European countries in which Renault has factories—Belgium, France, and Spain.

THE ARABIC daily *Al-Hayat* on March 5, reported on the *EIR Special Report* "The Eurasian Land-Bridge. The 'New Silk Road'—Locomotive for Worldwide Economic Development." One section was entitled, "The Fate of the World Is Determined by Infrastructural Corridors Linking Europe and Asia." *Al-Hayat* is the largest-circulation (170,000) international Arabic newspaper.

AUSTRALIA'S foreign debt grew by \$15 billion in the second half of 1996, to a new high of \$202 billion in net foreign debt and \$305 billion in net liabilities (i.e., debt plus foreign investment), according to Australian Bureau of Statistics's figures released on March 6.

BRITAIN is accelerating its drive to seize whatever strategic minerals, raw materials, and other assets it can in Ibero-America, under the "Links into Latin America" campaign, launched by the Foreign and Commonwealth Office in January 1995.

ARGENTINA'S President Carlos Menem, who has destroyed his nation's economy, lectured 250 Vietnamese officials in Hanoi on the virtues of free trade, the *Asia Times* reported on Feb. 18. "I had to take a knife and perform surgery with no anesthesia, even though it would hurt," Menem said of his privatization program.

THE TRANSRAPID maglev rail technology was supported by the "Alliance for Technological Progress and Jobs with a Future," an alliance of the metal workers union and the metal industry employers of northern Hesse, in Kassel, on March 3. They said that they want to "open a front against hostility against technology, and fiscal petty-mindedness."

Wrong policies are to blame for damage from Flood of '97

by Richard Freeman

Starting on Dec. 23, 1996, heavy rainfall merged with snow melt that started high up in the mountains, to form flood waters that ravaged portions of California, Oregon, Washington, Idaho, and Nevada. Enormous damage has resulted: In the five-state area, there are officially 26 persons dead, although the death toll could rise to three times that number; highways and roads were ripped up; an estimated 25-50,000 livestock were killed; prime agricultural land was flooded; and 2-3,000 homes and dozens of business establishments were badly damaged or destroyed. The total damage is estimated at \$3 to 3.5 billion, and could go higher. While flooding has subsided along the rivers in most areas, it continues on portions of the San Joaquin River in California, and could continue on stretches of the river until July, according to state water experts, killing vineyards and orchards in the process.

In February and early March, floods were also raging through other parts of the United States, including the Ohio River states of Ohio, Kentucky, Indiana, and Illinois, as well as Tennessee, Arkansas, and Iowa. The London-controlled news barons have covered the California-Pacific Coast flood by babbling that "this was a rare and unexpected 100-year flood," which is used to justify the conclusion: "There is little that powerless little man can or should even attempt to do in the face of the powerful and irrepressible force of Mother Nature." This is a lie. Indeed, it is painfully clear that almost all of the Flood of '97 damage in California, and elsewhere, was preventable. It is man, succumbing to the fascist ideologies of fiscal conservative budget-cutting and environmentalism, who has taken down the infrastructure for flood control and water management, and who is responsible for the massive damage. Don't blame Mother Nature.

This was evidenced by the breakdown in strategic locations of California's levee system—altogether, 46 levees

broke, including 24 on the San Joaquin River (see **Figure 1**)—and the lack of dams and reservoirs which should have been built, but were not, to hold back the floodwaters.

Had California's government and the appropriate U.S. government agencies funded and adequately maintained existing flood control infrastructure, and built new infrastructure flood control projects that have been on the drawing board (in most cases since the state's masterful 1957 Water Plan), *between one-half and four-fifths of the flood's damage would have been averted.*

What should be investigated

That such infrastructure was not built, and is under continuing attack—in the face of a \$7-9 trillion deficit in U.S. infrastructure obsolescence—is the aspect of the Flood of '97 that should be investigated. That ideologues are allowed to destroy infrastructure, as part of the post-industrial society policy that Britain imposed in America in the mid-1960s, is the real scandal. That policy deliberately fostered speculation, while crushing production. It built a speculative bubble that has caused the contraction of the physical economy at the rate of 2% per year since 1970. Infrastructure is slashed by budget-cutters, to funnel revenues instead into a foredoomed attempt to keep this financial bubble inflated.

Readers must free themselves of a misconception, that man is helpless when confronted by a so-called "natural disaster." Most extreme occurrences in nature may have caused unavoidable disasters centuries ago; today, they become disasters only when man does nothing to prevent their foreseeable results. In California, "abnormal" weather patterns, such as flooding or drought, are the norm. Influenced by a number of weather and climatological systems, including the El Niño currents in the Pacific Ocean, California, since 1955, has ex-

perienced three floods that were at or near the threshold of “100-year floods”—in 1955, 1986, and 1997. The “100-year flood” is defined as a flood that occurs once in every 100 years, but it really means that the water discharges are far above, roughly double, the norm for winter months, which is the peak precipitation period for California. Thus, the “100-year flood” has occurred three times in the last 42 years. Its appearance should be expected and planned for. The 1955 “100-year flood” killed 23 people. The 1986 “100-year flood,” which was as severe as the current one, caused \$1 billion in damage. A serious flood in 1995 was responsible for \$1.8 billion in damage. It is unacceptable to be “caught by surprise” by flooding.

More safeguards can easily be built into California’s flood control system to enable it to cope with a 100-year flood. This is not pie in the sky. In fact, when America was committed to economic growth, it used to be part of the standard planning activity of the U.S. Army Corps of Engineers and the California Department of Water Resources, which devises and implements, along with other agencies, the state’s water plan. That plan is updated, on average, every five years. In the past, there were plans to build water projects in California to protect against even “150-year” and “200-year floods,” but the projects were not built. Since 1991, when George Bush ally and fiscal conservative Pete Wilson became governor, even planning has been abandoned. In the 1993 “California Water Plan Update,” Wilson made everything pass the test of not whether it is needed, but whether it is “cost effective,” according to narrowly defined criteria. This is part of the post-industrial, anti-infrastructure, budget-cutting ideology.

Under competent planning, redundancy would be built into the system, and if a portion of the system were faulty or under stress, it would be either upgraded, or the system as a whole would be strengthened. Naser Bateni, a longtime veteran of the California Department of Water Resources, who was program manager for state planning for five years, and is now district chief of the Northern Water District, told *EIR* on Feb. 25 about a structural defect in California’s flood control system which became apparent in a major way during the 1986 flood. Nothing was done about it. Bateni reported:

“During the height of the 1986 flood, the Folsom Reservoir, which is on the American River above the city of Sacramento, was filled to overflowing. The channel capacity below the reservoir could handle 115,000 cubic feet per second, and the Folsom Reservoir was releasing into it about 135,000 cubic feet per second, more than the channel could handle. If it had rained another half-day, the unregulated release from the reservoir would have potentially flooded the city of Sacramento. Several tens of thousands of homes would have been affected; we would have had a disaster.”

A dam needed at Auburn

The Folsom Reservoir lies on the American River (see **Figure 2**), which is a tributary of the Sacramento River, California’s most powerful river system. Toward the headwaters of the American River lies Auburn, a site where for more than 30 years, various Army Corps of Engineers specialists and hydrologists have proposed building a dam. All the design and feasibility studies have been completed. The Auburn project was planned to have a storage capacity of 2.3 million acre-

EIR fuels infrastructure vulnerability debate

On July 15, 1996, President Clinton signed Executive Order 13010, establishing a Presidential Commission on Strategic Infrastructure Vulnerability. The commission, as we reported in the March 7 *EIR*, has a one-year mandate to conduct a nationwide survey of the transportation, energy, telecommunications, banking, and financial infrastructure of the United States, to determine where there may be points of vulnerability, and recommend a course of action to repair the damage before a national disaster strikes.

Although the impetus for the commission arose over concern about the threat of sophisticated terrorist attack in the wake of the World Trade Center and Oklahoma City bombings, the mandate of the panel is far broader, according to commission officials interviewed by *EIR*. The com-

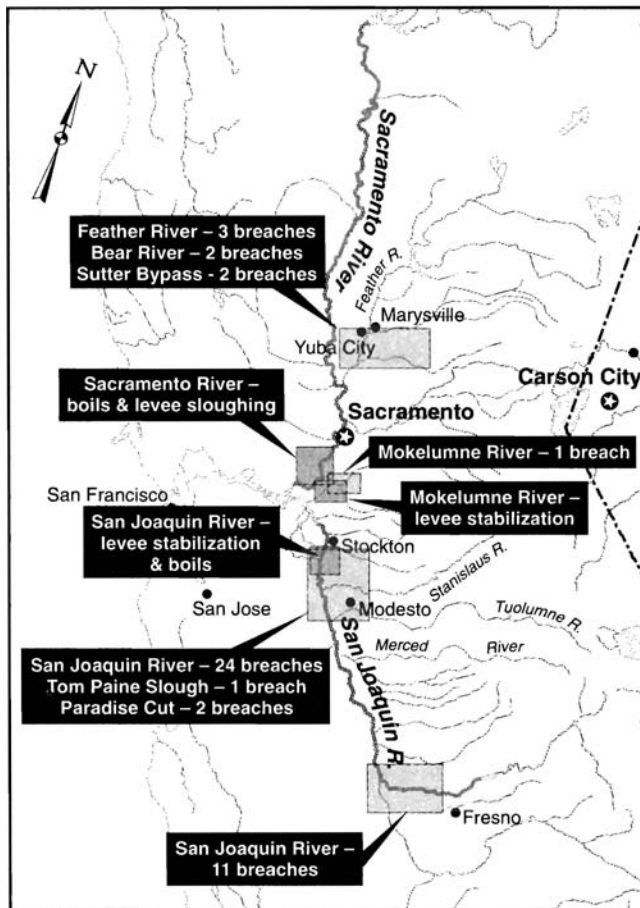
mission is concerned about all possible sources of vulnerability, including lack of investment and replacement-maintenance, natural disasters, and irregular warfare assaults, whether in the form of physical or “cyber attack” through disruption of computer support systems.

For decades, *EIR* has been detailing the crippling effects of deregulation, privatization, and the post-industrial ideology that has fueled an across-the-board policy of disinvestment in our physical economy, especially our hard and soft infrastructure. As the result of this work, *EIR* is uniquely situated to foster a public debate on the commission’s mandate. The commission will be holding hearings, beginning in April 1997, in five cities across the United States to solicit public input into its deliberations.

In the March 7 *EIR*, we published a report on the devastating impact of deregulation and disinvestment in our nation’s electrical power grid, as the first in a series of studies on the national infrastructure crisis. We continue this series with this report, by Richard Freeman, on the collapse of the water-management system in California.

FIGURE 1

Flood of '97 ruptured 46 inadequate levees on the Sacramento and San Joaquin River system



feet (maf; an acre-foot is the volume of water covering 1 acre to the depth of 1 foot; it is equal to 325,851 gallons), which would make it one of the largest dam/reservoirs in California. During rainstorms and/or heavy rainfalls, it would store water farther upstream, reducing the flow of the American River and taking the pressure off the Folsom Reservoir downstream, so that the possibility that the Folsom Reservoir would overflow and inundate Sacramento *could never occur*.

But despite the clear need for the Auburn Dam for flood control and water supply, and the danger that the city of Sacramento could be inundated with waters from the American River by future "100-year floods," the dam was not built. The reason was that a coalition of "Contract on America" budget-cutters and environmentalist zealots teamed up to kill it.

In 1992, legislation was introduced into the U.S. Congress for the U.S. government to help fund construction of the Auburn Dam. (The federal government usually funds 50-75% of the construction cost of public water works and flood-control

FIGURE 2

Auburn Dam would provide flood control protection on American River against even 200-year flood



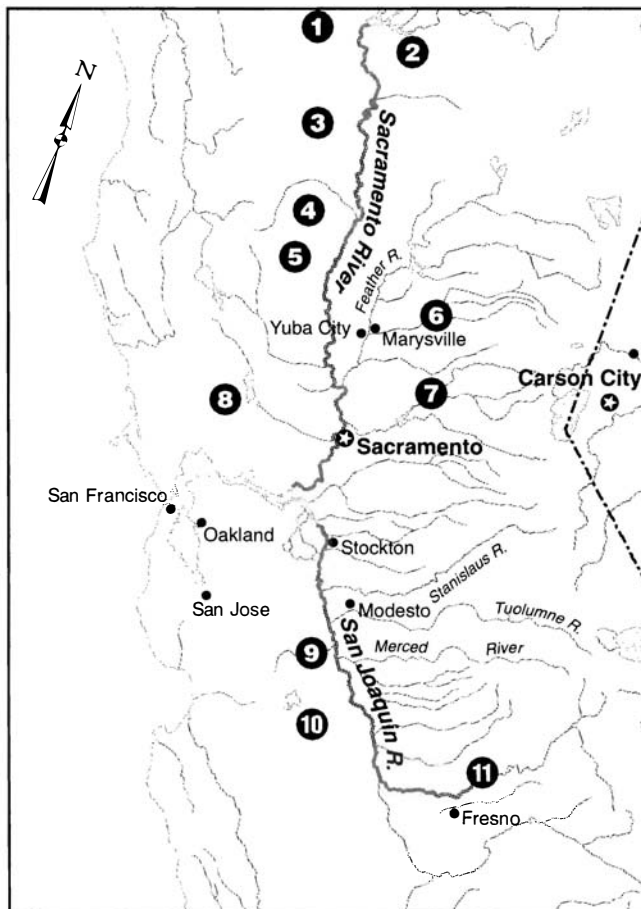
projects.) The bill lost by a vote of 273-140 in the House of Representatives. In 1996, an attempt was again made to bring up the construction of Auburn Dam. Opposition to the proposal was led by Rep. Thomas Petri (R-Wisc.), a Gingrichite fiscal conservative, and by the Taxpayers for Common Sense. The eco-fascist environmentalist movement, led by the Friends of the River, the Sierra Club, the Environmental Defense Fund, Friends of the Earth, and the National Wildlife Federation, fanned out in Washington, D.C. to lobby and threaten against it. By a vote of 35-28, the proposal never made it out of the Republican-controlled House Transportation and Infrastructure Committee (formerly the Public Works Committee).

This decision showed an irrational disregard for the future. During the Flood of '97, the American River once again became swollen with water, and there were levee breaks on the river, but the Folsom Dam/Reservoir did not overflow this time, for two reasons. First, the managers of the dam kept the year-round water level at a lower level in order to afford greater space to capture storm waters if and when heavy rains were to occur. But this was a dangerous trade-off, because the amount of water that the dam/reservoir could store for drinking and freshwater use was accordingly reduced, posing other problems should drought conditions return. But even the extra space created might not have proved sufficient if it were not for the fact that the current heavy rains fortuitously deposited less water into the American River and Folsom Reservoir, in particular, than in 1986. During the next flood, California may not be so lucky.

As Bateni put it, "Reservoirs are the first line of defense

FIGURE 3

Eleven needed surface water dam/reservoirs



Key

Shown here are 11 out of 60 surface storage projects that could be built for flood control to protect against “100-year” and, in many locations, “200-year” floods. The dam/reservoirs would also add to the fresh water supply. Many of these projects were drawn up as far back as California’s 1957 Water Plan. Engineering and other studies required for their construction have already been completed.

Listed are their storage capacity, and cost, where known. Their combined storage capacity would be 39.1 million acre-feet (maf), almost equal to the current storage capacity of California’s system. An acre-foot is equal to 325,851 gallons (the amount of water that could cover one acre to the depth of one foot).

- ① **Clair Engle Lake:** enlargement to 5 maf
- ② **Shasta Reservoir:** enlarge from 4.55 maf to 14 maf
cost: \$4-6 billion
- ③ **Cottonwood Creek:** 1.6 maf
1987 cost in 1995 dollars: \$760 million
- ④ **Glenn Reservoir:** 8 maf
1980 cost indexed to 1996 dollars: \$3.4 billion
- ⑤ **Sites Colusa Reservoir:** 3 maf
cost: 1.5 billion
- ⑥ **Marysville Reservoir:** 900,000 acre-feet
cost: \$1 billion
- ⑦ **Auburn Dam:** 2.3 maf
1987 cost, expressed in 1996 dollars: \$1.5 billion
- ⑧ **Lake Berryessa:** enlargement from 1 maf to 13 maf
cost: \$2.9 billion
- ⑨ **Orestimba Reservoir:** 1.1 maf
cost: \$1.8 billion
- ⑩ **Los Banos Grandes:** 2 maf
cost: \$1.1 billion
- ⑪ **Millerton-Friant Dam:** enlargement from 0.6 maf to 1.4 maf

in flood control. They take the peak out of storms.” **Figure 3** identifies 11 dams/reservoirs that should be built in California (most have been on the drawing board since the 1950s), with their planned storage capacity and estimated cost, where known. They would add a cumulative storage capacity of 39.1 maf, almost equal to California’s current storage capacity. Construction of even a portion of them would add to California’s ability to withstand a “100-year,” or in many locations, a “200-year” flood. (Construction time for a dam/reservoir is two to ten years, depending on the size, physical location and features, engineering requirements, etc.)

The levee system collapse

There is a second element of California’s flood control system that failed during the current flood: its system of levees and embankments.

A levee is a shaped mound of material placed on one or both banks of a river, to hold back waters from overflowing the river stream, and can be composed of earth, clay, concrete,

or a combination of the three. It can range from a few feet, up to several tens of feet in height. The Army Corps of Engineers, which is charged by the U.S. Congress with overseeing flood control throughout the United States, has established a minimum design standard for levees.

The majority of levees in California are built along the Sacramento-San Joaquin river system. The Sacramento River (375 miles long), the San Joaquin River (350 miles long), and their tributaries, which together are called the Sacramento and San Joaquin river system, are lined with 6,000 miles of project and local levees. Most of the levees are continuous, i.e., with no gaps in between. However, the quality of the levees varies. Many local levees were built by farmers or others 100 years ago, and were added to and built up over time. *Hundreds of miles of local levees are substandard relative to Army Corps of Engineers “project levee” standards.* Some are made of peat, which deteriorates, and earth; some have no concrete; some have very weak foundations; some are victim to sand boils, because of the inadequate way they were built.

The Sacramento and San Joaquin river system is to California what the Mississippi River system, including its tributaries (the Missouri River, the Illinois River, and so on), is to the area from northern Minnesota down to New Orleans. The Sacramento and San Joaquin system is the state's central source of water.

The Sacramento River is the state's mightiest river, with the largest volume of water flow (see **Figure 4**). It begins at the northern end of California's Central Valley, where Mt. Shasta rises to 14,000 feet. Yearly precipitation at the higher elevations averages about 70 inches, most of it as snow. From Mt. Shasta, the Sacramento River flows in a southerly direction between the Sierra Nevada and the Coastal Range mountains, on its east and west, respectively. It flows to a delta bed in the central part of the state, where it has left alluvial deposits. This is called the Delta, which it shares with the San Joaquin River, which flows in from the south.

The Sacramento Valley has always been subject to floods, because the natural river channels have capacity sufficient for only a small part of the maximum flow. During 1848 through the 1860s, gold prospectors unloaded some of their debris into the river channel, raising its level. But the fundamental problem was always the limited capacity of the Sacramento River channel itself. In 1874, the Army Corps of Engineers presented a plan for controlling the waters of the Sacramento River, but not much came of it. In 1904, 1907, and 1909, there were disastrous floods on the river. Part of the 1910 Sacramento River Flood Control Plan was adopted by the U.S. Congress in the Rivers and Harbor Act that it passed that year. Over the next several years, this resulted, in part, in the dredging of 25 million cubic yards from the river.

But the flooding problems persisted. In 1933, the voters of California approved a bond issue that authorized money for a project that would control the waters of the Central Valley, principally the Sacramento River. But the Depression halted the plan. Then, in 1935, President Franklin Roosevelt, following the initiative of certain flood-control experts in the Congress, broke the logjam and began the process of implementing a multi-purpose flood-control and water development plan. Using appropriations under the Emergency Relief Appropriations Act of 1935, Roosevelt authorized the Bureau of Reclamation of the Department of Interior to proceed with construction of the Shasta Dam, in the Shasta mountains near the headwaters of the Sacramento River. Completed in 1944, the dam is a 602-foot-high gravity, concrete dam, which is a mile long and has a 115,000 kilowatt power plant that by the 1970s was producing 1.5 billion kilowatt hours of electric energy per year. The dam/reservoir has a storage capacity of 4.55 maf of water. Since the Shasta Dam was built, about 20 other multi-purpose dams have been constructed along the Sacramento River and its tributaries, along with a system of levees.

The San Joaquin River, which has only about one-fourth the water flow volume of the Sacramento River, starts in the

south central part of the state, near Lake Buena Vista lakebed, and runs northerly. The Sacramento and San Joaquin river systems pour into the Delta, which runs on its northern border from south of the city of Sacramento, and on its southern border from north of the city of Stockton. The waters then flow westward, emptying into San Francisco Bay, flowing past the City of San Francisco and out into the Pacific Ocean.

Some 5.1 maf of the water that would otherwise flow out into the Pacific Ocean is diverted and pumped south, to supply dry southern California. As a result, three out of four Californians get all or a portion of their water from that which originates in the Sacramento and San Joaquin river system.

The 6,000-mile levee system built up along the Sacramento and San Joaquin river system was complementary to the dam/reservoir system. In fact, a good flood-control system employs the following elements, usually in combination: 1) levees and embankments; 2) dams and reservoirs; 3) diversion channels, conveyances, floodways, and other outlets; 4) bank and channel stabilization; 5) cut-offs; and 6) contour plowing and reforestation. But, while the levee system was built and maintained through the 1970s, as the pro-speculation, anti-industry thrust of the London financier oligarchy's post-industrial society policy gained momentum, the level of vigilance and repair began slipping in the 1980s.

The deficiencies were known

The 1986 "100-year flood" exposed the fact that the protection afforded by the state's levee system was eroding. It was found that 110 miles of levees were vulnerable and improperly maintained, along different stretches of the Sacramento River system. But delays in funding authorization by the U.S. government, and attempts (many successful) to block some of the levee construction by environmentalists (who claimed that it ruined the habitats of endangered species), slowed the pace of work. When the Flood of '97 struck, some of the levees, known for years to be inadequate, burst, causing heavy damage (and wiping out the endangered species' habitats, as well).

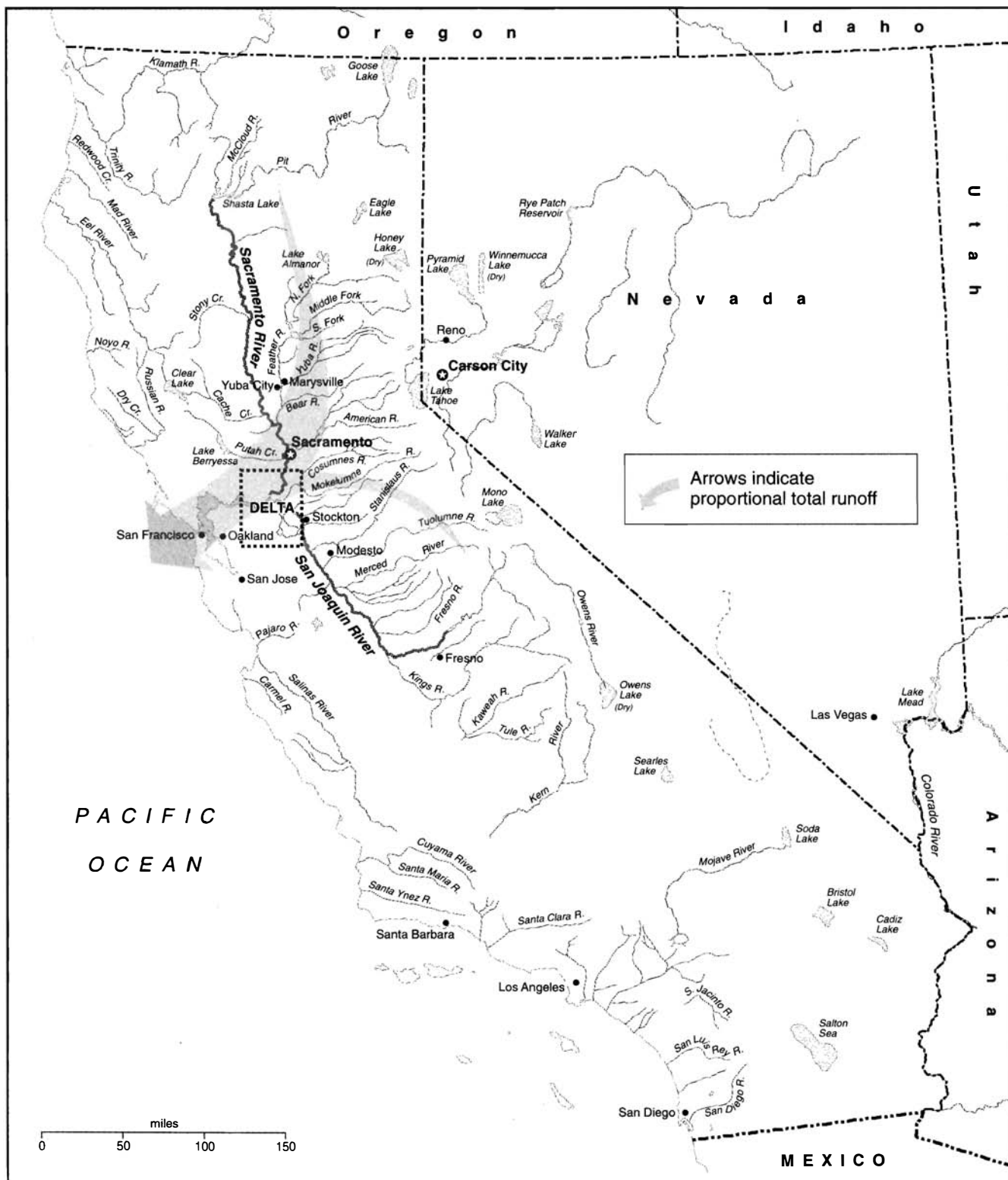
Further, there are many inadequately built and maintained levees in the Delta region, much of which is below sea-level, and some of which is islands, which are used for agriculture. The 1993 California Water Update Plan put out by the California Governor's Office, the state's Resource Agency, and the state's Department of Resources, and which is the last plan published by the California government, contains the following startling revelation about the endangered state of levees in the Delta region:

"Nonproject or local levees (three-fourths of the Delta levees) are those constructed and maintained to varying degrees by island landowners or local reclamation districts. *Most of these levees have not been brought up to federal standards, and are less stable, thereby increasing the chances of flooding*" (emphasis added).

During the recent flood, these levees were insufficient,

FIGURE 4

California's river network; and proportional discharge of the Sacramento and San Joaquin rivers through the Delta into the Pacific Ocean



and there was extensive flooding in the Delta, as there had been in years past. This flooding allows brackish seawater to flow into the water supply, which is pumped to other parts of the state, adding another layer to the damage.

Aside from the immediate Delta area, it is estimated, according to the March 3 *Oakland Tribune*, that *only one-fifth of the state's system of levees is maintained up to federal "project level" standards*, and that it would require \$40 billion to replace the most run-down or vulnerable levees with new dirt levees. Dirt levees still have a degree of vulnerability to flooding; the levees should be made better, in many places, by adding in concrete to their construction, but that would add to the costs. The fanatical budget-cutters don't even countenance spending a fraction of that \$40 billion to replace current levees with a new dirt levee system.

One of the most glaring problems in levee maintenance is sabotage by the fascist environmentalist movement. Frank Hartzell, publisher of *Business to Business Journal*, and an avid environmentalist, told *EIR* on Feb. 27, that near a major levee on the Feather River, in the area of Marysville and Yuba City, environmentalists demanded that a 75-acre "mitigation area" be built to protect endangered species, including the elderberry beetle, which, Hartzell stated, "no one has ever really seen in this area." Within the mitigation area, a pond was built 600 feet from this important levee. "When the flooding came, the pond structurally undermined the levee, and the levee gave way," Hartzell reported. A 600-foot gap in the levee allowed millions of gallons of water to pour through. Approximately 20,000 people in the towns of Marysville and Yuba City had to be evacuated from their homes for days; 3 people died, 500 homes were destroyed, and the damage in this area alone is estimated in the range of \$50-100 million.

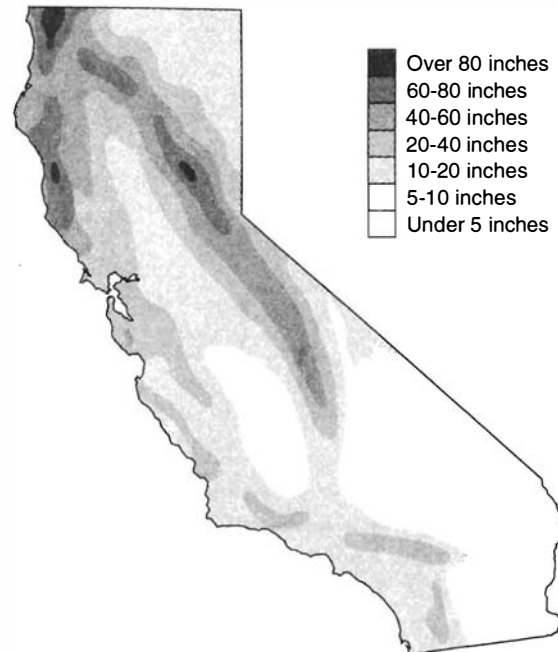
'Least-cost analysis'

Equally criminal is the approach being enforced by Governor Wilson, the protégé and crony of former U.S. President and crack cocaine super-kingpin George Bush. Wilson has instituted an anti-infrastructure, anti-growth "cost-benefit analysis" strategy, dubbed in California-ese "least-cost analysis." This strategy demands that all infrastructure be justified on a unit-cost basis: If \$1 million is to be spent on infrastructure, will it yield a return of \$1 million measured in terms of that project alone? If not, an anti-growth strategy must be adhered to instead, on the rationale that it "saves money." This Wall Street accountant's approach is in stark opposition to that of Alexander Hamilton, America's first treasury secretary, who made clear, in his 1791 *Report on Manufactures*, that the benefit of infrastructure is not what it yields in the small, but the profit it produces by increasing the profitability of the entire economy: By increasing the productivity of all industry and agriculture, output is greater and of a greater technological quality, which swells tax revenues, repaying many times over the initial cost of the infrastructure project.

The "California Water Plan Update" sets all the paramete-

FIGURE 5

Average annual precipitation



ters and plans for flood-control/water-management for the state of California. Governor Wilson's office produces this report in conjunction with two other state offices, whose heads and staff Wilson appoints. The 1993 "California Water Plan Update" presents the destructive goals, including the specific rejection of building new capacity, inherent in "least cost analysis":

"The least-cost process gives all available options an equal chance in the selection process. . . .

"With LCP the water manager's objective becomes one of meeting all water-related needs of customers, *not one restricted to looking for ways of providing additional supply*. For example, if a growing service area's need for additional water can be reduced with an ultra-low-flush toilet retrofit program *rather than additional water supplies*, then the retrofit program should be considered on its merits and compared with all other options when putting together a water management plan.

"The option of planned periodic shortages must be as carefully evaluated as any other (plans which would result in extreme shortages jeopardizing life or health would, of course, be unreasonable)" (p. 275, emphasis added).

The fact that a disingenuous disclaimer is added—that extreme shortages should not be pursued if that could threaten life—means that Wilson and his budget-balancers know that the austerity they are pushing could threaten life, and that they

plan to come as close to the line as possible in cutting water program functions without inducing death, knowing that they just might cross that line.

From this standpoint, it is clear that the damage of the Flood of '97 was caused by the deliberate destruction of flood-control and water infrastructure—the refusal to build dam/reservoirs that would make flooding a much more remote possibility; the delay in repairing levees, which the 1993 plan stated were inadequate, “thereby increasing the chances of flooding”; and the institution in the 1990s of “least-cost planning,” which vitiates all infrastructure building. Combined, these made inevitable the loss of life and billions of dollars of damage, as much as 80% of which could have been prevented.

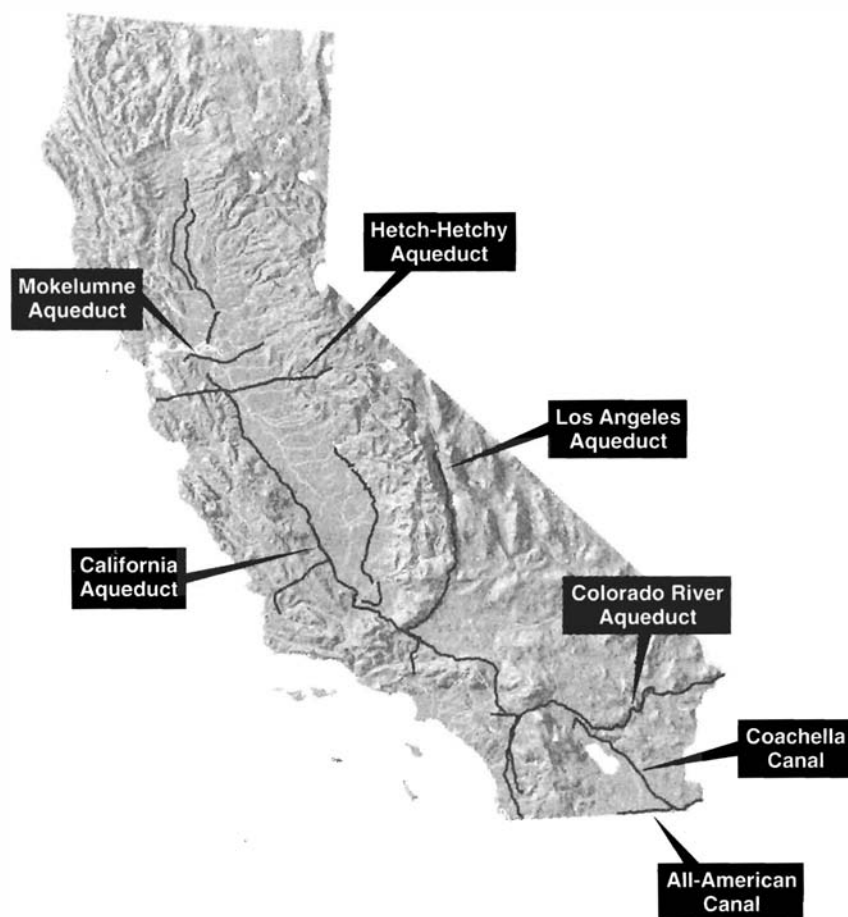
Water management and fighting droughts

There is another element here which broadens the picture, that of water use and supply. Water management policy has two functions: flood control, and to supply clean water. These are complementary; in notable instances, the same piece of infrastructure can be used for both purposes, such as dam/reservoirs, conveyances, channel lining, and so on. The same dam/reservoir which allocates a large portion of its space to store water during a storm, so that it doesn't overflow a river channel, can, during non-storm periods, ship the water so accumulated during a wet period, to a place that is in need of water. And, California, since it became a state, like many other states, has been simultaneously pre-occupied with flood control and freshwater supply.

Figure 5 shows the precipitation patterns of the state, which closely mirror the location, or absence, of large rivers. Notice, that in the northern part of the state, there are three zones, where more than 80 inches of precipitation accumulate annually, and four zones of 60 to 80 inches annual precipitation, while in the southern part of the state, precipitation accumulation is 10 to 20 inches, and for large stretches, less than 10 inches per year. In the southeast quadrant of the state is the Mojave Desert, with virtually no precipitation.

Thus, a key function of the state's dam/reservoir and canal system is storing and moving water from the northern to the southern part of the state (see **Figure 6**). One nexus

FIGURE 6
Major man-made canals and diversion channels



Over the course of the Twentieth Century, drawing on federal, state, and local government funding, California constructed a remarkable system of canals and diversion channels to provide flood control, and, especially, to move fresh water supply throughout the state. Of special importance, is that water is transported from the water-rich north to the water-poor south.

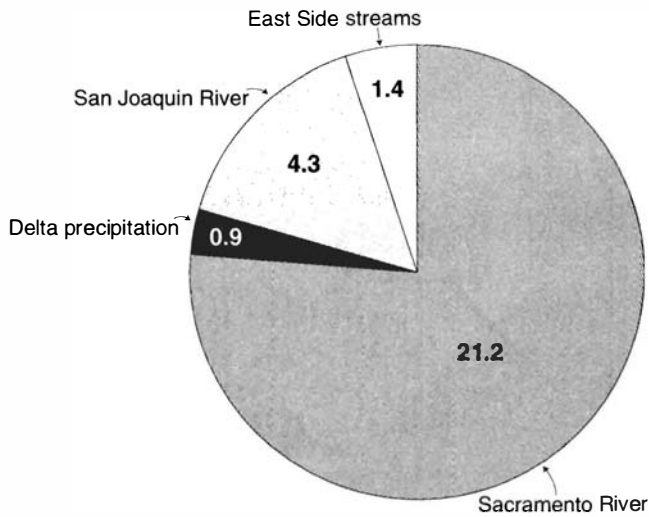
region for this is the Delta. **Figures 7** and **8** show the transmission process through the Delta. For 1980-89, on average, 27.8 maf came into the Delta annually, of which 21.8 maf came from the Sacramento River, 4.3 maf from the San Joaquin River, and the rest from other sources. In turn, 27.8 million maf flows out of the Delta: Three-quarters of it flows into the Bay, but 5.1 maf is pumped through the Tracy, Banks, and to a lesser extent, Contra Costa pumping stations, to the south of the state. While two-thirds of the water in California originates in the north, more than two-thirds of the population lives in the south. This exchange of water is crucial.

A complicating factor is the wide swings from year to

FIGURE 7

Inflows to the Delta, by inflow source

(million acre-feet)



Total annual average flow = 27.8 million acre-feet

Source: "California Water Plan Update, 1993," Vol. 1, p. 250.

year, from very dry conditions to very heavy precipitation. **Figure 9** is the annual Sacramento River index, which shows the estimated annual natural runoff that occurs cumulatively at four station sites on the Sacramento River and its Feather, Yuba, and American rivers tributaries, for 1906-93. The annual average for the 50-year period of 1941 through 1990 is 18.4 maf in runoff. Notice that in some years, runoff is 30 maf or more; in other years, it is 10 maf or less. Moreover, the annual runoff in 1974 was 33 maf, while just two years later, in 1976, it was 8.1 maf, a very serious drought year when water was badly needed in most parts of the state. The extremes are the norm. This means that in California, one has to have a flood-control/freshwater-management system that can handle both drought and flood on a regular basis. Preparing for the average-norm is ludicrous, because the norm occurs less than one-third of the time.

For example, while we have reported extraordinary floods (which may be very intense, but only for a short period of time), California suffered an agonizing drought during 1987-92, when precipitation levels, for some years in some regions of the state, were only 6% of the norm.

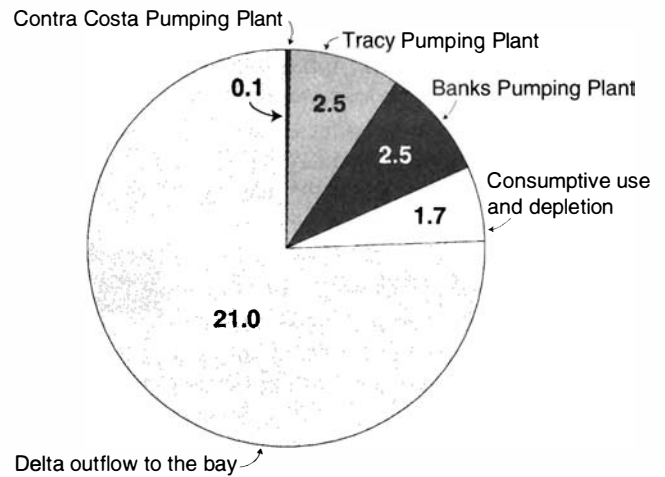
Thus, there are two separate, though at times intersecting processes: 1) the annual movement of water, through the Delta nexus, from the north to the south of the state; and 2) the cycle of floods and droughts, during the latter of which as much as 80 to 90% of the state can be badly in need of water.

Preparing for such eventualities typifies the history of

FIGURE 8

Outflows and diversions from the Delta, by outflow destination

(million acre-feet)



Total annual average flow = 27.8 million acre-feet

Source: "California Water Plan Update, 1993," Vol. 1, p. 250.

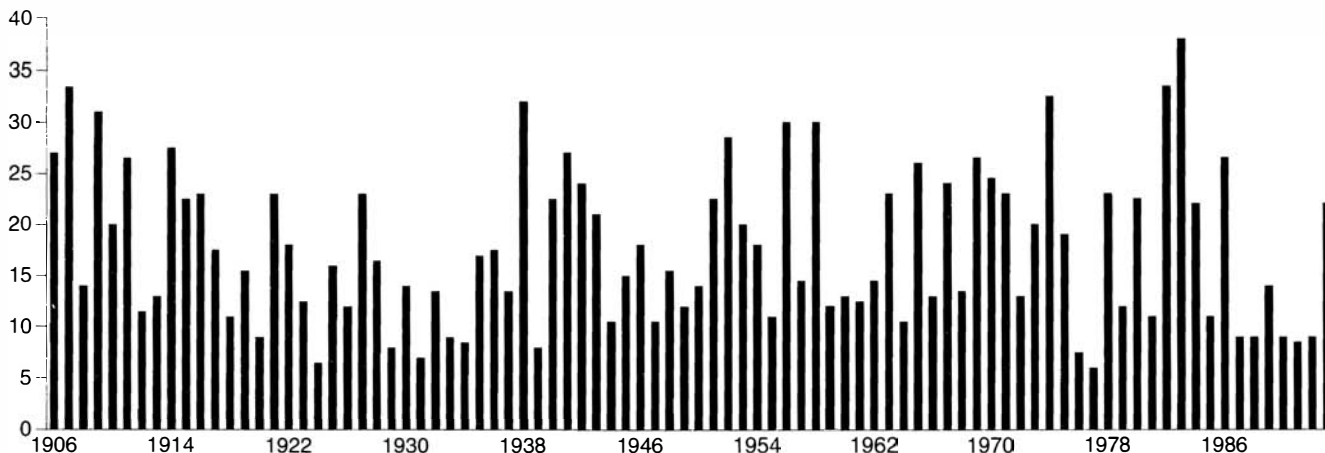
California, a state that, through the building of water (and other) infrastructure, has increasingly mastered nature and the limitations and seeming prohibitions nature would impose. It survives only because of its extraordinary ability to control and move water.

Take the case of California agriculture, which is a successful scientific experiment. The state's settlers did not simply start farming arable land; rather, they had to transform the soil through infrastructure—water management, new sources of power generation, and scientific farming.

Californians artificially transformed the soil in the same sense of the word artificial as Alexander Hamilton employed the term "artificial labor" in his 1791 *Report on Manufactures*. Hamilton's idea derives from the 1439-40 Council of Florence concept of *imago viva Dei* (man in the living image of God), which is that through man's creativity, revolutionary new scientific discoveries of principle, the basis for economic wealth and growth, are made. Man employs scientific discoveries to improve the power of machinery employed in increasingly capital- and energy-intensive modes of production. The increase in labor power enables one man today do the work of 50 to 100 workers 100 years ago. This scientific principle is generalized throughout the economy through the machine-tool-building sector and through infrastructure, such as flood control and water management.

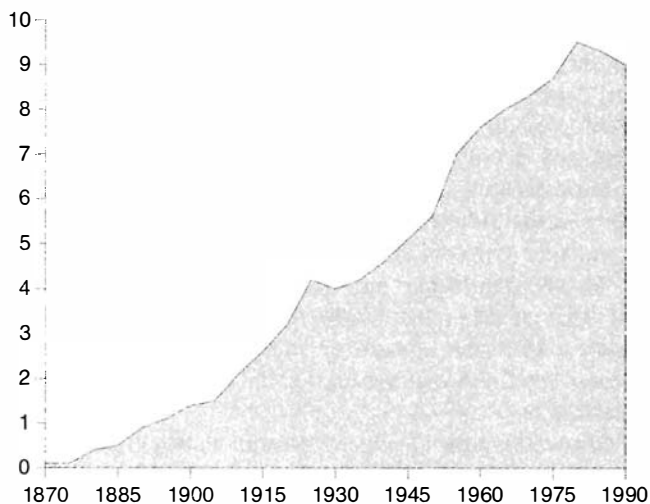
The republican nationalist forces in California altered the state's rivers, irrigated its land, and so on. The story of engi-

FIGURE 9
Estimated natural run-off of the Sacramento River, 1906-93
 (million acre-feet)



Source: "California Water Plan Update, 1993," Vol. 1, p. 52.

FIGURE 10
Irrigated agricultural acreage in California, 1870-1990
 (million acres)



Source: "California Water Plan Update, 1993," Vol. 1, p. 171.

neer George Chaffey and the development of the Imperial Valley, is exemplary (see p. 21). **Figure 10** depicts the amount of acreage irrigated for agriculture, which rose from a few tens of thousands of acres in 1870, to 4 million acres in 1925, to 9.7 million acres in 1981 (which, in 1981, represented one-fifth of all irrigated cropland in the United States). Cali-

fornia produces over 250 crops and livestock commodities and is the nation's largest agricultural producer. In 1989-91, it produced the following percentage of the nation's output of the following crops: almonds, 100%; prunes, 100%; pistachios, 100%; olives, 100%; walnuts, 99%; nectarines, 97%; grapes, 91%; broccoli, 90%; processed tomatoes, 90%; plums, 85%; avocados, 83%; lemons, 81%; strawberries, 78%; safflower, 77%; lettuce, 75%; celery, 73%; peaches, 66%; carrots, 58%; asparagus, 43%; alfalfa seed, 38%; oranges, 34%, and so forth. It is also a large producer of milk, rice, and cotton.

California is also the nation's largest manufacturing state. One out of ten of America's 18.3 million manufacturing workers is employed in California. In November 1996, California's manufacturing workforce, at 1.83 million, was 700% larger than the state with the next largest manufacturing workforce, Ohio.

California's population of 32.2 million is one-eighth of America's total. Thus, California needs water for agriculture, manufacturing, drinking, transportation, bathing, sewerage, and so on. As of the latest figures of 1990, California withdraws 31.9 billion gallons of freshwater supply per day, one-tenth of America's daily freshwater withdrawal of 327 billion gallons. **Table 1** shows the average daily residential use of water.

Thus, the proposals to slash California's water infrastructure and, thus, consumption, by Governor Wilson, by the U.S. Congressmen who voted down the construction of the Auburn Dam, etc., is suicidal. In addition, there are two other attacks on water infrastructure. First, contained in California's 1993 Water Plan Update was the announcement that by 2020, water

TABLE 1

California residential interior water use

(gallons per person per day, in 1990)

Toilet	28.2
Bath / shower	22.4
Faucets	10.4
Laundry	16.0
Dishwashing	2.4
Total	80.0

Source: "California Water Plan Update, 1993," Vol. 1, pp. 152-53.

consumption levels would be permanently cut by 10% from current levels, and that during drought, an additional 10% cut would be imposed. Second, according to the plan, an additional nearly 1 maf of California water will be diverted and segregated from urban and agricultural use, to be used solely for the environmentalist protection of so-called endangered species.

As the banking forces behind these proposals know, if water infrastructure for flood control and water supply are dismantled, then industrial, agricultural, and population growth will contract, and the society and human existence wither.

The infrastructure solution

The means to reverse the takedown of California's water-management system are at hand. Some of the measures have been studied, reexamined, and updated many times. In 1994, the relevant flood-control and water-management agencies of the federal and the California state governments formed a commission, called Cal-Fed, to formulate answers to the water problems in the Sacramento-San Joaquin Delta. At least on paper, Cal-Fed is attempting, correctly, to locate the solution within the context of solving California's statewide water shortage and to strengthen flood control. Cal-Fed has identified 60 dam/reservoir surface water projects, 20 groundwater projects, and 20 conveyance and channel projects that could be built, many of them dating from California's 1957 Water Plan (all subsequent state water plans have been updates of that 1957 plan).

Unfortunately, two spokesmen for Cal-Fed, as well as representatives from the California-based Friends of the River, have told *EIR* that Cal-Fed will not recommend for construction any ambitious hard infrastructure water project. This reflects the least-cost analysis straitjacket, as well as the environmentalist views, both of which are reflected in Cal-Fed. Nonetheless, whether these projects are built will really depend on the will of citizens who realize their neces-

sity. Their initiation could take place as part of an economic recovery program, part of the bankruptcy reorganization of the U.S. and world financial systems, through the development-vectored New Bretton Woods monetary-financial system that Lyndon LaRouche is talking about.

There are three types of water projects that would stop the sabotage of California's economic development, and provide for real growth for decades into the future:

1. *The North American Water and Power Alliance (Nawapa)*. This project would divert the water flow of the Yukon and Mackenzie rivers in Alaska and Canada, which otherwise flow unutilized into the Arctic Ocean, down through Canada and the 500-mile-long Rocky Mountain Trench (which is the world's second largest natural reservoir), as far south as northern Mexico. Nawapa would create an interconnected network of rivers, canals, and reservoirs, carving out dozens of new major waterways in Canada, the United States, and Mexico, and would add at least 135 billion gallons per day to the freshwater supply of the lower 48 states of United States, as well as additional supplies to Canada and Mexico (see "Fresh Water Is Never Too Expensive," *EIR*, Dec. 18, 1992).

2. *Eleven dam/reservoir projects* (Figure 3). The 11 are from a list of 60 that could be constructed. They have all been exhaustively studied, and are all feasible. Among these 11 projects is the Auburn Dam. The real focus of opponents of the dam seems to be the admission contained in the 1993 California Water Update Plan, which stated, "In 1991, the Army Corps of Engineers completed a Feasibility Report and environmental documentation for a 545,000 af [acre-foot] flood detention dam at the Auburn Dam Site which would provide 1-in-200-year flood protection for Sacramento and vicinity." That is, in conjunction with other flood-control measures, it would provide against a flood twice as severe as the 100-year flood. This, opponents don't want.

Another proposal is to expand the storage capacity of the Shasta Dam/Reservoir, from 4.55 maf, to almost 14 maf. This would protect the Sacramento River directly, and greatly add to the amount of stored water that could be released for California's drinking, bathing, agriculture, and industrial use.

These proposed 11 projects combined, which are among the largest of the 60 on the Cal-Fed list, would add approximately 39.1 maf of new storage capacity. Most of them, the ones that are on-stream, would provide added flood protection, and all of them would add a huge amount of new freshwater, as well as hydropower. The total cost in 1996 dollars would be approximately \$23 billion. Not all the 11 projects are needed at once, and the building of some projects would permit construction of some of the other projects in the future. But it is necessary to know that the solution to California's water shortages and flooding is at hand.

3. *Water desalination.* Taking the salt out of seawater is a technology that has been practiced on a limited scale for at least two decades. There are a number of desalination processes (electrodialysis membrane desalting, reverse osmosis, and so on), but one of the biggest stumbling blocks is making the process commercially feasible. While work goes on in that area, one of the most crucial features is to develop nuclear power, because desalination uses a large amount of energy. Cheap nuclear power, delivered by high temperature gas-cooled reactors (HTGRs), would help spur the process.

But these solutions are not being pursued in the nation or in California. In Figure 10, notice that the amount of

irrigated agricultural land in California has declined 10% since it reached its peak of 9.7 million acres in 1981. If the Newt Gingrichs and Pete Wilsons, and the London oligarchical financiers have their way, this will be slashed further.

The Flood of '97 demonstrates that it is not natural occurrences, but incorrect economic policies, that caused the vast majority of preventable damage. Rather than waiting for the catastrophe of the next flood, and the news media's retailing of ridiculous tales about why it occurred, there is a simple solution: Reverse the trend and put the emphasis back on one of the best examples of man's creative development—infrastructure.

George Chaffey enabled the Imperial Valley to bloom

California was developed by a republican movement's commitment to science. Work to reshape California is exemplified by the Imperial Valley, which was a stretch of sand until developed by George Chaffey, Jr., during the first decade of the 20th century, into a fertile producer of fruits and vegetables.

Chaffey was born in January 1848 in Brockville, Ontario, Canada, the son of George Chaffey, Sr., a shipper and shipbuilder who supplied iron ore to Cleveland, Ohio. Though the members of the Chaffey family were Canadian, their patrons were leaders of the Ohio and Pennsylvanian Republican parties, who strove in Abraham Lincoln's tradition, to populate the American West with farms and industry. Chaffey assimilated this method and this mission as his own. Chaffey went to work for his father as a marine engineer. At 17 years of age, he invented a new type of marine propeller that was faster than existing types and fuel efficient. It was fitted to many oceangoing and Great Lakes steamers.

From 1881 to 1886, Chaffey and his brother William, a horticulturalist, worked with spectacular success on two irrigation settlements in San Bernardino County, California, east of Los Angeles. In both cases, the land for the projects had been considered worthless, except as pastureland. In 1884, Chaffey organized the Los Angeles Electric Company, of which he was president and an engineer, and made Los Angeles the first city in the United States to be lit exclusively by electric light.

During 1886-96, Chaffey worked developing irrigated settlements in Australia.

In 1900, Chaffey became president and chief engineer

of the California Development Company. His job was to develop a desert area in the extreme southeast tip of California, which borders Mexico to its south and Arizona to its east. In its existing form, the desert land was valueless and had defied attempts to develop it. The area, which is now the Imperial Valley (a name Chaffey gave to it), had once been under the northern end of the body of water called the Gulf of California, where the Colorado River ends its run. The lowest part of this desert was called the Salton Sink.

Chaffey's job was to construct irrigation canals capable of diverting 400,000 acre-feet of water per year from the Colorado River to this desert area. He built a canal that crossed sand dunes in California, passed over into Mexico at the Alamo River, then crossed back into the United States. At this second crossing point, Chaffey founded the twin cities of Calexico, California and Mexicali, Mexico. Today, Mexicali has a population of more than 1 million people.

All told, Chaffey built a 70-mile-long irrigation canal, as well as 400 miles of irrigation ditches. He irrigated 250,000 acres, making the desert bloom. Between 1901 and 1904, some 10,000 settlers came to the area to farm.

The project enraged British-controlled President Teddy Roosevelt, who considered the miracle of the Imperial Valley offensive to his conservationist and anti-development sensibilities. Roosevelt used agencies of the U.S. government to break the California Development Company, and drive Chaffey out of it. In 1904, the Imperial Development Company went bankrupt. In 1911, it was taken over by the Imperial Valley Irrigation District, which manages the area to this day.

Chaffey's achievement endures. (See also, "Imperial Valley: The Desert Blooms, Despite Teddy Roosevelt," by Peter Chaitkin, *New Federalist*, Oct. 21, 1988.)

—R. Freeman

London in a phase-twitch

by Lyndon H. LaRouche, Jr.

March 13, 1997

The following report by John Hoefle, on the week which began with a flap around a report in the March 9 edition of the London *Sunday Telegraph*, reflects a radical phase-shift in both the international financial situation, and also the political situation. It was a busy week, typified by a March 13 piece, echoing the *Telegraph* item, in the *Wall Street Journal-Europe*, and, also, the gloomy warnings of bursting global financial bubbles, in Laurent Joffrin's column in the March 14 edition of the Paris daily *Libération*.

By "phase shift," we mean a radical change in the characteristics of a system, as when ice melts, when water turns into steam, steam into plasma, or the first jet-aircraft achieved transsonic speeds, and beyond, in powered flight. What now is happening in the world's financial systems, economies, and politics, is just as fundamental a change as any of the changes in state noted by the physicist.

As John Hoefle reports, among insider circles in Europe, the general reading of Neil Bennett's piece in the *Telegraph*, is that someone is using the Hollinger press empire's London flagship, to signal that a very big blow-out has either occurred, and will soon be reported, or that something sudden and enormous is expected to blow very soon. The *Telegraph* and *Wall Street Journal-Europe* base their story chiefly on interviews with one of London's leading traders, Tony Dye, chief investment officer for a \$90 billions fund, Philips & Drew Financial Management (PDFM), an affiliate of the Union Bank of Switzerland. As Dye more than merely hinted, preliminary reports of what many fear might be a typical, major derivatives loss, at an affiliate of London's National Westminster Bank, figure in these developments in some significant, but yet not fully disclosed way.

Something else, perhaps equally shocking to many readers, is also occurring. Among those leading economists and bankers, from around the world, with whom *EIR* has engaged in more or less frequent on-background discussions over the



Federal Reserve Board Chairman Alan Greenspan's Feb. 21 speech in Coral Gables, Florida, has shaken London. Greenspan warned of a "systemic risk," in which, if a bankruptcy or market crash cannot be contained, it could lead to a chain reaction meltdown, or "atomic erosion," of the financial system. Here, Greenspan is testifying before a Senate committee in 1990.

years, very few still argue, today, that the "LaRouche economic forecasts" were either slightly exaggerated, or statements to the effect, that "maybe LaRouche is right about the crisis, but you will see that the Federal Reserve will manage to keep things under control." The reason for this change? Like the unshaven man sitting, abandoned, in his kitchen amid weeks accumulation of dirty dishes, today's economists recognize, sadly, that Greenspan is right about one thing: the honeymoon with the "great boom market" is over.

As a result, big political changes are now ongoing in Germany, and, also, here in the U.S.A. Clinton is sending a major infrastructure program down to the Congress; Chancellor Helmut Kohl's government has just announced a comparable infrastructure-building package for Germany. Helga Zepp LaRouche, carrying her recently acquired appellation of "The Silk Road Lady," is finding rapt attention among policy-shapers and influencers, for *EIR's* outline of the greatest of all infrastructure-development programs, its *Eurasian Land-Bridge* report, among diplomatic and related circles, in Europe, as here in the U.S.A.

These are major changes from the way things seemed to be going just a week earlier, as one fellow said to the other, while they were both building barricades to defend the city against the torrential rainfall of the incoming hurricane. This past week's events are a prelude of the big shocks soon to come. Nothing since the end of the 1930s Great Depression and World War II provides anyone in the United States with an experience which is a guide to meeting the changes which

are barreling in upon us now.

Yet, that said, there is a crucial lesson to be learned from the past twenty years' chronic Federal deficit, the past twenty-odd years' constant-dollar collapse of the tax-revenue base, and the onrushing implosion of the most bloated financial bubble in history. The past thirty years' experience proves, that all the generally accepted economic theory behind publications such as the *Wall Street Journal*, *New York Times*, *Washington Post*, and the British financier oligarchy's Mont Pelerin Society creation, have turned out to be among the worst ideas since the original discovery of dirt. Look at the past thirty years' gamble with "post-industrial" utopianism as one giant failed experiment.

Nostradamus was always a fraud

The essence of good science is, the persistence of some stubborn, inescapable fact of experimental physics, whose existence was considered impossible, according to what had been considered all of the most authoritative beliefs. If we throw out all those assumptions which are discredited by that fact, we may still face a seemingly impossible problem. Often, even a cleaned-up version of the old belief-system, can not account for the troubling new, stubborn fact. The irony, that those beliefs appeared to work, up until that point, and, yet, suddenly fail when faced with this fact, defines a riddle, a paradox. Obviously, something is missing in our previous understanding of the way in which the universe works; we must discover a principle of nature which will

come to our attention as something new, possibly never known before.

Why the panic which this financial crisis is now unleashing among economists, governments, financial markets, and leading political parties, around the world? That principle of experimental physics, first presented by its discoverer, Bernhard Riemann, in his 1854 habilitation dissertation, is the fundamental principle of modern science which permits us to understand these fundamental phenomena in the history of ideas, in art and statecraft, as in physical science.¹

To sum up the most relevant features of Riemann's habilitation dissertation: Once we have discovered, and validated a needed new principle of scientific knowledge, we still have work to do. We must now integrate the best surviving features of our old experience and knowledge, into a new set of axiomatic assumptions, featuring the validated new principle. In the language of the experimental physicist, such is the challenge referenced for the world of finance, economics, and politics, by the shocking warnings which appeared in some of the the past week's leading London and Paris press.

The results of the experiment may be fairly summed-up as follows. The lunatic follies of the Mont Pelerin Society's extremists, the monetarists Friedrich von Hayek, the Heritage Foundation, and avowed "narco-conservative" Milton Friedman, as aggravated by the "virtual reality" among the cultish followers of Norbert Wiener and Professor John von Neumann, have blended with the existentialist whimsies of the "post-industrial" utopians. These have all combined their influence, to bring about the worst, global economic and financial disaster in the history of modern civilization. That thirty-year experiment has not only failed absolutely; it is now blowing up in our faces.

I can fairly say, "I told you so." I described the way this process would probably unfold, to the students in a one-semester introduction to my discoveries in physical economy, which I taught at various campus locations, during 1966-1973. I warned repeatedly, and, in retrospect, seemingly prophetically, in widely circulated published pieces, and in nationwide television broadcasts. That record of my forecasting is summarized in a widely circulated *New Federalist* pamphlet of August 1994: *The Coming Disintegration of The Financial Markets*. The precise dynamic of the presently onrushing "derivatives" crisis, was supplied in various published presentations of what is known as my "triple curve."²

1. Bernhard Riemann, *Über die Hypothesen, welche der Geometrie zu Grunde liegen*. Bernhard Riemanns gesammelte mathematische Werke, H. Weber, ed. (New York: Dover Publications reprint, 1953) pp. 272-287. See Lyndon H. LaRouche, Jr., "The Essential Role of 'Time-Reversal' in Mathematical Economics," *Executive Intelligence Review*, Oct. 11, 1996.

2. Lyndon H. LaRouche, Jr., "We Have Reached the End of an Epoch," *Executive Intelligence Review*, Jan. 1, 1996.

Why did so many people, even presumably well-informed, professionally trained, and influential ones, fail to heed warnings which many, looking back, now view as "prophetic"? There were many contributing reasons, including a general, world-wide brainwashing of the credulous on the subject of "political extremist Lyndon LaRouche," by the entirety of the politically-motivated, major news media.

Among the many reasons, the one most relevant to the subject of John Hoefle's report, is that most laymen, like the silly daily news media, insist, as do dupes of the Nostradamus cult, that an "economic forecast" is a prediction. They mean the kind of prediction which so many hard-boiled, practical Wall Street players seek to purchase from the tea-leaf reader in the cubby-hole around the corner (or, the same thing, today's proliferating investment-advisory newsletters).

A forecast is not the kind of prediction peddled by the local race-track tout. Like a good weather forecast, a good economic forecast is a scientific assessment of the characteristic features of an ongoing process. Since human populations are not wind-up mechanical dolls, but are ruled by voluntary choices of behavior, the best we can say, is the following: 1) Given the present conditions, and 2) Given the characteristics of the way in which the process is organized presently, 3) either . . . or . . . , 4) until . . .

A scientific economic forecast is related to the nature of a function in mathematical physics, or a classical war-plan of the types of the former U.S. war-plans "Red" and "Orange," or the famous war-plan of Germany's General Alfred (Graf) von Schlieffen. Like a good war-plan, a good economic forecast should include information indicating that the assorted, characteristic features of the function being described, are, variously, near-term, medium-term, or long-term. The forecast should provide some indication of the nature of the clinical phenomena which should be observed, to estimate how close the process's unfolding is to one or more, specified types of critical developments.

The first thing which must be done, in attempting to evaluate anything which appears to be in the form of a forecast or prediction, is to translate those statements into the form analogous to a physical-economic function, analogous to a functional design for a test-of-principle experiment in physics. Do not ask, "On what date will what occur?" Ask, instead, "What kind of an intelligible, unfolding process does this forecast describe?"

The usual problem encountered among financial and monetary specialists, politicians, and others, is that their minds work in exactly the opposite way: they attempt to translate any forecast into the type of prediction one might expect from a race-track tout. They refuse to see, that an economy is not a game of chance, that success or failure is not a matter of luck. Our fate, and that of nations or entire civilizations, is located in the assumptions, which the players, wittingly or unwittingly, allow to guide their choices of

action and reaction to unfolding developments. If, and when, the stock market collapses, do not blame that on Chairman Greenspan, or President Clinton: blame it on the ignorant beliefs which you, and others, have permitted to guide you axiomatically, in the way in which you behave, the way in which you react to the world around you.

In brief. Prior to the general counter-cultural shift in direction of policy-shaping, which was introduced during the 1966-1971 interval, the U.S.A. was the most powerful economy of the planet, which was improving the life-expectancy, and standards of education and opportunity of its citizens and households. Then, about thirty years ago, we changed direction, away from emphasis on investment in scientific and technological progress, and in building and maintaining infrastructure. Since then, as measured in physical terms of per-capita, per-household, and per-square-kilometer relations to nature, there has been, since 1970, a consistent shrinkage, of more than 2% per year, of the economy and conditions of life, especially of those in the lower 80% of income-brackets. Relative to the standard obligations of government, as established during the 1946-1966 interval, the per-capita tax-revenue-base of Federal, state, and local government, has been shrinking, because the physical economy is shrinking, and wasting.

Do not ask what future day the tooth-fairy plans to bring down the hot-air-filled Dow-Jones balloon; ask, instead, what are the popular, but incompetent beliefs about economics, taught in most schools, and practiced by the majority in government, which have ruined the physical economy, downward-step after downward-step, during the past twenty-five-odd years?

To sum up the point at issue, we identify the two most crucial functional features of the forecast which forewarned the world of the crisis breaking out in a new, more advanced phase right now.

The first is most conveniently identified as follows. For the purposes of written submission to a 1995 Rome conference, this writer sketched out what has since become somewhat famous as his "triple curve." [See **Figure 1**, p. 27.] This was done in the effort to make the crucial issues more readily comprehensible to a conference body composed chiefly of non-economists. This curve, published at the end of that year, described the shifting relations, per-capita of labor-force, since 1970, among three magnitudes: financial aggregates, monetary aggregates, and physical-economic aggregates. It identified the notion of the functional interdependency among the three magnitudes, which has prevailed during the recent twenty-five years. It compared these changes in terms of the ratio of monetary exchange, and financial turnover, per-capita of labor-force, to the hard-commodity domestic and foreign trade turnover of nations.

In presenting the "triple curve," it was shown, that the nominal value of existing financial aggregates depended

upon a highly leveraged, and purely speculative relationship to monetary turnover, and that, under these conditions, increased monetary turnover was dependent upon measures of austerity which shrink the magnitude of per-capita physical-economic aggregates. These most conspicuous features of the functional interdependency among the three categories of aggregates, defined a hyperbolically accelerated disparity currently entering the steepest slope of the relationship among the interdependent curves. Hence, functionally, inevitably, until the system is radically changed in an appropriate way—back to pre-1966 functional standards, the world system has reached the "asymptotic limit" of its possible continuation. In short, "Bang!"

The second leading point, is that, as the founder of modern economic science, Gottfried Leibniz, and U.S. Treasury Secretary Alexander Hamilton, among others, understood, the sustenance of national growth and prosperity of the whole people depends upon both high rates of public investment in basic economic infrastructure, and in great emphasis upon investment in increase of the per-capita productive powers of labor through investment concentrated in scientific and technological progress. This was the core of what was known as "The American System of political-economy," the only truly successful form of modern nation-state economy yet devised anywhere on this planet.

Wealth comes from the interdependency between a labor-force educated up to the highest standard of scientific and technological progress, and public and private investment in such progress. The poor fools who have been hypnotized by Britain's cultish Mont Pelerin Society, have hoodwinked a great number of U.S. policy-shapers and other citizens into the delusions of a consumerist social parasite, that wealth comes to the few from the cheap labor, increased mortality-rates, and virtual illiteracy of the many.

Those two considerations, situated with respect to the characteristic functional features of the "triple curve," are sufficient evidence, in principle, to have forecasted, over the past thirty years, as this writer has done, the inevitable doom of the world economy, until, and unless we came back to our senses, to do again what we used to do rather well, back from the "free trade" lunacies of Adam Smith et al., back to that American System of political-economy, which used to be the model which leading patriots of our and other Nineteenth-Century national economies, such as Germany, Russia, Japan, and the republics of the Americas, had admired, and sought to adopt as their own.

Now, we have come to a point in that functionally defined process, that we must either soon make that necessary change, away from the policy-trends of the recent thirty years, or we shall experience an entirely different sort of change, a change which will be global, and will be much more unpleasant than anything known during recent centuries of modern European civilization.

So, last week, London twitched.

London prepares for derivatives horror

by John Hoefle

A “nightmare” is looming in the international derivatives markets, which “could knock over some very big institutions,” the London *Sunday Telegraph* warned in its City Editor’s Comment on March 9. The Comment, by Neil Bennett, noted that, “if and when world stock markets fall,” a “domino effect” could hit large banks with “vast” derivatives losses.

The column, titled “The \$55 Trillion Horror” (see page 31), claimed that “the total value of derivatives in the world today is \$55 trillion . . . twice as large as the world’s Gross Domestic Product.” That figure, albeit huge, is a dramatic understatement of the actual size of the international derivatives exposure.

Over the past several years, Lyndon LaRouche and his associates have repeatedly warned that the global financial system is bankrupt, and that a chain-reaction implosion of the derivatives market is inevitable, unless emergency reorganization measures are taken. LaRouche’s warnings have been echoed by a number of continental European financiers and economists, while the City of London—the base of operations for the international financial oligarchy which created the derivatives bubble—has insisted that the system was not in danger.

What the *Sunday Telegraph* statement signals, is that the British Establishment insiders know that the conditions are ripe for a major international financial crisis to erupt at any

LaRouche’s Ninth Forecast

“The presently existing global financial and monetary system will disintegrate in the near term,” LaRouche warned in his Ninth Forecast, published in *EIR* on June 24, 1994. “The collapse might occur this spring, or summer, or next autumn; it could come next year; it will almost certainly come during President William Clinton’s first term in office; it will occur soon. That collapse into disintegration is inevitable, because it could not be stopped now by anything but the politically improbable decision by leading governments to put the relevant financial and monetary institutions into bankruptcy reorganization.”

moment. It is an admission, from the heart of the beast, that LaRouche was right, and that all of their vaunted regulatory and market-discipline measures, which were supposed to prevent such a crisis, have failed. It is an admission, that the system is out of control.

Chain reaction

The *Sunday Telegraph* points to the danger of a “reverse leverage” collapse. A British fund manager told *EIR*, comparing the situation to a volcano. While only agreeing to talk on background, “precisely because the situation is so risky, anything you say, can have an effect,” the fund manager did stress the importance of the remarks Federal Reserve Chairman Alan Greenspan made in Florida on Feb. 21.

“There have been occasions when we have been on the edge of a significant breakout,” Greenspan said to a meeting of the Atlanta Fed in Coral Gables. Thus far, he said, the Fed’s response has “turned out to be adequate to stem the atomic erosion.”

“We can all guess what he meant by the term ‘atomic erosion,’ ” the fund manager said.

“It is perfectly understandable that such an article would be published in a newspaper that is close to the British Tories,” an influential European told *EIR*. “They fear that a major financial crisis could be an added element in pushing the Tories out of power, between now and Britain’s general election,” scheduled for early May. “My reading of that article,” the source continued, “is that there is a fear among such people that such a crisis could occur at any time, and they want to avoid creating the circumstances for it to happen so soon.”

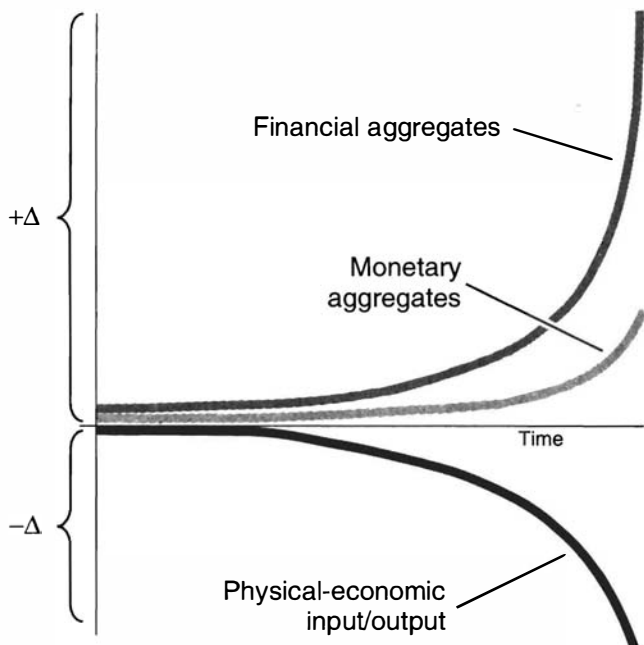
“It’s a cry, an appeal for some kind of regulation of all deregulated markets,” the European source stated. “Of all the markets, the derivatives one is the most deregulated. In fact, I wonder where they ever got this figure of \$55 trillion. It is very hard to come by figures for derivatives trading.” The article reflects a “general unease about the financial markets, that we are seeing around the world,” he said. “The most public indications of this, are the statements of Greenspan, who clearly is worried about dangers in the markets. Obviously, people feel there is a need for some kind of regulatory mechanism.”

“There is no question that Mr. LaRouche was the first to warn us of this problem, some years ago,” responded a Japanese Finance Ministry official, briefed on LaRouche’s reading of the *Sunday Telegraph* article. “He was right, and we were wrong,” the official said of LaRouche. “This is why we’ve more recently made every effort to warn Japanese banks against derivatives,” he said, “and, in fact, the ratio of derivatives to total assets of Japanese banks, is the lowest ratio for banks of any major banking nation in the world. . . . But you are right, we’re just talking about different stages in the disease of ‘financial AIDS.’ ”

“The Tokyo meeting last week [March 4] of the Group of Six Pacific financial officials was called for precisely this

FIGURE 1

A typical collapse function



LaRouche's well-known triple curve, illustrating the collapse, shows financial aggregates climbing ahead of monetary aggregates—while the physical economy races down the drain.

reason” of the fear of an imminent crash, said the head of the leading Japanese bank in Beijing, who has long subscribed to *EIR*. “The problems of Japanese banks, of course, are well-known. . . . I don’t think Chinese banks have much of an exposure in derivatives, but what really worries me is Southeast Asia. Look at this Thailand real estate bubble. There is so much hot money flowing in and out of Southeast Asia, that I’m afraid no one has any idea of the amount which banks there might hold in derivatives.”

A South Korean Foreign Ministry official reported sheer terror in Seoul about the global financial mess. “The government here is totally paralyzed by the [\$3-billion] bankruptcy collapse of Hanbo Steel,” he said, “and the knowledge that South Korea is not alone with banking problems. South Korean banks may be in big trouble with bad Hanbo and other industrial loans, but they are highly regulated and are not allowed much activity in derivatives. What is really frightening is the message we got from that Group of Six meeting of the big banking nations: There is danger of a general crisis, and Korea has to do its part to clean up its house.”

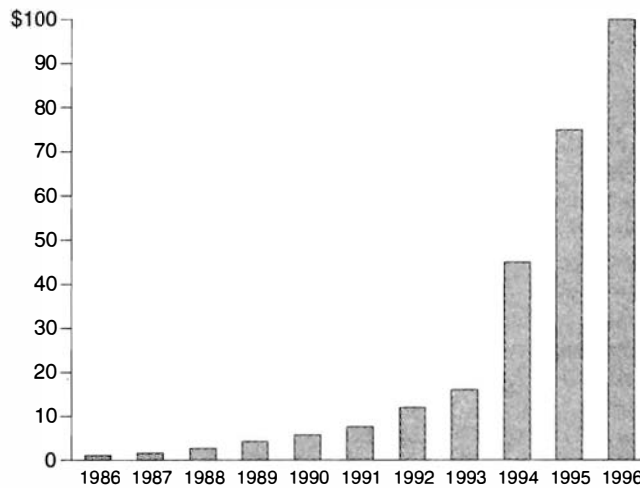
They should have listened to LaRouche

Four years ago, in the spring of 1993, Lyndon LaRouche warned of the dangerous nature of the derivatives bubble, which, if allowed to continue, would inexorably lead to a

FIGURE 2

World derivatives growth: the cancer takes over

(notional principal amount outstanding at year end, trillions \$)



chain-reaction disintegration of the global financial system. LaRouche issued, and circulated widely, a proposal for the U.S. government to impose a 0.1% tax on derivatives transactions, as a way to bleed down the bubble, while raising badly needed tax revenue. The experts rejected the proposal.

In June 1994, Lyndon LaRouche issued his Ninth Forecast, warning that a “collapse into disintegration” of the global financial system were inevitable, unless the system were put into emergency reorganization (see box and **Figure 1**). That forecast was circulated widely among leading political and economic strata, and the public.

Rather than draw down the derivatives bubble, the international financiers chose to dive deeper into speculative waters. At the beginning of 1993, when LaRouche issued his first warning, there were some \$12 trillion in derivatives worldwide (see **Figure 2**). During that year, according to the best available figures, world derivatives exposures more than doubled, and any chance of bringing the derivatives bubble under control had vanished. By the end of 1996, *EIR* estimates, world derivatives exposure totalled some \$100 trillion, a more than eightfold increase over 1992. Taking into account the fact that most derivatives trades, like other bets in the international casino, are relatively short-term, *EIR* estimates that global financial turnover now exceeds \$1 quadrillion (\$1,000 trillion) a year.

Hooked on derivatives

In November 1996, the Bank for International Settlements (BIS), based in Basel, Switzerland, released a survey of derivatives exposures at 67 banks and 12 securities firms, in 11 countries. That survey, conducted by the Basel Committee

TABLE 1

Derivatives exposures in selected countries

(currencies in billions)

Country	Amounts outstanding				Growth during 1995			
	1994		1995		National currency		U.S. dollars	
	National currency	U.S. dollars	National currency	U.S. dollars	Amount	Percent	Amount	Percent
United States	20,301	\$20,301	23,129	\$23,129	2,828	13.9%	\$2,828	13.9%
Japan	857,040	9,867	1,225,454	11,532	368,414	43.0%	1,665	16.9%
France	62,447	11,695	45,935	9,374	-16,512	-26.4%	-2,321	-19.8%
United Kingdom	4,259	6,655	4,753	7,367	494	11.6%	712	10.7%
Switzerland	6,978	5,327	7,273	6,321	295	4.2%	994	18.7%
Germany	4,831	3,117	6,104	4,258	1,273	26.4%	1,141	36.6%
Canada	3,357	2,460	4,449	3,321	1,092	32.5%	861	35.0%
Netherlands	2,177	1,250	2,560	1,596	383	17.6%	346	27.7%
Sweden	7,621	1,026	8,513	1,278	892	11.7%	252	24.6%
Belgium	16,201	508	20,302	689	4,101	25.3%	181	35.6%
Italy	701,010	432	765,960	483	64,950	9.3%	51	11.8%
Grand Total	na	\$62,638	na	\$69,348	na	na	\$6,710	10.7%

Source: Basel Committee on Banking Supervision, International Organization of Securities Commissions.

on Bank Supervision and the International Organization of Securities Commissions, showed an aggregate \$69.3 trillion in derivatives exposures at those institutions at the end of 1995, compared to \$62.6 trillion in 1994. (That the 1994 number does not agree with the data in Figure 2, shows the difficulty in obtaining accurate derivatives information. Further, the BIS survey does not presume to show global derivatives exposures, but just exposures at the selected institutions.)

According to the BIS survey, the 20 United States commercial and investment banks on the list had \$23.1 trillion in derivatives—one-third of the overall total—followed by \$11.5 trillion for nine Japanese institutions, and \$9.4 trillion for French institutions (Table 1).

Derivatives holdings rose in all countries during 1995, except France, where the decline was precipitous. The derivatives holdings of the eight French banks on the list plummeted 26% for the year, measured in French francs, reflecting not an outbreak of sanity but, instead, the near meltdown of the French banking system, led by the hopelessly bankrupt *Crédit Lyonnais*, whose doors have been kept open through a series of government bailouts. The derivatives exposure of *Crédit Lyonnais* fell 47% measured in French francs, and 42% measured in dollars, in 1995 (Table 2), followed closely by *Crédit Commerciale*, *Crédit Agricole*, *Société Générale*, and *Paribas*. What these figures indicate, is that a highly coordinated, international rescue effort was mounted by governments and central banks, to contain the French crisis, and prevent it from triggering a chain-reaction disintegration of the global financial system.

The situation with the U.S. banking system is no better. The derivatives holdings of Chase Manhattan Corp. alone,

\$4.8 trillion at the end of 1995, were larger than six of the countries on the BIS list, while J.P. Morgan's holdings were larger than five of the countries.

By Sept. 30, 1996, Chase's derivatives holdings had risen to \$5.7 trillion, against \$21 billion in stockholders' equity, and \$323 billion in assets (Table 3). Chase's derivatives portfolio is 268 times its net worth, and Morgan and Bankers Trust are even worse. A loss equivalent to just 0.4% of its derivatives portfolio would wipe out Chase's entire equity, compared to 0.2% for Morgan, 0.3% for Bankers Trust, and 0.8% for Citicorp.

Cracks in the system

That tiny margin between existence and disintegration, is a dominant feature of the international financial system today, and is what has the financiers, the regulators, and the politicians terrified. One false move, and poof! the whole thing blows.

It is against this *systemic crisis* that the recent comments of Federal Reserve Chairman Alan Greenspan about the dangers of "atomic erosion" and the "irrational exuberance" of the stock market must be measured. The hyperbolic growth of the Dow Jones Industrial Average (Figure 3), in recent years, is indicative of the insanity pervading the markets. The Dow goes up, while the economy goes down.

Greenspan is not the only banker running scared. Last fall, IMF Managing Director Michel Camdessus warned of the "fragility" of the international banking system, and predicted that a banking crisis would soon erupt; Camdessus was recently in Thailand, trying to contain just such an outbreak. The World Economic Forum meeting in Davos, Switzerland

TABLE 2

Derivatives holdings of selected major international banks

(currencies in billions)

Country	Amounts outstanding				Growth during 1995			
	1994		1995		National currency		U.S. dollars	
	National currency	U.S. dollars	National currency	U.S. dollars	Amount	Percent	Amount	Percent
Chase Manhattan	1,367	\$1,367	4,834	\$4,834	3,467	253.6%	\$3,467	253.6%
JP Morgan	2,471	2,471	3,447	3,447	976	39.5%	976	39.5%
Bank of Tokyo Mitsubishi	103,965	1,197	304,893	2,869	200,928	193.3%	1,672	139.7%
Citicorp	2,665	2,665	2,590	2,590	-75	-2.8%	-75	-2.8%
Swiss Bank Corp.	2,632	2,009	2,970	2,581	338	12.8%	572	28.5%
Société Générale	17,479	3,274	12,460	2,543	-5,019	-28.7%	-731	-22.3%
Industrial Bank of Japan	163,320	1,880	220,070	2,071	56,750	34.7%	191	10.2%
Credit Suisse	2,096	1,600	2,254	1,959	158	7.5%	359	22.4%
Fuji Bank	171,194	1,971	200,929	1,891	29,735	17.4%	-80	-4.1%
Paribas	11,436	2,142	9,197	1,877	-2,239	-19.6%	-265	-12.4%
National Westminster	892	1,394	1,206	1,869	314	35.2%	475	34.1%
Banque Nationale de Paris	10,249	1,919	8,890	1,814	-1,359	-13.3%	-105	-5.5%
Union Bank of Switzerland	2,250	1,718	2,049	1,781	-201	-8.9%	63	3.7%
Bankers Trust NY	1,982	1,982	1,702	1,702	-280	-14.1%	-280	-14.1%
Salomon Inc.	1,470	1,470	1,659	1,659	189	12.9%	189	12.9%
Deutsche Bank	2,186	1,410	2,367	1,651	181	8.3%	241	17.1%
Sumitomo Bank			174,727	1,644				
Merrill Lynch	1,169	1,169	1,610	1,610	441	37.7%	441	37.7%
BankAmerica	1,376	1,376	1,581	1,581	205	14.9%	205	14.9%
Barclays	954	1,490	1,012	1,569	58	6.1%	79	5.3%
HSBC	1,048	1,638	985	1,527	-63	-6.0%	-111	-6.8%
Sanwa Bank	108,406	1,248	158,910	1,495	50,504	46.6%	247	19.8%
Lloyds	739	1,154	926	1,435	187	25.3%	281	24.4%
Lehman Brothers Holdings	1,086	1,086	1,209	1,209	123	11.3%	123	11.3%
Goldman Sachs	995	995	1,091	1,091	96	9.6%	96	9.6%
Crédit Lyonnais	9,758	1,827	5,160	1,053	-4,598	-47.1%	-774	-42.4%
NationsBank	511	511	1,007	1,007	496	97.1%	496	97.1%
Morgan Stanley	835	835	985	985	150	18.0%	150	18.0%
Royal Bank of Canada	949	703	1,245	929	296	31.2%	226	32.1%
ABN-AMRO Bank	1,229	706	1,482	924	253	20.6%	218	30.9%
Canadian Imperial Bank of Commerce	805	569	1,179	880	374	46.5%	311	54.7%
First Chicago	622	622	815	815	193	31.0%	193	31.0%
Indosuez	4,991	935	3,856	787	-1,135	-22.7%	-148	-15.8%
Commerzbank	608	392	1,112	776	504	82.9%	384	98.0%
Tokai Bank	74,206	854	71,304	671	-2,902	-3.9%	-183	-21.4%
Long-Term Credit Bank of Japan	74,915	863	69,170	651	-5,745	-7.7%	-212	-24.6%
Dresdner Bank	733	473	919	641	186	25.4%	168	35.5%
Skandinaviska Enskilda Banken	3,090	416	3,707	557	617	20.0%	141	33.9%
Crédit Agricole	3,758	704	2,568	524	-1,190	-31.7%	-180	-25.6%
Bank of Montreal	544	403	667	498	123	22.6%	95	23.6%
Bank of Nova Scotia	502	372	654	488	152	30.3%	116	31.2%
Toronto Dominion	476	353	616	460	140	29.4%	107	30.3%
Bayerische Vereinsbank AG	447	288	651	454	204	45.6%	166	57.6%
Svenska Handelsbanken	2,271	306	2,732	410	461	20.3%	104	34.0%
Union Européenne de CIC	1,551	290	2,004	409	453	29.2%	119	41.0%
Rabobank	575	330	637	397	62	10.8%	67	20.3%
Crédit Commerciale de France	3,225	604	1,800	367	-1,425	-44.2%	-237	-39.2%
Westdeutsche Landesbank	534	345	510	356	-24	-4.5%	11	3.2%

Source: Basel Committee on Banking Supervision, International Organization of Securities Commissions.

TABLE 3

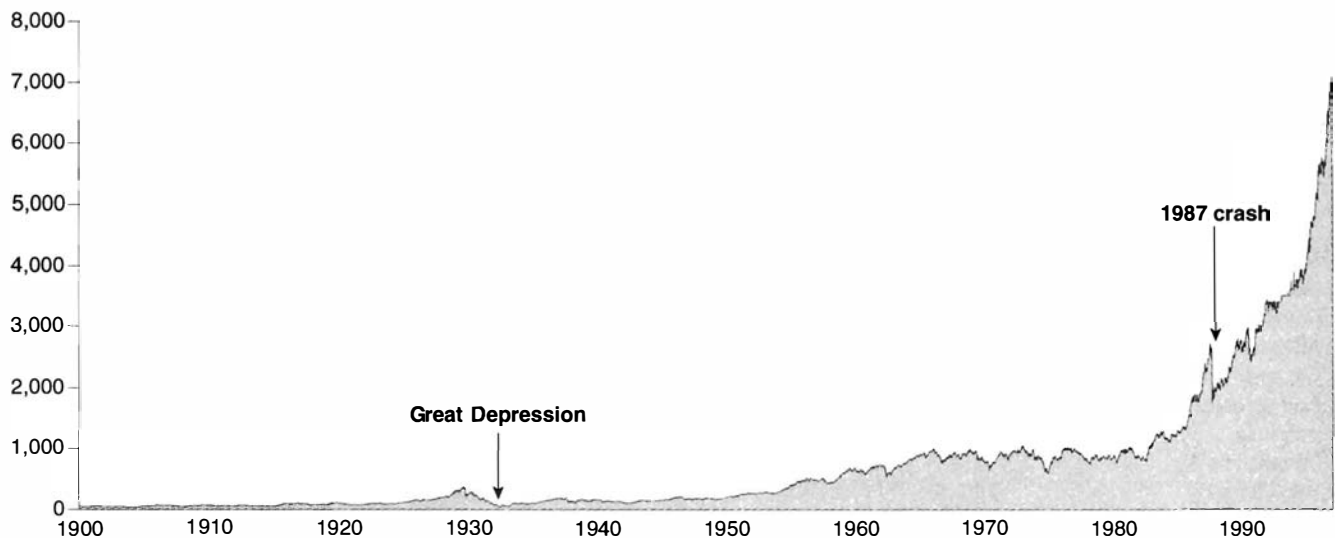
Derivatives holdings of major U.S. banks, as of Sept. 30, 1996

(billions \$)

Holding company	Equity	Assets	Derivatives	Derivatives as multiples of:		As percentage of derivatives:	
				Equity	Assets	Equity	Assets
Chase Manhattan	21	323	5,660	268	18	0.4%	5.7%
JP Morgan	11	212	4,509	407	21	0.2%	4.7%
Citicorp	20	272	2,557	125	9	0.8%	10.6%
Bankers Trust NY	5	121	1,906	358	16	0.3%	6.3%
BankAmerica	21	243	1,808	88	7	1.1%	13.4%
NationsBank	13	188	1,325	100	7	1.0%	14.2%
First Chicago NBD	9	107	1,024	113	10	0.9%	10.4%
Republic NY	3	51	289	90	6	1.1%	17.5%
First Union	9	134	147	17	1	5.9%	91.0%
Bank of New York	5	52	119	23	2	4.3%	44.1%
Top ten banks	118	1,701	19,344	164	11	0.6%	8.8%
All U.S. banks	370	4,458	20,385	55	5	1.8%	21.9%

Sources: Comptroller of the Currency; company reports.

FIGURE 3

Dow Jones Industrial Average weekly closings, 1900-97

at the end of January, was dominated by warnings of “future crises,” “big shocks,” and “domino effects.” German bankers have recently warned publicly that the markets are “out of control” and “incredibly endangered.” The Italian daily *Corriere della Sera*, reporting on attempts by the Italian fiscal police to impose new regulations on derivatives, warned that derivatives might “become a sort of atomic bomb, destined to explode and provoke the chain-reaction collapse of the Western financial systems.”

Four options on the table

Lyndon LaRouche has identified four general categories of response to the impending financial disintegration, among those aware of the crisis.

First, there are those, including people in the Clinton administration and elsewhere, who are preparing plans to deal with major financial shocks, such as a stock market crash.

Second, there are those, such as Sam Nunn and company, who recommend saving the system at all costs. Their plan,

LaRouche said, is to “try to save Wall Street at all costs. Forget the nation, forget pensions, forget everything else. Just try to save Wall Street. That’s nuts. That’s the worst possible thing.”

The third option is to put the welfare of nations and their populations first. We must, LaRouche said, “concentrate on saving the United States, our people and their pensions first, and Wall Street last. That is my thinking, and we’re doing serious study in that direction.”

Fourth, there are people like the friends of Sir George Bush, who know the system is collapsing, and have fled the financial markets and put their money into raw materials, precious metals, strategic minerals, petroleum, food, and real estate, so that when the crash comes, they will wind up on top of the rubble.

Phil Gramm is nuts

An example of the lunacy of trying to save the system at all costs, is the attempt by Sen. Phil Gramm (R-Tex.) to reverse regulations adopted Jan. 26 by the Securities and Exchange Commission, to force U.S. corporations to disclose more information on their derivatives exposures. At a hearing of the Securities Subcommittee of the Senate Banking Committee on March 4, Gramm complained that the SEC regulations “will induce firms to use derivatives less.”

Speaker after speaker at the Gramm-chaired hearing complained about the “demonization” of derivatives.

To add to the insanity, Gramm and his cohorts insisted that the derivatives “industry” should be left to regulate itself, and that the derivatives debacles at Orange County, California, Procter & Gamble, and Gibson Greetings, were “isolated” events. Such claims choose to overlook the role of such august institutions as Merrill Lynch and CS First Boston, in luring Orange County into their derivatives trap, and the role of Bankers Trust, in fleecing Procter & Gamble and Gibson Greetings. The actions of Bankers Trust, one of the world’s leaders in derivatives, were so egregious, that Procter & Gamble filed suit against the bank under the Racketeer Influenced and Corrupt Organizations Act (RICO), and the federal government took over the bank and decapitated its management, so to speak.

What the examples cited by Gramm and his foolish colleagues really prove, is that the so-called experts cannot be trusted to regulate themselves, and that, if left unchecked, they will steal their customers blind.

What is urgently needed, is a coordinated emergency effort by sovereign nation-states, to put the global financial system into bankruptcy, and to focus their resources upon rebuilding the world’s productive capability, to grow our way out of this disaster. What is required, is a new Bretton Woods conference, through which nations annihilate the power of the oligarchs and their International Monetary Fund, and commit themselves to a series of great infrastructure projects, such as the Eurasian Land-Bridge.

Documentation

Sunday Telegraph sleepless over derivatives nightmare

The following, authored by Neil Bennett, was published in the “City Editor’s Comment,” in the March 9 London Sunday Telegraph, under the headline “The \$55 Trillion Horror Story.” British punctuation is the original.

I had dinner with Tony Dye last week, the PDFM fund manager, who has famously taken a £7 billion bet on a market crash. With the markets hitting new highs almost every day now, he is naturally looking a bit green around the gills, but his conviction of impending doom remains as strong as ever.

In the wake of NatWest’s derivatives scare, he conjured up a scenario that would give small children nightmares. The total value of derivatives in the world today is \$55 trillion. That is \$55,000,000,000,000 to the layman—a tidy sum, and twice as large as the world’s gross domestic product.

Every bank has vast derivatives liabilities. Barclays, for example, admitted in its results, that it had derivatives worth £922 billion at the end of last year, up more than a quarter on 1995.

Barclays and its peers say the risk of these vast positions is minimal, because they are all matched and hedged. If the financial markets crash, the losses from one set of contracts will be offset by the profits on another.

The trouble is that not every operator in financial markets is so prudent. Some are running very risky positions indeed. If and when world stockmarkets fall, some wouldn’t be able to pay their losses. That would mean all those prudent, hedged banks were not hedged at all because their counterparties were going bust. Suddenly, even large banks could be staring at vast losses.

In any bank, the line between prosperity and ruin is thin. Barclays supports all its lending and derivatives wheeling and dealing with a capital base of just £11 billion. If a domino effect rippled through the world’s derivatives markets, it could knock over some very big institutions.

This is where the nightmare turns nasty. Who would bail the banks out? Governments and central banks of course. But governments are already the world’s largest debtors, which does not make them ideal candidates to rescue the financial system. They could only do it by printing money. That is the sure path to hyperinflation and sky-high interest rates. The value of money would be destroyed, and savings and pensions along with it.

Of course, this is just a nightmare, and a fanciful one at that. Let’s just enjoy the bull market while it lasts.

London lights East Africa powder keg against Clinton

by Linda de Hoyos

The marcherlord armies of the British Commonwealth—comprised of the militaries of Uganda, Rwanda, Burundi, and Tanzania, under the regional command of Ugandan warlord-President Yoweri Museveni—have significantly advanced their military campaign to seize control of all East Africa for their London masters.

- At 5:15 on the morning of March 9, Ugandan forces, operating under the propaganda cover of John Garang's Sudanese People's Liberation Army, invaded southern Sudan, with the goal of taking the southern city of Juba. So far, the Ugandan forces have taken southern towns of Kajo-Kaji and Yei. Control of Yei clears the path toward Juba. However, the Sudanese military will give Uganda's forces far more trouble than they have met with in Zaire; a similar Ugandan invasion in October 1995 met with dismal defeat, as Ugandan forces deserted under fire. This time, Uganda's Army is under the direct command on the scene of President Museveni, who takes his orders directly from Baroness Lynda Chalker, the British Minister of Overseas Development and direct deployable of the British monarchy's Privy Council. According to Ugandan sources, Museveni is headquartered in the northern Ugandan city of Gulu, and has deployed 50,000 of his troops for the dual-offensive to wipe out the insurgent Lord's Resistance Army and to invade Sudan. The Ugandan Army is moving into Sudan with tanks, heavy artillery, and other heavy military equipment. Communications and all air flights, with the exception of military transport, have been cut off to the northern Acholi region of Uganda, staging ground for the invasion.

Museveni himself had predicted the invasion with his statement, as quoted by Agence France Presse of Feb. 3, that "with the Sudanese, we have run out of solutions. Whichever solutions we suggest, they don't accept it. So I think now they will get a solution for the battlefield. That's what they have

been waiting for."

- In eastern Zaire, the British-directed Ugandan-Rwandan-Burundian forces, operating under the propaganda front of Laurent Kabila's Alliance of Democratic Forces for the Liberation of the Congo, seized the eastern Zairean city of Kindu; took over the refugee camp at Tingi-Tingi, forcing more than 100,000 refugees to flee for their lives; and seized the port city of Moba in Shaba province in southeastern Zaire. The British war-machine is now closing in on the major Zairean city in the east, Kisangani, which it expects to take, an event that will either lead to the total disintegration of the Zairean government or a Zairean military coup.

There are 20,000 Ugandan forces in eastern Zaire, *EIR* has confirmed from multiple and diverse sources. In addition, the region of Goma-Kivu is being held directly by the allied Rwandan Army (itself a spin-off of the Ugandan National Resistance Army), and the Shaba Province is coming under control of the allied Burundian military of Tutsi dictator Pierre Buyoya.

As a sign of good faith to Museveni and indicating the rewards to be gained if a nation lends its forces for the British recolonization of Africa, Uganda became the first recipient of a new International Monetary Fund initiative for debt relief. "There was a consensus to go ahead on Uganda," said a World Bank official, where military expenditure is more than 20% of the national budget. Ethiopia, which lent its forces to invade neighboring Sudan in January, was similarly granted \$2.5 billion in donor monies—half a billion more than its highest expectations!

London's quicksand

The London *Financial Times* did not hesitate to show the British hand in the devastating events unfolding in Eastern

Africa. On March 10, the *Financial Times* declaimed, in an article headlined, "Weary Zaire Awaiting Its Fate," that Zaire is about to be cut in two—a scenario that was first fielded by British Foreign Office mouthpiece Conor Cruise O'Brien in November 1996. The *Financial Times* stated that the east side of Zaire, "including the diamond-producing province of Kasai, copper-producing Shaba, and gold-rich Kivu, would go to the rebels [read British Commonwealth] . . . the west side, holding President Mobutu Sese Seko's East Equateur province and the underdeveloped rural areas, would remain in Kinshasa's control."

Among African governments, however, there is grave concern that if the British Commonwealth succeeds in dismembering Zaire, and causing chaos in that country, it will unleash a wave of destabilization throughout Africa. Zaire, home to more than 150 tribal and ethnic entities, borders nine countries in Africa. If the threat to Zaire is combined with the destruction of Sudan, whose disintegration is promised if the British actually were to succeed in their mission to bring down the government in Khartoum, then the *Financial Times's* script is seen in its proper light: not a formula for the partition of Zaire, but a scenario for the convulsive destruction of all Africa—paving the way with millions of dead for the British recolonization of the continent.

Thus, elites in Uganda who do not support Hitler-Museveni, warned that "we are sitting on a time bomb—the entire region from Sudan, Uganda, Rwanda, Burundi, and Zaire, can blow up at any moment."

Madagascar President Didier Ratsiraka, in Paris, similarly warned: "Zaire must not be abandoned; otherwise, it's an open door to adventurism. Nigeria will follow and other countries too. We're not going to start another Rwanda in Zaire. . . . We must settle things as soon as possible to prevent [the troubles] from spreading."

Even the *New York Times* of March 14 noted, amidst all the hoopla that Zaireans love Kabila because now they are "liberated" from Mobutu, that there is a growing resentment against "the Rwandans," "the Tutsis"—in short, the invaders—in Zaire. This is an understatement, if an eyewitness account received by *EIR* from the Goma and Kivu region has any validity. The eyewitness wrote: "A regrettable anti-Rwandese resentment and specifically an anti-Tutsi resentment have developed sadly among the Zairean populations of North and South Kivu during the past months. . . . This hatred has not been quenched at the arrival of the 'rebel' Tutsis [Rwandans]; on the contrary, it has increased. And this looks ever more dangerous, because this anger cannot be expressed. The power that imposes itself can only maintain its momentum by terror, and terror cannot hold very long. . . . Stability exists only in appearance: An explosion is imminent. Occidental governments which support this movement of 'rebellion' ought to size up the extraordinary danger of this situation."

Similar rage is seething in Burundi, where so far more

than 300,000 Hutus have been uprooted from their homes and farms and moved to security camps. Without food and medicine, the camps are nothing more than death camps. The Burundian military has the goal of moving 1 million people into such camps, out of a total population in Burundi of not more than 4 million!

And, ultimately, what will be the price paid for the wanton slaughter of the 400-500,000 Rwandan Hutus in eastern Zaire—80% of whom have been women, children, infants, and elderly? In contrast to the murderous Sadako Ogata, United Nations High Commissioner for Refugees, the European Union's Humanitarian Affairs Commissioner Emma Bonino accused the international community of resorting to "cowardice, a lot of lies, and an enormous dose of cynicism" in its attitude toward the refugees. Referring to the tens of thousands forced to flee Tingi-Tingi, under the threat of Kabila's artillery, she said: "Yet again, hundreds of thousands of human beings, who have already paid a heavy price because of their wandering in the forest, hunger, illness, and massacres without witness, are abandoned to the mercy of a uniformless, flagless, and lawless army which hunts them like wild game."

Not only is there the danger that entire populations will explode, but African and various Western knowledgeable sources believe that once eastern Zaire is consolidated in the manner proposed by the *Financial Times*, Museveni's Tutsi war machine will be set upon others. For one, there are predictions of a "reverse Shaba," in which the Tutsi military machine would invade Zambia from their base in Shaba province, and seize Zambia's copper belt, as per orders of the Anglo American Corporation's demands for monopolistic control of the huge copper belt that straddles the Zaire-Zambian border.

Blowback to Washington, not London

It is extremely noteworthy that the same *Financial Times* article that hails the imminent partition of Zaire, claims that the idea springs from a "secret Pentagon plan." This is an incredible statement in the light of the history of London's nine attempts since Zaire's independence in 1960 to seize eastern Zaire in military operations launched from Zaire's Commonwealth neighbors to the east, including Uganda, Zambia, and Tanzania.

"London takes the loot; Washington takes the blame," might be the snickering slogan heard in Whitehall. Reportedly, U.S. Secretary of State Madeleine Albright is "dissatisfied" with the U.S. policy options placed before her on Zaire, and is seeking alternatives. The first step, however, will be to determine what U.S. interests are in this region, truly—as opposed to the interests of Sir George Bush's Barrick Gold and other rogue entities. All indications from the ground point to the reality that the United States has very little time to lose to reverse its catastrophic policy toward Africa and bring a halt to London's Nazi games.

Sanctions would cripple health care, food relief

The following are sections of the report submitted on Feb. 20, by United Nations Secretary General Kofi Annan to the president of the UN Security Council, Njuguna M. Mahugu, on the possible humanitarian effects of implementation of Resolution 1070, which calls for an air embargo on the Sudan government-owned Sudan Airways. The report was prepared by Claude Burderlein for the UN secretary general, and shows that such an air embargo would have a major impact on the lives of many Sudanese, especially those in most need of health care, children, and those currently displaced due to the continuing British-ordered war against Sudan in the south. It is to be understood that the foreign exchange generated by Sudan Airways is used to maintain Sudan's domestic air transport, with the exception of three smaller private companies.

Review of the potential humanitarian impact of the flight ban on international commercial flights of Sudan Airways.

A. 6. According to the preliminary assessments presented to the Security Council, it appears that a flight ban on Sudan Airways' international connections may affect the evacuation of critically-ill patients and the importation of life-saving drugs. According to the Ministry of Health, Sudan Airways' low or discounted fares are instrumental in making the cost of air transport of patients and medicine affordable despite current harsh economic conditions. According to Sudan Airways, easy payment terms in local currency are offered to patients in need of evacuation as well as the Central Medical Store of the Ministry of Health. . . .

7. According to the Ministry of Health, the health care infrastructure is unable to offer many specialized medical treatments for patients in need. Often, the health authorities rely on foreign health care services to compensate for the lack of specialized health care in the Sudan. Accordingly, the government of the Sudan and Sudan Airways offer subsidies for specialized medical interventions and treatment of critically-ill patients abroad. The medical evacuation of patients on Sudan Airways is subsidized for the followign medical interventions and treatment:

Cardiovascular diagnosis and interventions; renal scans and tissue typing; radionuclide studies; high resolution computer tomography; magnetic resonance imaging; Doppler ultrasound; blood gas analysis; endocrinological assays; cardiac, renal, and vascular surgery; complex neurosurgical procedures; complex ophthalmic and ENT (ear-nose-throat)

surgery; all organ transplants.

8. . . . According to the Ministry of Health, approximately 3,000 patients per year are granted this assistance. The total number of medical evacuations may be higher if one includes those who do not request financial assistance. . . .

11. The Central Medical Store of the Ministry of Health uses the cargo services of Sudan Airways for its importation of medicine. Sudan Airways offers to the Central Medical Store a 50% discount on international air cargo shipments of drugs and medical supplies. . . .

12. More specifically, the Kidney Dialysis Center in Khartoum and its satellite centers import their medical supplies free of charge on Sudan Airways. According to Dialysis Center staff, each month Sudan Airways carries 1.8 metric tons of medical supplies for the Center free of charge. The additional cost for the Center if it were obliged to use other cargo carriers would amount to \$6,300 monthly, or 15% of its monthly operational budget. According to the Center, approximately 2,000 patients are presently undergoing regular dialysis treatment in various cities of the Sudan.

Supply of food

17. According to the Sudanese Ministry of Agriculture and Forestry, five reasons explain the dependence of the public authorities on domestic air transport in ensuring adequate food supplies in the Sudan. First, in times of emergency, domestic air carriers normally transport food, mainly cereals, in bulk, from food-surplus regions to regions affected by food deficits, such as Southern Kordofan and Darfur. . . .

18. Secondly . . . domestic air transport is essential for national livestock vaccination programs. . . . Livestock are mostly in remote areas of western, central, eastern, and southern Sudan. . . . Since time is a major concern in the transport of vaccines, air transport remains the sole means of reaching these areas with veterinary drugs and vaccination services. Without air access, the consequent spread of livestock diseases could affect food security programs throughout the Sudan as well as in some neighboring countries.

19. Thirdly, domestic air transport is also used extensively to provide the necessary seeds, tools, and pesticides for Sudanese agricultural programs. . . .

20. Fourthly, domestic air transport is used at harvest time to carry spare parts for agricultural machinery. . . .

21. Finally, domestic air transport is vital for food production because of the need for pest control by aerial spraying. . . .

Supply of health care services

23. According to WHO and Unicef, the health situation in the Sudan is precarious, especially in southern Sudan, the transitional zone and among the war-displaced in greater Khartoum. The populations in these areas are highly vulnerable to disease outbreaks, and their health is compromised by many factors compounded by years of continuing conflict, infrastructural decay, and neglect of human resources. The

infant mortality rate is estimated at 170 per 1,000 live births in the South, while in the North it is 118 per 1,000 live births. Malaria, acute respiratory infections, severe diarrheal diseases and immunizable diseases, especially measles and other infectious diseases, continue to be the leading causes of morbidity, disability, and mortality among children and women.

24. The most important aspect concerning the reliance of health care services on domestic air transport is the transport of sensitive drugs and vaccines. Health authorities point out that the preservation of vaccines depends on strict temperature control throughout their transport and storage. This "cold chain" is maintained with the use of basic vaccine conservation equipment. . . . In Sudan, vaccines must be transported over long distances to reach health facilities where they can be stored. . . . Transport by road or river from Khartoum to many regions takes days, or even weeks. In these conditions, it is almost impossible to maintain the required temperature to preserve the vaccines. Consequently, health authorities rely on domestic air transport. . . . Sudan Airways is presently the only carrier with cold storage facilities in Khartoum. These facilities are being used by health authorities for the temporary storage and shipment of vaccines and sensitive drugs. According to Sudan Airways, it transported 4 MTs [million tons] of vaccines and other priority medical supplies within the country in 1996. According to the Ministry of Health, this was used for the Expanded Program of Immunization (EPI) which targets six child killer diseases, as well as meningitis, Kala-azar, and Guinea worm prevention and control programs. A large percentage of vaccines was allocated to the immunization campaign against Yellow Fever. . . . The Ministry of Health maintains that, apart from the ongoing vaccinations programs, 1 million persons in Darfur were vaccinated in 1996 against Yellow Fever as a preventive measure when an epidemic was reported in Nigeria. In April and May 1996, the Ministry of Health, supported by WHO and Unicef, vaccinated over 6.9 million children against polio.

25. The Ministry of Health also underlined the necessity of air transport of emergency investigation teams and for dispatching biological samples to laboratories during the outbreak of epidemics. The reliance on air transport for these investigations is central to controlling the health situation and containing the spread of disease in the Sudan, as well as in the subregion. According to WHO, the imposition of the flight ban may hinder Sudan's efforts to vaccinate children and thus expose large numbers of children to life-threatening diseases such as measles, diphtheria, whooping cough, tuberculosis, polio, and tetanus. . . . Domestic air transport is, in their view, instrumental in allowing the Sudanese health authorities to continue to implement activities aimed at reducing the risk of epidemics in the Sudan.

Relief services

29. . . . The reliance of World Food Program food assistance on domestic air transport, compared to the overall figure, is negligible. It appears from the information provided by

WFP that only a small portion of its food assistance to government-controlled areas, less than a third, has been delivered by domestic air carriers, and all of it to Juba. . . .

30. WFP maintains, however, that its dependence on domestic air transport is not as much linked to the delivery of food assistance as it is to the maintenance of its logistics in government-controlled areas. . . .

31. According to Unicef, it has been the main provider of non-food assistance in more than 200 locations. These programs include health care support, nutrition supplements for

According to WHO and Unicef, the health situation in the Sudan is precarious, especially in southern Sudan. . . . The absence of air travel would have an immediate and adverse effect on all aspects of health programming in southern Sudan.

children and women, household food security (seeds, tools, vaccination of cattle), non-food relief, and shelter to internally displaced persons (IDPs), estimated at 4 million in the Sudan. . . .

32. Unicef appears much more dependent on domestic air transport than WFP. More than a quarter of its transport requirements were undertaken by domestic air carriers in 1996. . . . The two main distribution centers in Equatoria and Bahr El-Ghazal are entirely dependent on air transport for delivery of supplies. Of the 858 MTs of supplies, 649 MTs were delivered to Juba and 209 MTs were delivered to Wau. The third major center, Malakal, received its supplies by barge in 1996 when security conditions allowed for the use of river transport. Otherwise, Malakal, the center for the transitional zone, is only accessible by air.

33. The absence of air travel would have an immediate and adverse effect on all aspects of health programming in southern Sudan. This would result in higher mortality and morbidity rates, decrease Unicef's ability to monitor program inputs, and increase the disparity between the North and South. . . .

35. The reliance of international and national non-governmental organizations (NGOs) on domestic air transport appears more substantial, especially regarding relief operations to Juba and Wau in southern Sudan. All the NGOs considered that any disruption of domestic air transport could severely affect their operational capacity in the transitional zone and in southern Sudan. A review of the activities of the main NGOs is described here with the relevant information regarding their dependence on domestic air transport.

Clinton's enemies plot U.S.-Mexico showdown

by Valerie Rush

On Feb. 28, President Clinton granted full certification to the Mexican government of Ernesto Zedillo, in recognition of and support for that government's efforts against the drug cartels, which have made major inroads into the political and economic life of Mexico.

Pro-British forces and their dupes inside the U.S. Congress immediately responded by attempting to organize a first-ever override of the President's certification. On March 13, the House of Representatives voted 251-175 to overturn Mexico's certification in 90 days, if President Clinton cannot come up with convincing new evidence to warrant certification. That vote, however, falls short of the two-thirds majority needed to override a Presidential veto, which Clinton has threatened to use, if necessary, in Mexico's defense. It is also reported that some decertification advocates in the Senate are yielding to White House pressure, and seeking a compromise with the President.

The argument of the decertification lobby is that narco-corruption has reached into the top echelons of Mexico's government, and that collaboration is therefore impossible. Mexico must be "taught a lesson" by "provoking a crisis" there, including shattering the ruling Revolutionary Institutional Party (PRI), they say.

Ironically, many of these same legislators either applauded, or looked the other way, when the George Bush administration worked hand-in-glove with South America's most powerful drug cartels, to finance and arm the Nicaraguan Contras, while setting up a pipeline for tons of cheap cocaine to flood America's neighborhoods. They also had only lavish praise for Bush's Mexican partner-in-crime, ex-President Carlos Salinas de Gortari, whose family is now facing criminal charges for involvement in the drug trade.

The strategic stakes

But there is something even bigger than the evident hypocrisy, something much more sinister, behind the Clinton-Congress showdown over Mexico. Using unusually strong language, State Department spokesman Nicholas Burns hinted at the matter on March 5: "We're involved in a life-or-death battle for the security of both Mexico and the United States."

The "story behind the story," is that the ongoing Congressional brawl over Mexico is merely one piece of an activated British conspiracy to set Mexico and the United States against

each other, topple the Mexican government and unleash civil war in that country, while strategically crippling the Clinton administration in the United States—all as part of their global goal of destroying the sovereign nation-state. In an upcoming issue of *EIR*, we will present full documentation of this policy, including the fact that it is directly modelled on the British strategy in the early 1860s to destroy both the United States and Mexico.

Operation Quagmire

The congressional decertification of Mexico, were it to occur, would not only destroy U.S.-Mexican relations on the very eve of President Clinton's first state visit to that country in mid-April, but would dramatically accelerate the destabilization of Mexico already under way from narco-terrorist elements and from the dirty political networks of former President Salinas. With critical mid-term elections coming up in Mexico within a few months, such a move could even topple the Zedillo government, if the President is perceived as weak in the face of unacceptable pressure coming from Washington.

Under conditions of the social chaos that would ensue, forces associated with the British-spawned Zapatista insurgency in Chiapas would have a field day, as would their allies in the drug cartels. The crisis would quickly spill over the border into the United States, and current calls by extremists in the United States for militarizing and shutting down that border, would be given new strength. In short, the U.S. would quickly be facing a quagmire of unsuspected proportions right next door.

This is the clear intent of those pulling the strings on the decertification lobby in the U.S. Congress. Take the case of Jorge Castañeda, who is reportedly influential among some of the senators who say that the United States should "create a crisis down there" in Mexico. Castañeda, a top adviser to Fidel Castro's narco-terrorist São Paulo Forum, which includes in its ranks the Zapatista National Liberation Front, published a prominent article in the July/August 1996 issue of *Foreign Affairs* magazine, the mouthpiece of the anglophile New York Council on Foreign Relations. Castañeda argued that the United States should let Mexico collapse: "Waiting out the next debacle from the sidelines seems a wiser course than again saving the PRI and its friends in exchange for cautious reforms. Mexico needs new leadership . . . and it will not flower as long as the old cliques remain in place."

In May 1996, Castañeda had met in Dublin, Ireland with exiled Bush crony Carlos Salinas, and with the George Soros-allied PRI dissident Manuel Camacho, to coordinate precisely such a strategy. Since then, the U.S. media have been repeatedly calling for "dumping the PRI." Not content with "waiting out the next debacle" in Mexico, the British and their U.S. and Mexican agents intend to use decertification to trigger that crisis, now.

Great Britain's colonial gun- tum against Indonesia

by Michael O. Billington

British assets in the United States have significantly upped the ante in their efforts to use "human rights" to alienate the Clinton administration from its key Southeast Asian ally, Indonesia. For the first time since Indonesia's 1975 intervention in the former Portuguese colony of East Timor, State Department officials John Shattuck and Tim Wirth met with a founding member of the terrorist Revolutionary Front for an Independent East Timor (Fretilin), 1996 Nobel Peace Prize co-winner José Ramos Horta. Ramos Horta's trip to the United States was paid for, indirectly, by East Timor's former slave-trading colonial power, Portugal, through the cut-out of the Foundation of Portuguese Universities, a non-governmental organization founded by the directors of Portugal's *public* universities. On Feb. 25, Rep. Tom Lantos (D-Calif.) convened a meeting of the Congressional Human Rights Caucus, giving Ramos Horta a platform to urge Clinton administration backing for a UN-supervised referendum on East Timor's future. From Washington, Ramos Horta headed to Massachusetts, where he testified on Feb. 27 in support of legislation barring the state from doing business with companies operating in Indonesia. Before returning to his base of operations at the University of New South Wales, Australia, Ramos Horta will address meetings in Vancouver, British Columbia, and the ever-so-establishment World Affairs Council of Los Angeles, on March 5.

The escalation of attacks on Indonesia over East Timor emanates from precisely the same British colonial apparatus trying to lure Washington into support for the current genocidal warfare in the Great Lakes area of Africa. Baroness Caroline Cox, Deputy Speaker of the House of Lords, and Lord Avebury, chairman of the British Parliament's Committee on Human Rights, have played the leading roles in deploying their puppet, Uganda's President Yoweri Museveni, into military operations against Sudan and into eastern Zaire. One result has been a rate of genocide against primarily Hutu refugees which surpasses even the rate of slaughter in Hitler's death camps. Simultaneously, British Commonwealth precious minerals corporations, led by George Bush's Barrick Gold Corp., are moving into the war-torn areas to "recolonize" the region, planning to break up the existing nations into various "ethnic" subdivisions, functioning like corporate

colonies, in the pattern of the 19th-century British East India Company in Asia.

East Timor was a problem which had been largely forgotten *because it was well on the way to being solved*, until the Nobel Peace Prize award in 1996. A look at who is behind the recent furor reveals that the same individuals and institutions responsible for the Africa debacle, are also ganging up on Indonesia. Britain's role in the colonial control of Indonesia is nothing new. Dutch and Portuguese control over their East Indies colonies was always subject to British acquiescence (see box), as the British supervised the re-imposition of colonial authority in the Netherlands East Indies at the end of World War II, against the strong nationalist forces who had established the Republic of Indonesia on Aug. 17, 1945.

The new destabilization

There is serious potential that the current provocations from London could cause a horrible explosion in Indonesia; however, it may be the case that the merchants of death have overplayed their hands in this case. Countermoves from the Indonesian government, as well as strong warnings from the Vatican, have forced the front men for the new British Empire to partially expose their real intentions. This includes not only Lady Cox, Lord Avebury, and Barrick Gold Corp., but also the Nobel Prize Committee, the "Republican Revolution" apparatus in the United States, the George Soros-funded Human Rights Watch, and the Bush-era National Endowment for Democracy, including several Congressional and State Department officials. Fully exposing this fraud *before* it causes a disaster in Indonesia is a matter of great urgency, not only in Asia, but throughout the world, and especially in Washington.

The current crisis was precipitated by the awarding of the Nobel Peace Prize in October 1996 to two East Timorese: Bishop Dom Ximenes Belo, the Portuguese-trained bishop of East Timor; and José Ramos Horta, the self-exiled spokesman for the now virtually defunct communist insurgency in East Timor, Fretilin. Although Bishop Belo has been an outspoken defender of the civil rights of the people of East Timor, and has been supported by the Vatican in those efforts, lumping him together with terrorist Ramos Horta as a "co-winner" of

the Peace Prize was a particularly devious and disgusting display of colonial intrigue by the oligarchical Nobel Prize Committee, notorious as spokesmen for the degenerate nobility of Europe and their "Enlightenment" outlook.

Granting Bishop Belo the award at this time was unwarranted, and would have been so even if Ramos Horta had not been included; the move was clearly calculated to stoke the fires of instability and conflict in East Timor. As Nobel Committee Chairman Francis Serjested admitted, "East Timor was about to become a forgotten conflict and we wanted to contrib-

ute to maintaining the momentum." However, *including* Ramos Horta was an affront not only to Indonesia (and to all sovereign developing nations), but also put Bishop Belo—and the Vatican—in the difficult position of apparent agreement with the separatist Portuguese colonial stooge from Fretilin. The intent of the award was to disrupt the significant steps taken both by the Indonesian government and Bishop Belo over the past few years to bring peace to the troubled island, *within* the mutually agreed sovereignty of the Indonesian nation.

Lord Mountbatten and the return to empire

Britain was the dominant imperial power in Asia in the 19th and 20th centuries, dictating the pecking order among the other colonial powers, the Netherlands, Portugal, France, and Spain. In 1811, the British took control of the Netherlands East Indies, but decided that allowing the Dutch to run it was more convenient to their overall Asian interests, centered in India and China, and returned the East Indies to the Dutch in 1816. No doubt, H.M.'s Government appreciated the efficiency with which the Dutch looted their East Indies possessions. According to authors Audrey R. Kahin and George McT. Kahin, the Netherlands East Indies, which became Indonesia after 1949, "was probably the world's richest colony. At the very least it ranked just after India in the wealth it brought to a colonial power, and it was certainly more important to the Dutch economy than India was to Britain's." The meticulous records of the Dutch statistical office showed that exports ran at more than twice imports.

It was H.M.'s Government, in the person of Lord Louis "Uncle Dickie" Mountbatten of the Southeast Asia Command (SEAC), that supervised the return of the imperial powers following the collapse of Japanese occupation in 1945, circumventing President Franklin Delano Roosevelt's declaration to Prime Minister Winston Churchill that America did not fight the war to preserve the British, or other, colonial empires. The Netherlands East Indies were among those former colonies which Roosevelt proposed be placed in "trusteeship" after the war, a transition period aimed at fostering necessary economic development using American methods to prepare for independence. As early as December 1942, Roosevelt had extracted at least a verbal commitment from Queen Wilhelmina, then in exile, to convene a conference as soon as possible after the war to restructure the Netherlands' relations to its colonies.

During his July 1944 Pearl Harbor strategy meetings

with Gen. Douglas MacArthur and Admirals Leahy and Nimitz, Roosevelt reiterated that he had not the slightest intention of making it possible for the British to take over any part of the Dutch possessions. It was during those sessions that Roosevelt endorsed General MacArthur's brilliant campaign to cut off Japan logistically from its resupply routes in the East Indies, by hitting the enemy, repeatedly, in his rear and on the flanks, in his drive to retake Luzon and establish a chokepoint over the South China Sea. MacArthur's success rendered irrelevant and unnecessary Britain's plan for a frontal assault on Japan itself.

After Roosevelt's untimely death in April 1945, Churchill moved rapidly at the July 1945 Potsdam Conference to manipulate President Truman into accepting Britain's lead in deciding the fate of the colonies. Under the excuse that General MacArthur and the U.S. forces were needed to plan and carry out the invasion of Japan, the Dutch East Indies were removed from MacArthur's command and added to that of Lord Mountbatten, whose South East Asia Command included H.M.'s colonies in India, Burma, Singapore, and peninsular Malaya. In fact, Churchill already knew that the emperor of Japan was secretly negotiating surrender through Vatican channels, and that an invasion of Japan was not necessary. (Having arranged the invasion, Churchill then persuaded Truman to drop the atomic bombs on Japan *in order to avoid the invasion!* Such an atomic slaughter, the British believed, was necessary to so terrorize the world, that nations would willingly give up their sovereignty to a world government following the war.)

Lord Mountbatten assigned his South African-born asset, Col. Laurens Van Der Post, who had been interred by the Japanese for three years in the Dutch East Indies, to take charge of local operations, holding at bay the nationalist forces until sufficient British troops could be brought in to accept the Japanese surrender. The nationalists, under Sukarno and Mohammad Hatta, declared the establishment of the Republic of Indonesia on Aug. 17, 1945, and were determined to prevent the return of the Dutch. Once

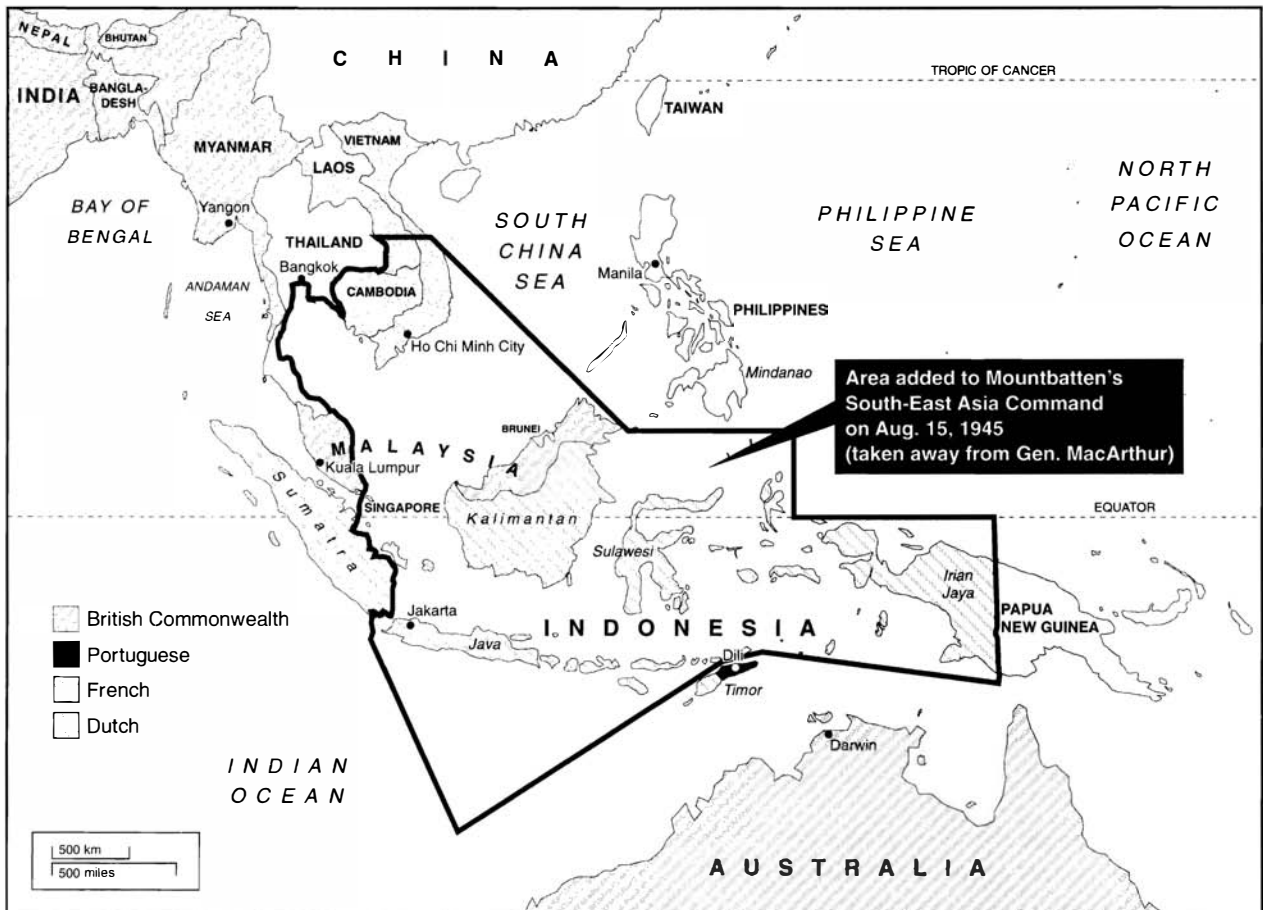
Target: the Indonesian nation-state

As is evident from the anti-Indonesia diatribe gushing from the world's press sewers over the past months, the aim of the "East Timor" crisis is not the well-being of the people of East Timor, but rather to destroy Indonesia itself. This is not new. In 1974, Henry Kissinger, then secretary of state and national security adviser to President Gerald Ford, released a document, National Security Study Memorandum 200 (NSSM-200), entitled "Implications of Worldwide Population Growth for U.S. Security and Overseas Interests." The

report, which was adopted as official U.S. policy in October 1975, named Indonesia as one of 13 nations constituting the greatest threat to the national security of the United States, due to their large population density and their potential, and commitment, for development! Indonesia, the largest Muslim country in the world, with a population approaching 200 million, spread over 17,000 islands, is the world's fourth-largest nation.

Population growth and development will tend to use up the valuable natural resources located in these nations, Kis-

Former colonial empires in Southeast Asia



the British gained a position on Java and Sumatra, and with Van Der Post's lying intrigues to restrain the nationalists, the Dutch were reintroduced by stealth. The British then left to focus on their Singapore and Hongkong financial centers, leaving the Indonesians to fight a three-year bloody war for independence. Van Der Post, a renowned

follower of the occult, later moved on to become spiritual adviser to Lord Mountbatten's nephew Prince Charles.

The Portuguese also returned to East Timor in August 1945, reimposing their "cash crop" economy and forced labor policies with a vengeance, but the backward and illiterate population was unable to mount a resistance.

singer complained, while “the U.S. economy will require large and increasing amounts of minerals from abroad, especially from less developed countries.” Confessing his intent by denying it too boldly in this then-classified document, Kissinger wrote: “It is vital that the effort to develop and strengthen a commitment on the part of the Less Developed Country leaders not be seen by them as an industrialized country policy to keep their strength down or to reserve resources for use by ‘rich’ countries. Development of such a perception could create a serious backlash adverse to the cause of population stability.”

The role of the military in Indonesia is particularly on the chopping bloc. As demonstrated in Ibero-America, and as reported in a 1990 book, which came to be known as the “Bush Manual,” *The Military and Democracy: The Future of Civil-Military Relations in Latin America*, Bush-league interests in and around the State Department demand that the power of military establishments in developing nations be reduced, and that they be eliminated entirely from all political influence. This process leaves the target nation vulnerable to both foreign-sponsored drug armies and ethnic insurgencies, and to International Monetary Fund takeover of sovereign domestic economic policies through corrupted local political forces, usually called “democrats.”

Indonesia has a constitutional policy known as *dwifungsi*, or “dual purpose,” for its military: maintaining both a strategic military branch and a social military branch. Military officials are allotted a certain number of seats in the legislative body, as well as positions in local government, boards of directors of state industries, trade unions, and other social institutions. This “dual function” infuriates the “world government” proponents intent on carrying through on Kissinger’s NSSM 200, particularly since several other countries currently undergoing national consolidation after years of foreign-instigated insurgency—in particular, Myanmar and Cambodia—look to the relatively successful Indonesian model of military collaboration with civil institutions for nurturing peaceful transformation into a modern industrial nation-state. The oligarchs are not pleased.

East Timor

Even the most ardent supporters of East Timor’s separation from Indonesia, such as José Ramos Horta, cannot disguise the despicable history of Portuguese occupation of the eastern half of Timor island. Ramos Horta wrote a laudatory preface to the book *East Timor’s Unfinished Struggle—Inside the Timorese Resistance* (1996), co-authored by Constancio Pinto, U.S. and UN representative of the leading coalition of Timorese pro-independence organizations, the National Council for Maubere Resistance (CNRM), and journalist Matthew Jardine, in which the authors report the following:

“Prior to the disaster of the Pacific War, East Timor was the most economically backward colony in all of Southeast

Asia. Dili, the capital, for example, had no electricity or town water supply, paved roads, telephone services (except to the houses and offices of senior officials), or wharves for cargo handling. This situation changed little over the next three decades. . . . Although educational levels rose beginning in the 1950s, 93% of the population was illiterate in 1973. With enrollment in government-run schools restricted to children of *assimilados*, Catholic mission schools were the only other option. Thus, as of 1960, primary school enrollment stood at only 6% of the total school-age population.

“Economically, the indigenous Timorese were very marginalized. . . . In 1974, more than 80% of East Timorese still lived in small rural hamlets largely controlled by traditional rulers who were sometimes quite despotic. . . .”

In 1974, the left opposition came to power in Portugal. The new government told their colonial outpost in the Indonesian archipelago to allow the formation of political parties, in preparation for a planned 1976 election. But when the disintegration of political control ensued over the following months, Portugal packed its bags and left in August 1975, leaving most of its military hardware in the hands of the Portuguese military-sponsored radical “national liberation” group, Fretilin. As chaos swept the impoverished island, Fretilin launched an armed assault on those forces that advocated either integration with Indonesia or a more moderate and gradual course toward independence. Fretilin, whose secretary general was José Ramos Horta, while parading as “independence fighters,” was from the beginning, and is still today, openly aligned with, and controlled by, the Portuguese oligarchy, which in turn has, throughout modern history, been subservient to the British Foreign Office.

The other major parties formed a coalition in August 1975, against the Fretilin armed insurrection. When Fretilin declared “independence” on Nov. 28, the other parties issued a counter-declaration of independence from Portugal *and integration of East Timor into Indonesia*. Portugal, meanwhile, declared that it still held power in the colony it had abandoned! The United Nations today officially supports the farce of Portuguese sovereignty over East Timor.

Enter, Henry Kissinger

The government in Jakarta had, until late 1975, declared itself to be committed to following the will of the East Timor people as regards independence or integration, but as refugees poured over the border into the western half of Timor, and civil war raged, Indonesia prepared to move into the breach. As perhaps the clearest signal of the bloody instability to follow, Henry Kissinger, accompanied by President Ford, appeared in Jakarta just days before the Dec. 7, 1975 Indonesian military move into East Timor. With the ink barely dry on his 1974 NSSM-200 declaration of population war against Indonesia, Kissinger (today *Sir Henry*) gave his approval to the Indonesian move into East Timor, but placed conditions on the policies to be implemented. These

were the years of Kissinger's population wars in Asia—replays of British 19th-century "cabinet warfare," fighting surrogate wars in the colonies while the superpowers worked out "condominium" arrangements under the guise of détente and arms control. With the purpose of preventing development and reducing population by any means necessary, Kissinger tried to drag Indonesia into a quagmire, like that of the French in Indochina.

U.S. Aid for International Development (USAID) officials, fresh from the disaster in Vietnam, moved into East Timor. The genocidal "strategic hamlet" policy implemented in Vietnam (based on British counterinsurgency methods developed in Malaya and Kenya) was directly transferred into East Timor. The Indonesian military, in this era of "counterinsurgency," was largely dependent on U.S. support, and Kissingerian methods were to predominate. Under the guise of denying food and resources to the insurgents, the civilian population was herded into controlled areas, designated "strategic hamlets," while many villages were destroyed, creating tens of thousands of refugees. A 1979 USAID report ("East Timor-Indonesian Displaced Persons") estimated that 300,000 Timorese, about one-half of the population, had been transplanted into the designated hamlets. Fatalities from military actions, or from starvation and disease, between 1976 and 1980, may have been as high as 100,000.

Jakarta acknowledges responsibility for serious errors in the war—and for recurring military abuses against civilians since 1980, including the infamous 1991 "Dili" incident, where soldiers opened fire on demonstrators at a funeral, killing scores of civilians. Policies have subsequently been drastically overhauled, and the soldiers and officers responsible were tried and convicted for crimes. But Jakarta has also tried to remind its critics of the *cause* of the crisis, as well as the murderous tactics of the Fretilin terrorists over the years, whose targets for assassination are usually East Timorese themselves, who are deemed traitors to the Fretilin cause.

Lord Avebury and Lady Cox

Opposition to the Indonesian government is run directly out of London by an organization called Tapol, founded in the 1970s under the sponsorship of Lord Avebury. Avebury is the primary British controller for most Asian and African separatist insurgencies, a primary ingredient in all British foreign policy. Tapol has provided a well-financed base for any and all forms of opposition and subversion in Indonesia, working closely with its sister organization in the United States, the George Soros-financed Human Rights Watch Asia.

The East Timor insurgency has also enjoyed considerable input from the London-based Christian Solidarity International (CSI), run by Baroness Cox. Cox, trained at London's psychological warfare training center, the Tavistock

Institute, has attempted to instigate anti-Islamic warfare, especially against Sudan, under the guise of defending oppressed Christians. Cox and Avebury co-chaired a 1994 CSI conference in Bonn, which began the process leading to the current invasion of Sudan by Uganda, Ethiopia, and Eritrea, under British sponsorship. Because East Timor is largely Catholic, dating from the Portuguese occupation, the CSI has portrayed the Indonesian government as intolerant and oppressive against Christians.

Ramos Horta and world government

If the colonial pedigrees of Baroness Cox and Lord Avebury are impeccable, that of Nobel Laureate José Ramos Horta is outright disgusting. In his Nobel Peace Prize acceptance speech, Ramos Horta began by praising the Portuguese Empire: "I would fail my historical inheritance and my conscience if I did not begin my address in the language which today unites more than 200 million people in the five regions of the world. . . . I wish to express the eternal gratitude of the people of East Timor, and my own, to the people of Portugal, the President, our friend Jorge Sampaio and his predecessors, Dr. Mario Soares and Gen. Ramalho Eanes—men of principles and compassion."

Ramos Horta quite openly admits that *independence* for East Timor is not his preference, but *recolonization under Portuguese sovereignty*. In an Oct. 30, 1996 interview on Lisbon's RTP Internacional Television, Ramos Horta described his three-phase process for separation from Indonesia, leading to a referendum to choose among independence, integration with Indonesia, and "free association with another state"—i.e., colonial status under Portugal. "I would not be at all surprised," he said, "if, out of those three choices, a large percentage, if not the majority, ended up opting for the possibility that has been least talked about, that [of] a status of free association with Portugal, as is the case with Madeira and the Azores. . . . Timor would be a quasi-independent state, but would be tied to a sovereign Portugal."

Even worse than his slavish groveling before Portugal, is his overt call for the United Nations to run East Timor as a satrapy of world government. In his Nobel acceptance speech, Ramos Horta pledged: "We will not have a standing army. Our external security will rely on a treaty of neutrality to be guaranteed by the UN Security Council." His "phase one" calls for "a considerable UN presence through its specialized agencies, namely, FAO, WHO, UNICEF, etc., and a permanent representative of the UN secretary general." Phase two would also be "controlled by the UN," and the UN would run the proposed referendum. The heroic "freedom fighter" will subject his people first to the United Nations and then to Portuguese colonial status!

It is not surprising, therefore, that the Nobel Committee chose him. Former editor-in-chief of the *Far Eastern Economic Review* Philip Bowring, writing in the *International Herald Tribune* on Oct. 15, 1996, noted that the committee's

prize selection fits the “neo-colonialist human rights agenda. This is the third time in eight years,” Bowring wrote, “that the award has gone to Asians opposing their governments,” referring to Myanmar’s Aung San Suu Kyi in 1991 and Tibet’s Dalai Lama in 1989. “The Nobel recognition of rights to self-determination and democracy would carry more weight if the Nobel panel had ever done anything for peace or freedom in Asia or elsewhere in colonial times. . . . No, it was too busy handing out self-congratulatory awards to UN agencies, the Red Cross, and assorted Western do-gooders and diplomats.”

Bishop Belo

It is with this fact in mind that the award to Bishop Belo was particularly cynical. The award was proposed by Congressmen Frank Wolf (R-Va.) and Tony Hall (D-Ohio), both members of Baroness Cox’s Christian Solidarity International. Returning from a three-day visit to East Timor in January 1997, Representative Wolf, while carefully praising only Bishop Belo, without mentioning Ramos Horta, nonetheless called for a colonial “solution” to the problems in East Timor, which directly paralleled Ramos Horta’s proposals. Wolf claimed there are *increased* levels of “torture, terrorism, fear, uncertainty, and rumor,” and that “movement away from this condition is virtually non-existent”—a statement that flies in the face of reality. He demands the withdrawal of the military from East Timor, “dramatically and quickly.” He calls for more UN and non-governmental organization activity there, and encourages U.S. government actions and declarations against Indonesia. An international body should be formed, Wolf says, to replace Indonesia’s direct sovereign negotiations with the people of East Timor, to be led by a foreign “facilitator,” recommending Sir Colin Powell, Knight of the British Empire. Shortly after Wolf’s return to the United States, Baroness Cox paid a visit to Virginia to get a first-hand report from the congressman.

The state legislature of the Commonwealth of Massachusetts, led by Bush’s ally Gov. William Weld, heard testimony on Feb. 27 from Ramos Horta in support of legislation barring any corporation doing business with Indonesia from doing business with the state government in Massachusetts—an outrageous breach of sovereignty, which the Commonwealth had already imposed on Myanmar. Conservative Revolution yahoos in the Congress, such as Sen. Jesse Helms (R-N.C.), are lending support to this colonial-style approach. Rep. Patrick Kennedy (D-R.I.), son of Sen. Edward Kennedy (D-Mass.), appears to have forgotten his Irish anti-colonial roots: As head of the “Portuguese-American caucus” in the U.S. Congress, Kennedy is introducing federal legislation along the lines of the Massachusetts state bill, placing restrictions on U.S. companies doing business in Indonesia.

But Bishop Belo and the Vatican have not played the game according to the British intelligence script. Although the bishop was highly honored to be granted the award, and

certainly welcomes the attention on East Timor, he has from the very beginning clearly distanced himself both from Ramos Horta and the anti-Indonesian propaganda surrounding the award. On the day of the award, Bishop Belo told the press: “We have to work hard for peace. Sometimes they [Jakarta] understand and accept there is a need for love and dialogue. [I am] sometimes happy with the process, sometimes not, but it needs time.” At the Nobel awards ceremony, he said the prize was for the Indonesian people in general, and the East Timor people in particular, and refused to hold a joint press conference with Ramos Horta. The people of East Timor, he said, “wish to build bridges with their Indonesian brothers and sisters and to find ways of creating harmony and tolerance.”

In an extraordinary counter to the effort to provoke Christian/Muslim conflict, Indonesia’s Foreign Minister Ali Alatas travelled to the Vatican in November 1996, meeting with Msgr. Jean Louis Tauran, Vatican secretary for relations with states. Monsignor Tauran endorsed the Indonesian view, as expressed by Alatas, that Bishop Belo’s “interest and concern over matters pertaining to humanity and human rights that may affect our people in East Timor” were respected by the government, but that “Bishop Belo’s involvement in political matters is unacceptable.” Alatas explained to the Vatican that “the Indonesian people could have accepted the awarding of the Nobel Prize to Bishop Belo alone, although the Nobel Committee might have had reasons unacceptable to us. . . . Nevertheless, it is deeply deplorable that the Nobel Prize was also awarded to Ramos Horta.” The Vatican, while deploring the violence on both sides, has openly acknowledged Indonesia’s responsibilities in East Timor, and praises Indonesia, the world’s largest Muslim nation, for its great deference to the Christian community, including the fact that there are no prohibitions on Muslims converting to Catholicism.

Only weeks after the granting of the Nobel Prize, President Suharto travelled to East Timor to dedicate a 27-meter-high statue of Christ in the capital, Dili (East Timor is the 27th province of Indonesia). He met amiably with Bishop Belo, sharing a helicopter flight to view the area of the statue.

It is not that Bishop Belo has always been “soft spoken” about Jakarta’s oppressive tactics in East Timor, but, rather, that he believes the civil and human rights problems must be solved within the context of Indonesian sovereignty, and that Jakarta has improved its record in recent years.

Germany’s weekly *Der Spiegel*, a British voice in Germany since its founding in the British-occupied sector after World War II, attempted to provoke a crisis between the bishop and Jakarta by printing a falsified interview in November 1996, based on a discussion from the previous April. The bishop promptly released a statement demanding an apology from *Der Spiegel* to Indonesia and the Armed Forces. “I did not intend to tarnish or criticize the Indonesian government, the nation, people or the Armed Forces,” he said. He denied accusing the Army of treating

Timorese as slaves or “scabby dogs.” “I did not know the word ‘scabby.’ I have just learnt it after the quote was printed,” he said.

The development of East Timor

In an October 1996 White Paper on East Timor, the Republic of Indonesia points to its record of development investment in East Timor since 1976. The development budget for East Timor is six times greater per capita than that for any other province, reflecting the effort to make up for the neglect under Portuguese colonial rule. In 1975, there were but 47 elementary schools, two middle schools, one high school, and no colleges for the population of 625,000! Education was overwhelmingly run by the Catholic Church. By 1995, there were 30 kindergartens, 684 elementary schools, 109 junior high schools, 54 senior high schools, and four colleges, for a population of 843,000. The colony had only two hospitals and 14 clinics in 1974, with three doctors and two dentists! By 1996, there were 400 doctors and 1,500 paramedics working in 11 hospitals and 332 village health centers. Much of this growth occurred in the past five years.

Over 1,000 miles of paved roads have been constructed across the province. While there were 100 churches in 1974, there are now over 800.

Extensive irrigation projects have been completed, and crop-diversification programs have begun to break the colonial legacy of a “one-crop country” of coffee plantations. A fishing industry has been built almost from scratch.

Jakarta is now planning a major cement factory for East Timor, admitting that the investment is not “cost effective.” Rather, it was reported as a move by Jakarta to “reaffirm its promise to spread development more evenly throughout the archipelago.”

The land-bridge vs. the land grab

In recent weeks, Indonesia has successfully avoided another potentially disastrous attack on its sovereignty by the new British Empire. British Commonwealth mineral and precious metals companies, which are engaged internationally in a “land grab” to control vital resources, in anticipation of the collapse of the financial bubble, nearly succeeded in stealing the rights to potentially the largest gold deposit in the world, the Busang mine in East Kalimantan, Indonesia. A small Canadian firm, Bre-X Minerals, discovered the reserves, but does not have the resources to develop them on its own. Canada’s Barrick Gold Corp., headed by Prince Charles’s ski buddy Peter Munk, suddenly appeared on the scene, making a power play intended to bully Indonesia into turning majority share in the mine’s development over to Barrick.

Munk called in the head of Barrick’s international advisory board, Sir George Bush, Knight of the British Empire, who wrote to President Suharto, and who may have traveled to Jakarta in October, seeking controlling interest in the mine’s development. The government then urged Bre-X to strike a

deal with Barrick, giving them majority control.

On Jan. 3, 1997, *EIR* published an exposé of Barrick’s filthy role in the ongoing British-run genocide in Central Africa, as part of a report titled “George Bush’s Heart of Darkness.” The report revealed that Barrick had attained rights over vast areas of Zaire’s rich northeast provinces, while Bush’s British allies orchestrated the “ethnic cleansing” of the area, using marcher lord armies from Uganda and Rwanda, joined by mercenaries employed by the mining companies themselves. This report circulated throughout the diplomatic community, including in Indonesia.

In mid-February, Indonesia shocked the business world by awarding the contract to a combination of Bre-X, two Indonesian companies, the Indonesian government, and the American firm Freeport-McMoRan Copper and Gold, which runs another large gold mine in Indonesia’s Irian Jaya. Barrick was totally cut out. Chairman Peter Munk complained bitterly to the *Toronto Globe and Mail* on Feb. 22 that sometime in January, the decision process was taken over by President Suharto’s close friend Muhammad “Bob” Hasan. Hasan, said Munk, insisted that Barrick give up majority control, which Munk refused to do. Freeport-McMoRan will have only 15% of the project, against Barrick’s projected 67.5%, but will oversee operations. Freeport President James Moffett has developed close relations with Hasan over the many years of Freeport’s operations in the country.

Such defense against predators is essential, but much more is needed. If Indonesia is to escape the escalating political destabilization, it must prepare to meet the economic depression now unfolding globally, and, in particular, the coming collapse of the speculative financial bubble. Indonesia’s domestic industry, and its small machine-tool capacity, have been carefully nurtured and protected by President Suharto and his top science and industry adviser, B.J. Habibie. But the scope of these sectors is far from adequate, and has been compromised by financial deregulation and the “globalization” process, allowing both speculative markets and cheap labor processing industries to proliferate, leaving a huge vulnerability to the coming crash.

The great challenge to Indonesia is to build up the vast underdeveloped eastern islands, including East Timor. Besides being the “frontier” for national development, these islands serve as a bridge, connecting Java to the Philippines, Japan, and Australia. The great Eurasian land-bridge projects now under way will link Jakarta by rail to East Asia, Europe, and Africa. Viewing the South China Sea region as an Asian lake, Jakarta must build up its domestic shipbuilding, machine-tool, and heavy industrial capacity, in order to develop the entire archipelago as an extension of the great land-bridge project. Nothing short of this scale of development can protect the nation from the global collapse—nor can anything less inspire the necessary vision for the next generation of Indonesians to strengthen their nation’s role in fostering future human progress.

Is a new MK-Ultra drug plague afoot?

Beginning under “Sir” George Bush, there has been increasing human experimentation with highly dangerous drugs. Scott Thompson reports.

Investigation is now under way at *EIR* to determine whether a revival of MK-Ultra has been launched—the illicit experimentation upon human beings with extremely dangerous drugs ranging from marijuana, to LSD, to “Ecstasy”—in the British Empire and the United States, beginning with the administration of Sir George Bush in 1990. Sir George, who was a pet poodle for Lady Margaret Thatcher, when she was Britain’s prime minister, appears to have approved the resurrection of MK-Ultra experimentation through his Food and Drug Administration Commissioner, Dr. David Kessler; Kessler, who was a Bush holdover in the Clinton administration, continued certifying these experiments and stacked the FDA Advisory Committees with people who favored experimenting on human beings with psychedelics. MK-Ultra was banned as criminal activity in the 1970s, after Congressional investigations turned up widespread abuses of medical ethics in the Central Intelligence Agency and Pentagon experimentation with drug-enhanced mind control.

In addition to hideous experiments with hallucinogens on unsuspecting victims and mental patients, under MK-Ultra, U.S. and British intelligence operatives distributed massive amounts of hallucinogens and other dangerous narcotics to the Baby Boomers who were then in college, to accelerate the paradigm shift we now know as the “rock-drug-sex counter-culture.”

Under Bush stay-behind Kessler, the FDA not only granted permission for studies of the effects of marijuana on treating the “wasting syndrome” accompanying cancer and AIDS, but also revived psychedelic research, including safety studies on MDMA (Ecstasy) and the experiments of MK-Ultra operative Timothy Leary with lysergic acid diethylamide (LSD) on prison inmates. Although Kessler has just recently left the FDA, he left Bush-era deputy Michael Friedman in charge. For this reason, Health and Human Services Secretary Donna Shalala must move rapidly to restore the credibility of the FDA, which is an HHS agency, and disavow all the Bush stay-behinds who signed off on these human experiments.

In both the United States and Britain, much of this renewed MK-Ultra experimentation is being funded by the Multidisciplinary Association for Psychedelic Studies (MAPS), based in North Carolina, which was granted 501(c)(3) tax-exempt charity status from the Internal Revenue Service during the Reagan-Bush years, because it cham-

pioned drugs such as Ecstasy, for their “scientific value.” Apart from its 1,250 dues-paying members, MAPS has received large contributions from British Rothschild-spawned speculator George Soros, the magazine *High Times*, and an anonymous contribution from a British foundation, whose identity MAPS insists upon protecting through a claimed loophole in the laws guiding its 501(c)(3) tax exemption. Several years ago, MAPS decided it would focus on winning FDA approval for human research with marijuana and psychedelics, since so many of its members complained that it was “unethical” to run tests on animals.

Britain gets ‘Skunked’

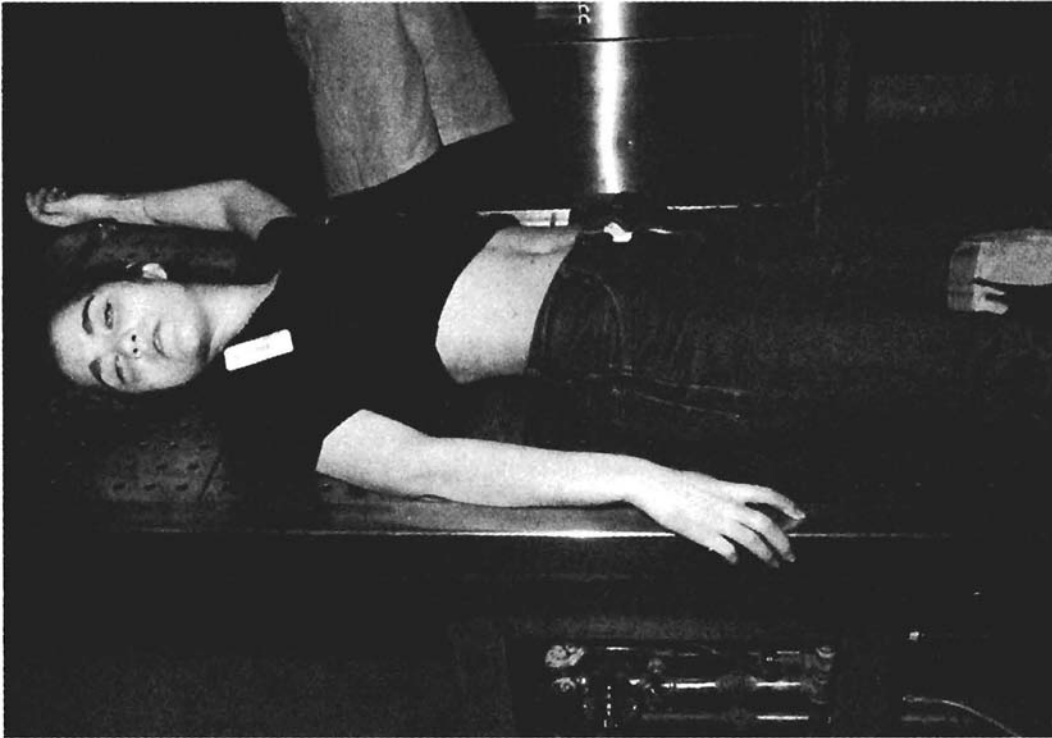
According to an article in the Feb. 23, 1997 London *Sunday Times*, entitled “Cannabis Farming Booms in Britain,” marijuana production has apparently increased many times over, while a new strain of cannabis called “Skunk,” which is as much as five times more potent than the usual marijuana, is growing rapidly in popularity. An accompanying article, entitled “Doctors To Give Patients Ecstasy,” details how MAPS has been funding research by Dr. Karl Jansen at Maudsley Hospital in south London to administer high doses of the hallucinogenic amphetamine MDMA (3,4-methylenedioxyamphetamine) on human subjects. This, after there have been 50-60 Ecstasy-related deaths in Britain during “raves” in city night clubs, or in “techno-music” dance orgies that take place all night in farm fields, throughout the United Kingdom.

The *Sunday Times*, a paper that traditionally gets leaks from the Privy Council in advance of the British Foreign and Commonwealth Office, had this to say about the boom in cannabis farming:

“Britain’s fastest-growing cash crop has become the drug squad’s latest nightmare. From the wild Cornish moors to the plains of East Anglia, a new *golden crescent of cannabis farms* has emerged as criminals spurn foreign imports for home-grown dope.

“Home Office figures to be released next month are expected to show the number of cannabis plants seized by police has risen 14-fold in the past five years to 130,000, worth £100 million, if they had been harvested and sold on the street.

“Detectives believe the seizures are a fraction of the home production, which has become a highly professional and



This dead young girl is a victim of the original MK-Ultra, the 1960s-70s human experimentation with dangerous hallucinogens, that was combined with mass distribution to labile college students. EIR is investigating whether a new MK-Ultra was started in 1990 under George Bush's FDA, and how it is being popularized in the media by billionaire George Soros.

profitable business. 'Skunk' farms, some with 8,000 plants, have been found packed into abandoned barns, warehouses, railway arches and rented townhouses."

A spokesman for London's National Drugs Intelligence Unit (NDIU) told *EIR* that the *Sunday Times* is essentially correct in pointing toward a recent explosion in cannabis production. However, the spokesman complained that the exact size of the increase was not known, because the British Home Office has delayed putting out the figures.

The spokesman for the NDIU confirmed that the fastest-growing menace in Great Britain with regard to marijuana—which the *Sunday Times* identified as a "starter" drug for users who move on to hallucinogens such as Ecstasy or LSD was Skunk. The tetrahydrocannabinol (THC), marijuana's psychotropic agent, in Skunk is between two and five times more potent than the THC in normal marijuana, and the United Kingdom has experienced a dramatic rise in hydroponic raising of Skunk as a cash crop.

The rapid growth in cannabis production—including Skunk—seems to parallel the British Home Office practice of licensing cannabis growing for the production of hemp, following European Union practice. According to a reporter for the London *Sunday Telegraph* of July 23, 1995, Queen Elizabeth did her part to win Home Office approval for hemp production in her United Kingdom: "This is probably the most discreet world exclusive in the history of newspapers. The company involved would like to keep it low key indeed. Nevertheless, I can now reveal that for the last two weeks, as a trial only, horses in the Royal Mews at Buckingham Palace

have been going to sleep every night on bedding made entirely of cannabis." The article further reveals that the Home Office is now subsidizing the growing of cannabis.

When a reporter asked the Queen's Private Secretary on Feb. 25, 1997, whether the Queen's experiment were successful, given the proliferation of illegal cannabis growing that seemed to follow the publicity over the Palace promotion of hemp production, the Private Secretary said tersely: "Nobody in the Palace will comment on a question like that."

From pot to Ecstasy

The *Sunday Times* feature described experiments where psychiatrist Dr. Karl Jansen at Maudsley Hospital in southern London used Ecstasy on human subjects. Dr. Jansen, whom the *Times* called "a leading expert on mind-altering drugs," carries out magnetic resonance imaging (MRI) of his victims' brains both before administering MDMA and again while giving them audio-visual stimulation when the drug has reached its peak concentrations. The *Times* continued: "Jansen said trials where Ecstasy was given to human subjects in the United States showed small doses led to increased blood flow to the brain and improved memory. However, when high doses were given repeatedly to animals, they suffered irreversible brain damage."

MAPS president Rick Doblin, educated at the Harvard School of Public Diplomacy, told *EIR* that the *Sunday Times* article had scared Jansen's Maudsley research colleagues away from continuing on to a Phase 2, in which victims would be administered MDMA during the MRI imaging to watch

the hallucinogen's progression. Already, Jansen has been studying MDMA users, under conditions of high-dose self-administration, but, according to Doblin, the second phase, in which researchers would administer the high doses, is in trouble: "We'll have to wait six months and see if the damage from the *Sunday Times* article blows over." At another point, Doblin said, "Anyway, we're more advanced in research in psychedelics in the U.S. now," a sorry fact for which we can thank drug kingpin Sir George Bush.

A spokesman from the British National Drugs Intelligence Unitsaid that MDMA hadbeen a problem in the United Kingdom since the 1980s, and over 50 people had died since, from brain damage or other Ecstasy-related side-effects. It began in the early-1980s in the clubs of Manchester, London, and other major cities. There then started to be "raves," in which hundreds or thousands of "techno-music" addicts would engage in MDMA-induced all-night dancing in farm fields, and which soon became even more widespread on the continent.

Just call me 'Sir' George

According to documents in the MAPS Internet website, (and corroborated by other sources, including the March 18-24, 1994 issue of the *Washington CityPaper*, headlined "Return Trip"), a return to MK-Ultra-style research on human

subjects in extremely dangerous drugs began when President George Bush's appointees in the FDA approved them in 1990. (After the American people retired Bush from the White House, Queen Elizabeth bestowed on him the title of Knight Grand Cross of the Order of the Bath for "a lifetime of service to the British Empire.")

As *EIR*, the U.S. Senate "Kerry Committee," and the August 1996 *San Jose Mercury News* series strongly suggested, it was under Vice President George Bush, that the Iran-Contra operation set into motion a corrupt deal with Colombia's drug lords to finance the Contras' dirty little war by exchanging drugs for guns. The *Mercury News* series by Gary Webb detailed a cocaine pipeline from Central America to the streets of Los Angeles, which was responsible for launching the crack epidemic.

What the major, British-controlled media have persistently blacked out—including those who otherwise support elements of Gary Webb's series—is that Vice President Bush, as head of the White House Special Situation Group beginning in 1982, was behind the launching of this crack cocaine epidemic. *EIR* can now document that, as soon as Bush became President, he revived the experimentation with psychedelics on American citizens—including MK-Ultra operative Timothy Leary's experiments on hapless prison inmates—through his nomination of the FDA head and the FDA Advisory Committee that was flush with people who favored such experimentation.

Much of the funding for these human experiments was channeled through MAPS, and approval came from Bush's appointee as FDA commissioner, Dr. David Kessler. From 1984 until his FDA appointment was approved by the Senate on Dec. 3, 1990, Kessler was medical director of the Albert Einstein College of Medicine in the Bronx. Although MAPS president Doblin disavows having ever met with Kessler, he offered the following praise: "He was a man who put science above the war on drugs." What Doblin means by "science," can be discerned from his group's website section, "About MAPS," which proposes the study of the effects of hallucinogens on "psychic research" and "shamanic healing practices."

Continuing his Bush practices in the Clinton administration, Kessler gave FDA approval to MAPS for marijuana and hallucinogenic research. According to Doblin, even if HHS Secretary Shalala appoints a new FDA commissioner more in line with the administration's commitment to a war on drugs, it could not mitigate the influence of key FDA Advisory Committees whom Kessler et al. filled with ghouls who favor human experimentation with dangerous drugs. Bush has thus hung an albatross around Clinton's neck, which he can only free himself from when he and Secretary Shalala repudiate Sir George's policies and personnel.

A new phase of MK-Ultra

From its founding in 1986—one year after the United States classified Ecstasy as a Schedule I drug, i.e., an illegal,

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addictive substance without clinical value—MAPS adopted this “orphan drug.” In the beginning, MAPS was given support from such 1970s MK-Ultra veterans as Laura Huxley, Ram Dass, and Timothy Leary. Among the projects MAPS eventually won support for from Kessler were:

- A “Phase 1 Safety Study” for Ecstasy began as follows: “On May 18, 1994, Charles Grob, MD, administered MDMA to the first subject in his Food and Drug Administration (FDA)-approved dose-escalating double-blind safety study. This marked the first time that MDMA had been legally administered in the United States since it was criminalized by the Drug Enforcement Administration (DEA) in 1985. On Nov. 27, 1995, Dr. Grob administered MDMA to the 18th and final subject in the study.”

Doses ranged from 0.25mg–kg body weight and rose to 2.5mg–kg. Two subjects experienced blood pressure instability. Another dropped out of the study from panic anxiety, even though he had been administered the placebo.

Grob plans a Phase 2 on the “therapeutic effects” of

MDMA on terminal cancer patients, after the FDA reviews the Phase 1 protocol that Grob is to submit: “The study will also seek to determine the physiological effect of MDMA on the immune system as well as whether the combination of MDMA and guided imagery could be used to facilitate psychoneuroimmunological (mind/body) stimulation of the immune system.”

- Another Phase 2 study, that was to receive \$28,000 from a British foundation had to be scrapped. The study was intended to examine the effects of MDMA as a “therapeutic” tool in treating post-traumatic stress disorder (PTSD) at the Military Hospital in Managua, Nicaragua. When MAPS had no success in devising an adequate protocol with the Military Hospital, MAPS convinced the anonymous British foundation to turn the money over for Grob’s MDMA “safety” studies, approved by Dr. David Kessler.

- MAPS also funded the Orenda Institute in 1996 for a follow-up on Dr. Timothy Leary’s experiments on prison inmates. Essentially, after gaining a prisoner’s “consent” (“in-

Why hasn't the U.S. decertified Britain?

People might ask: Why hasn't the United Kingdom been decertified? The official version is that the United States and Britain continue to enjoy a “special relationship” at the assistant secretary level, where the policies and practices of the War on Drugs are exchanged. The U.S. State Department Bureau for International Narcotics and Law Enforcement Affairs notes in its March 1996 report, “International Narcotics Control Strategy Report”:

“The United Kingdom (U.K.) is a consumer country for illicit drugs. It also produces and exports many precursor and essential chemicals. . . . British financial institutions have been vulnerable to money laundering, including that of narcotics proceeds converted in the U.K. and transitted through the country. The Channel Islands and the Isle of Man also have offshore banking facilities that attract drug funds.” This overlooks the reports by British journalists that many of the 50 major offshore areas targeted for a crackdown on money laundering by the Clinton administration are British Empire territories, where the highest authority is Queen Elizabeth’s Privy Council.

Among the leading dangerous drugs said by the State Department to be consumed in the United Kingdom are: marijuana, which is “the most popular illicit drug in the U.K.,” heroin, which has an estimated 100,000 addicts; crack cocaine; and MDMA, which, the State Department

notes, has caused several deaths in 1995. The department describes MDMA as “the poor man’s cocaine,” because it can be readily manufactured, and is therefore very cheap.

Even the State Department is forced to admit that much of the MDMA consumed in Britain, is either produced in labs there or imported from the Netherlands. MAPS admits that British Ecstasy is more “toxic,” than that found generally in the United States. Heroin shipments generally originate in Afghanistan. However, the State Department fails to mention that it was British policy—carried out by the likes of Lord Nicholas Bethell, Anglophile Wall Street financial adviser John Train, and Prince Sadruddin Aga Khan—to trap a patriotic faction of U.S. intelligence into supporting an Islamic resistance to the Soviet invaders, by using narco-terrorists posing as radical Muslim fundamentalists. Now known as the “Afghansi,” these have become one of the leading worldwide terrorist networks.

The National Narcotics Intelligence Consumers Committee report for 1994, “The Supply of Illicit Drugs to the United States,” states that MDMA (3,4-methylenedioxy-metamphetamine), while structurally related to the stimulant methamphetamine, is a hallucinogen. “The drug has been shown to be neurotoxic, strongly suggesting that it is anything but benign,” states the NNICC report. “In Europe, there was increased abuse of MDMA, particularly in Great Britain and the Netherlands.”

Still, the State Department concludes vis-à-vis relations with the United Kingdom: “The Road Ahead. The United States looks forward to continued close cooperation with the United Kingdom on all counter-narcotics fronts.”

formed consent” is never mentioned by MAPS), inmates who had had substance abuse problems would be supplied with LSD. “The hypothesis,” reads the MAPS report on “LSD Research at the Orenda Institute,” “is that those people who have peak or mystical experiences that they are able to integrate into their lives will be motivated to decrease their abuse of the substances and lead more satisfactory lives.”

These are a few of the studies by MAPS, whose website promotes as heroes all the key players in the 1960s MK-Ultra scourge. The MAPS website includes a lecture by Dr. Albert Hoffman, the creator of LSD at Sandoz Laboratories in Switzerland, where he extols the British menticolist Aldous Huxley for popularizing LSD and other psychedelics in such novels as *The Doors of Perception* and *Heaven and Hell*, the story of the utopian island of Pala where LSD (“moksha-medicine”) was used for “decisive periods of life.” Aldous Huxley himself took a dose of 100 micrograms of LSD as he was dying of cancer in November 1963.

The late LSD guru Timothy Leary, who was a fundraiser for MAPS, according to friends who wrote for MAPS, became a junkie, dosing up with cocaine, LSD, and other drugs, as he, too, died from cancer. Leary’s addiction was so great and his mental state so confused, that friends kept a chart of what illegal drugs they had given him, to prevent him from dying of an overdose.

Leary’s MK-Ultra sidekick, Dr. Humphrey Osmond, is also frequently mentioned in MAPS’s website.

The largesse of legalizer George Soros

Charles Honig, who is the grant coordinator for the Drug Policy Foundation, underwritten by George Soros, confirmed that the DPF had made a grant of \$20,000 to MAPS to research the “medical use” of marijuana. He stressed that it was not for MDMA or other psychedelic research. All the grant money available to the DPF—\$3 million—has come from Soros, who was created by George Karlweis, right-hand man of Edmond De Rothschild, who gave us the career of drug trafficker Robert Vesco. MAPS chief Doblin also admits to receiving \$2,000 from George Soros’s drug-legalizing Lindesmith Center, which is part of Soros’s Open Society Institute-New York. MAPS works with all the Soros-funded fronts that took part in the media blitz to get California and Arizona voters to approve drug legalization under the guise of “medical use” of marijuana—respectively Proposition 215 and Proposition 200. The Arizona law also permits doctors to prescribe any Schedule I narcotic to patients. The MAPS website prominently displays Utah Republic Sen. Orrin Hatch, referring to the MAPS newsletter as the “expert” on two ballot initiatives. One wonders if Senator Hatch, like Sir George Bush, has the same intimate knowledge of MAPS advocacy of psychedelic experimentation upon U.S. citizens? MAPS even supports the Cannabis Buyers Club, whose founder, the homosexual AIDS activist Dennis Peron, co-authored California Proposition 215. The Cannabis Buyers Club was busted for narcotics trafficking shortly after Prop. 215 was passed.

EIR lays waste Soros’s ‘drug reform’ big lie

For three years now, billionaire speculator George Soros has been pouring tens of millions of dollars into what he likes to call the “drug reform movement.” This linguistic sleight of hand has been aimed at concealing the fact that Soros and the string of tax-exempt drug policy foundations that he bankrolls are fully committed to the full legalization of all dangerous drugs, including crack cocaine and Ecstasy. Soros was the sugar-daddy behind the 1996 California and Arizona ballot initiatives that legalized the “medical use” of marijuana in California, and of all Schedule I illegal drugs in Arizona; and he and paid retainers are now peddling the same types of referendum in at least 25 other states, plus the District of Columbia.

On Feb. 25, at a Washington, D.C. press conference of the Soros-bankrolled Drug Policy Foundation, an *EIR* correspondent challenged the Soros crew to publicly admit what they say behind closed doors: That they are not drug

policy reformers, but advocates of drug legalization. Eric Sterling, the DPF’s Congressional liaison, when confronted by Leo Scanlon about his boast at a private seminar of the Drug Policy Foundation in November 1996, that he’s been a leader of the “drug legalization movement” since the late 1970s, blurted out: “Yes, the challenge is to end the policy of prohibition of cocaine, heroin,” and all other dangerous drugs.

Sterling then launched into a tirade against *EIR*, Lyndon LaRouche, and all those who take an “ideological” position on the drug issue. DPF and the half-dozen other Soros-funded legalization groups that have been spawned in recent years use the term “non-ideological” to account for the fact that their ranks are filled by such free-market zealots as Milton Friedman, William F. Buckley, former Secretary of State George Shultz, and the top brass at the Barry Goldwater Institute in Arizona. They also include “narco-socialists” like Sterling, who served for years as a staffer for Rep. John Conyers (D-Mich.), and the Carter administration’s pro-legalization maven Mathea Falco, now a leading drug policy specialist at the New York Council on Foreign Relations. —Jeffrey Steinberg

Cracks appear in Palme assassination coverup

by Dean Andromidas

The 11th anniversary of the assassination of Swedish Prime Minister Olof Palme, Feb. 28, was commemorated with feature articles in leading dailies, special television programs, and even a privately sponsored conference where concerned non-governmental individuals presented their views on the investigation of the crime.

This year, yet another investigative avenue, the so-called South Africa track, came to light, and may very well prove who was responsible for an assassination that has gone unsolved for the last 11 years. In September 1996, former South African intelligence officers revealed that three South African intelligence operatives were responsible for the murder. This admission led to an investigative trail, which, as *EIR* has shown, if vigorously pursued, could end directly on the doorstep of former U.S. President George Bush.

After the South African revelations, in October 1996, *EIR* published a *Special Report*, titled "George Bush and the 12333 Serial Murder Ring," which pointed to links between Bush and what has come to be known as the "Iran-Contra affair," along with a series of unsolved murders and assassinations throughout Europe and elsewhere. The victims, in addition to Palme, include German politician Uwe Barschel (1987), Canadian weapons engineer Gerald Bull (1990), Belgian politician André Cools (1991), former Indian Prime Minister Rajiv Gandhi (1991), and many others.

On the occasion of the 11th anniversary of Palme's death, *EIR* presented its *Special Report* at a seminar in Stockholm on Feb. 24. The report had already been widely circulated among journalists, police authorities, and intelligence and political circles in Sweden, and the well-attended seminar, plus a series of meetings with private investigators and others concerned with this issue, elicited a surprising amount of interest in *EIR*'s investigative leads.

The response was surprising for two reasons. First, the LaRouche movement—of which *EIR*, along with the Schiller Institute and the European Labor Party, the electoral arm of the LaRouche movement in Sweden, are a part—had been named, immediately after the assassination, as a leading suspect in the murder of Olof Palme. The accusation was splashed across the pages of newspapers and TV screens internationally, and had the intended effect of isolating the LaRouche movement, and covering up the trail of the actual

assassins. In October 1986, *EIR* published a report titled "A Classical KGB Disinformation Campaign: Who Killed Olof Palme," which documented that the charges were baseless and absurd, and that they should have been investigated as a KGB disinformation campaign—an investigation which, if properly carried out, would lead to the actual murderers of Palme.

Six years later, in 1992, the *EIR* analysis was proven absolutely correct. Dr. Herbert Brehmer, former chief of disinformation of the Stasi, the East German secret police, told *Journalisten*, the weekly publication of the Swedish journalists' association, that he personally had launched the disinformation campaign, connecting LaRouche to the Palme assassination, through his agents working in Western media. These revelations served to increase the credibility of *EIR*'s own investigation, among those with a serious concern to get to the truth of who murdered Palme. But despite the Brehmer admission, LaRouche's views continued to be blacked out of the Swedish media.

The second reason the response was surprising is that there is still great political pressure to continue the coverup of the assassination, even though there are new South African leads and new efforts within Sweden to get at the truth.

A serious response

Although the Swedish media were conspicuously absent at the *EIR* event, there were many serious individuals in attendance. In addition, this author had a series of private discussions with individuals in Stockholm, who demonstrated a keen interest in the *EIR* investigative approach to the assassination, particularly the South African track and the role of George Bush and the international "munitions cartel." The failure of the press to show up at the *EIR* event, is not just a reflection of the "LaRouche" factor itself; leading elements in the Swedish government are trying to keep a lid on the overall investigation.

In addition to *EIR*'s efforts to crack the coverup, another conference took place in Sweden on Feb. 22, that was devoted to getting at the truth of the Palme investigation. This conference is an annual event, privately sponsored by Swedish businessman Fritz G. Pettersson. Pettersson, who has taken it upon himself to serve as a critic of the government's continuing coverup, maintains the largest private archive concerning the Palme assassination. This year's conference themes paralleled, in important respects, those of *EIR*'s special report.

For example, echoing the *EIR* report, Pettersson's summary of one of the major presentations on the possible motivation for Palme's assassination, pointed to "the role of Palme as a mediator in the war between Iran and Iraq, illegal weapon deals, and the bribes in the Bofors [weapons] deal, which made Palme dangerous and inconvenient for powerful interests in Sweden, as well as in other big weapon-exporting countries. The so-called South Africa track. . . ." That pre-

sentation, given by Göran Lundin, put forward the notion that Palme's policies concerning Central America, Africa, and the Middle East put Sweden in a "de facto state of war" with several leading powers.

The second speaker was Gösta Söderström, who was the first policeman to arrive at the scene when Palme was shot outside a Stockholm cinema. He documented very serious discrepancies between the official report of the events on the night of the murder, and his own knowledge. Although he has been able to prove this knowledge, he has been ignored and ridiculed by the authorities, despite the fact that he was a 40-year veteran of the police department with the senior rank of inspector at the time of the assassination. In a question posed by *EIR* on the evidence pointing to George Bush and foreign intelligence services, Söderström replied that the fact that the U.S. Federal Bureau of Investigation, and other foreign intelligence agencies, played key roles in the investigation, left open the real danger of a much broader international coverup.

The press likewise declined to cover this conference.

Conspiracy of silence breaks

The Palme investigation is in the hands of two committees. One is the official police investigation committee in cooperation with the state prosecutor, and the second is a parliamentary oversight committee. After 11 years, almost all evidence pertaining to the crime is held in secret by the police and prosecutor's office. Despite its mandate, the parliamentary commission does not have access to all this information. This commission has even been denied access to the official autopsy report, a fact that has led to the resignation of several parliamentarians named to the committee.

The police investigation committee expressed little interest last September, when three South African intelligence operatives—Col. Eugene De Kock, Col. Dirk Coetzee, and Peter Casselton—identified three individuals responsible for the killing of Palme: South Africans Craig Williamson and Anthony White, and one Swedish citizen, Bertil Wedin. Although all three of them had well-known histories of carrying out dirty operations, including assassinations of leaders of the African National Congress, and although the Swedish activities of both Williamson and Wedin were well known in Sweden, official attempts were made to quash any in-depth scrutiny of the new evidence from South Africa.

It was only after there were leaks of official information in the Swedish daily *Expressen* (allegedly by the parliamentary commission), that the police sent a team to South Africa. That team returned empty-handed, and a few days later, the police commission announced it was determined to find a "lone assassin." In fact, the police commission renewed the attempt to charge an obvious patsy, Christer Pettersson, an alcoholic whose earlier conviction for the Palme murder was overturned by an appeals court because of the flimsy nature of the evidence that was brought against him. These same Swedish

police investigators have been aided by the U.S. FBI, the experts on finding lone assassins.

By contrast, there have been two other interesting developments since the South Africa revelations. On the very day that the new South African track came to light, a new chief of the Swedish criminal police was named, one Lars Nejlén, who, shortly after his appointment, announced a need to bring "fresh blood" into the police investigation committee. Several weeks passed with no change. Then, in December, it was announced that the chairman of the police committee, Hans Ölvebro, was suspended because of an investigation into his alleged cheating on 40,000 kroner in income taxes. Ölvebro had been one of the strongest advocates of the lone assassin theory.

Despite this shake-up, the police investigation committee continues to drag its feet on the South African track. However, sources close to the investigation are waiting for more information to surface from the South African investigation.

One of the most serious breaking developments in the case is the mysterious death of Peter Casselton, one of the key South African informants who had revealed the role of Bertil Wedin, a Swedish citizen, in the assassination. Casselton was reportedly killed when a truck, which he was supposedly repairing, crushed him. The death was ruled an accident. As further testimony to the level of control over the Swedish media, Casselton's death was reported only by the daily *Expressen*, the same daily that was the first to reveal the South Africa track in Sweden. Despite the fact that Casselton's death occurred in December, normally well-informed journalists, and others dealing with the Palme case, were not aware of it until recently.

Craig Williamson: the untold spy scandal

The identification of the South African agent Craig Williamson as one of the conspirators involved in the Palme assassination, opens up a trail that would lead to some of the highest levels of Swedish political circles, according to *EIR's* sources. A series of articles appearing in the Swedish daily *Aftonbladet* and the magazine *Vi*, since 1994, by investigative journalist Ander Hasselbohm, documents Williamson's role in Sweden since 1976. Hasselbohm reports that Williamson penetrated the Swedish-financed International University Education Fund (IUEF), where he served as deputy director from 1976 until 1980, when he was exposed as a South African intelligence agent. This should have been one of the most important spy scandals in Swedish history at the time, but it was never sufficiently investigated.

The IUEF was founded by the Swedish Social Democratic Party for the purpose of financing the education of African students. Williamson, allegedly posing as a South African dissident, was able not only to penetrate the organization, but to become its deputy director in charge of its office in Geneva, Switzerland. Among the other directors at

this time was Pierre Schori, a top Social Democratic foreign policy specialist, and currently Sweden's deputy foreign minister, and Mats Hellström and Bernt Carlsson, two other leading Social Democrats. Schori, Hellström, and Carlsson, who were responsible for running the organization, were known as the "the three musketeers" by those familiar with the IUEF. Williamson, as deputy director of the IUEF, worked closely with all three.

IUEF played a leading role in financing students associated with the African National Congress and other organizations acting against apartheid. Therefore, Williamson's position as deputy director gave him access to valuable information that was used to target these potential leaders for harassment and murder. In fact, the arrest and death of Steve Biko, the well-known leader of the Black Consciousness Movement, at the hands of the South African secret services, was attributed to information Williamson gathered at the IUEF. Despite warnings from members of the ANC and some intelligence services, that Williamson was acting in the service of South African intelligence, he was not removed from his position. In fact, Williamson became one of Sweden's most important collaborators for South African affairs. Only after Williamson's role was exposed in the British daily *Observer* in 1980, was he forced to leave the IUEF, and this affair eventually forced the shutdown of the organization.

The significance of Williamson's early relationship with Schori and Hellström becomes important in light of the events of 1986. By 1986, Schori had become one of the leading figures in the Social Democratic Party, and had developed close personal relationships with such international individuals as Henry Kissinger, Armand Hammer, and Michael Ledeen. (Ledeen played a key role in Iran-Contra.)

In *EIR*'s 1986 report on the Palme assassination, Schori was identified as potentially involved in a coverup of the assassination, because of his international connections, both East and West. Schori was also one of the most adamant backers of the bogus "LaRouche track." It is not surprising, therefore, that today, as deputy foreign minister, Schori is one of the key supporters of Yoweri Museveni's Uganda (now responsible for the current genocide occurring in Africa) within Sweden's foreign policy establishment.

Another Williamson colleague at the IUEF, Mats Hellström, was Sweden's foreign trade minister between 1983 and 1986, at the time when Sweden's Bofors-Nobel, a key member in the "munitions cartel," exported hundreds of millions of dollars of munitions to keep the war going between Iran and Iraq.

In 1986, Bernt Carlsson was an intimate adviser to Palme, assisting him in his capacity as official UN mediator for the Iran-Iraq War. On Dec. 21, 1988, while in London on a mission in his role as UN mediator for Namibia, Carlsson boarded Pan Am Flight 103 bound for New York. He died over Lockerbie, Scotland, when that flight was bombed.

Book Reviews

Aiming at victory in Ireland

by Paul Gallagher

Michael Collins

by Tim Pat Coogan

Roberts Rinehart Publishers, Boulder, Colo. 1992
475 pages, paperbound, \$16.95

Xenophon, the Greek military leader and friend of Socrates, who showed how to defeat the Persian Empire, wrote, "Whoever wants to keep alive must aim at victory."

Michael Collins was among the precious few of Irish leaders against the British Empire, over centuries of losing fights, who was focussed on Xenophon's point. Collins's life has been portrayed recently by a motion picture and two books. He was the effective military commander of the Sinn Féin-led Irish forces against the British Empire during 1916-22, during which years the Irish came closer to militarily and politically winning national independence, than at any other time. Collins was the initial organizer and commander of the Irish Republican Army, although this will be misunderstood by those thinking of today's IRA, with its several splinters largely a creation of British Intelligence operations over 70 years.

Irish independence struggles against Britain have continued for so many centuries, with so little hope of success in their own terms, that in the history of them, only the most important questions of political, economic, and cultural *principle* command attention. Simple sympathy for these struggles is immoral, even among the Irish. The British Empire is the powerful and organized enemy of today's humanity; hundreds of millions of lives in Africa, Eurasia, and Ibero-America depend upon defeating that empire. The vast majority of the Irish struggles show nothing—or, worse than nothing—about how to defeat the British.

A potential for victory

Against that background, the 1917-21 joint leadership of Sinn Féin founder Arthur Griffith and Michael Collins stands out with the "invisible" quality and distinction of a *potential* for victory. What they were able to accomplish, as measured

by Irish national life since 1921-22 (during which period Griffith died of illness and Collins was killed), was very limited national sovereignty, gradually expanded since then, and not including the “six counties” of Ulster. But the principled manner in which they fought made the British blink; made Churchill and Lloyd George pour most of Britain’s post-World War I military forces into Ireland to contain them; and finally made the British fear that Ireland might cost them American support, and make major concessions of sovereignty to Ireland.

Author Coogan’s misunderstanding of history, is to think that the core of this principle of national resistance, which distinguished the Griffith-Collins leadership by its potency, lay primarily in Collins’s military leadership qualities. Many U.S. Civil War histories leave a comparable, false impression, that the Union was preserved by the military genius of Generals Grant and Sherman, rather than the statecraft of their commander, President Abraham Lincoln. Coogan portrays Arthur Griffith’s role as essentially that of a crusading journalist, providing effective ideas to Collins’s Irish Volunteers and IRA.

But Griffith was the leader more important to history. His Sinn Fein movement, founded in the 1901-04 period on Griffith’s single-handed determination to plant Friedrich List’s “American System” of national economy in Ireland, was the key. By 1918-19, Sinn Fein was winning 90 to 95% of parliamentary and local offices in Ireland, although its candidates were committed *not* to attend Parliament in London, but to form a new Parliament in Ireland, an act against British law under the 1801 “Act of Union.” It was Griffith’s successful creation and leadership of a movement for a sovereign Ireland with a sovereign national economy, which made the great effectiveness of Collins’s small army possible.

Collins was only seeking to develop his own understanding of national economics, and of the importance of Irish national language-culture, when Griffith tragically died in 1921, after only five months as Ireland’s first President. Collins was killed a year later in the Irish Civil War, by IRA men who had been his soldiers, organized by the treasonous Eamonn de Valera into a foolhardy war against the new Irish state they had just won.

Coogan is much clearer than most historians of this period, however, in making the day-and-night distinction between Collins’s and Griffith’s principles of leadership, and their *Entschlossenheit* in command, versus de Valera’s vacillations and treasonous instigation of civil war, over a “Republic of Ireland” which was impossible to achieve in 1922. Coogan shows that Collins, the ruthless “extremist for victory” in military combat with Britain’s soldiers, spies, and police, was a moderate in the negotiations for Irish sovereignty; whereas de Valera, who contributed little or nothing to the military command, was both devious about negotiations and a “super-principled” Republican extremist against his Sinn Fein comrades. De Valera’s “issue”—Re-

public status versus British Commonwealth status—obstructed the real question of Irish national unity: of whether Ulster could eventually be drawn into Ireland. De Valera’s civil war guaranteed that Ulster would stay under British control; and began the transformation of Collins’s IRA into the splintered and jagged tool of British Intelligence intrigue, which it has become.

Britain’s Irish test-tube

It is with regard to *British* military-intelligence operations, particularly in Ulster, that Coogan’s book is actually most valuable. All sectarian fighting in Ulster is entirely the creation of British operations, and has been their test tube and laboratory for creating such conflicts for centuries. Three times in the past 120 years, in 1885-86, in 1915-16, and again in 1970-71, Britain has poured arms, money, and cadre into creating armed militias of a Protestant “state church” in Ulster. Each time, Irish nationalists have tried to counter these buildups—these are the sole origins of the Irish Republican Brotherhood in the 1880s, the IRA in 1916, and the “Provisional IRA” in recent times. The existence of armed irregular-warfare forces on Irish soil, is the sole work and responsibility of Britain, and always has been.

It is crystal clear, from Coogan’s account of British operations in Ulster in 1919-21 in particular, what is the problem posed by Britain to the Irish-Ulster peace initiative advanced by President Clinton. All the time that Lloyd George and Churchill were negotiating with Griffith and Collins on “the ultimate unity of all Ireland,” the Empire’s Privy Council was straining every nerve and sinew to blow up Ulster, to ensure that the *most* extreme loyalist diehards there were helped to all the arms, money, and propaganda support they could use. As Churchill pulled British troops out of the rest of Ireland, he demobilized them and his Tory friends, in effect, paid them to go back into Ulster and fight. Meanwhile, he insisted on the demand—familiar now from John Major—that the IRA decommission its arms and demobilize.

The tactic of retaliating against the killing of occupying troops, by massacring or otherwise assaulting local civilian populations, used so widely by the Nazis, and more recently by Israeli forces against Palestinians, was invented by British forces in Ireland, especially the murderous “Black and Tans” of 1920-21. “Ethnic cleansing” and the British creation of competing sectarian mercenary forces, which nearly brought genocide upon Bosnia, were also British inventions of the fight for Irish independence.

In fact, it appears that when British oligarchs look down, like President Clinton’s and Lyndon LaRouche’s current enemy Lord William Rees-Mogg, upon that “95% of humanity who do not count,” in their mind’s eye they are always seeing—the Irish. The targets of that genocidal contempt, of such as Rees-Mogg today, thus have lessons to learn from Irish history, about British policy. Coogan’s book is worth reading from that standpoint.

Irregular warfare strikes, again

Renewed rioting by anti-nuclear thugs, and right-left riots are diverting attention from mass unemployment.

With the official jobless rate in Germany approaching 5 million (which in reality is over 9 million), the government in Bonn ought to focus its attention on the urgency of leading the country out of the Second Great Depression. But instead, Bonn is hiding behind media headlines hyping renewed anti-nuclear riots, and violent clashes between gangs of skinheads and antifascist punkers. This pattern of incidents polarizes the elites and poses a combined challenge to the German state and its institutions in a way that very much recalls the "strategy of tension" of the late 1970s and 1980s.

For example, the government has ordered the deployment of no less than 30,000 policemen and special riot police, to guarantee safe transport of six containers of nuclear waste by rail, over the several hundred kilometers from nuclear plants in the south to the national storage site at Gorleben in the north.

This strange odyssey of the six containers occupied most of the first week of March, and it has been the biggest police operation in postwar Germany. Originally, the government planned to deploy "only" 19,000 policemen, but changed its plans after several grave instances of train sabotage, which in the early morning hours of Feb. 25 alone, paralyzed the railway grid at six different locations, and brought rail transport to a standstill at these locations for several hours. For example, the rail connections to Germany's biggest airport at Frankfurt were disrupted, because the power lines had been torn down when trains

ran into slings prepared by the saboteurs.

An underground pamphlet secured by the police, proclaimed the train sabotage as "justified," because "the struggle against the atomic state and the nuclear program" were "a first step toward crashing of the system." Another pamphlet, which was circulated around Gorleben, declared: "It is important to launch an offensive attack on the public infrastructure of railways, electricity supply, and state institutions."

None of this irregular warfare talk and activity has come as unexpected, because the sabotage scenario has been built up over several months of hyped-up debate over this transport of nuclear waste. The police had evidence of what was shaping up, and there have been proposals to preempt it, to make sure that the most violent anti-nuclear elements would be neutralized. For example, in late February, concentrated police control of area roads around the embattled storage site would have guaranteed that many, if not most, of the hard-core rioters that usually come in from other parts of Germany, would have been turned back or arrested.

But the decision-makers in Bonn decided against it, and instead adopted a "de-escalation approach" which would keep the police largely inactive, "in order not to provoke the other side." This defeatism had already utterly failed during the huge anti-nuclear riots in the 1980s.

The second preemptive police action, would have been to prevent the

rioters from constructing a forest camp, which is what they have always used as a bridgehead for riots and sabotage. This simple preventative was not taken either, so the camp was set up, and the hard-core riot underground from throughout Germany was allowed to gather near Gorleben and plan out its confrontation with the police. Train lines and roadways were blocked by felled trees, or by tractors and other vehicles, and even undermined by "excavations."

A situation has, therefore, been allowed to develop at Gorleben that kept about 18,000 policemen occupied with the restoration of transport routes and the protection, virtually meter by meter, of the six nuclear waste containers, over the 20 kilometers from the last train stop at Dannenberg to the storage site.

But there has also been a parallel escalation of violent fights between right-wing skinhead groups and "anti-fascist" punker gangs, mostly in eastern Germany, culminating, in mid-February, in bloody clashes in eastern Berlin. At the same time, a leftist punker was killed by a skinhead youth in Magdeburg. In retaliation for the Berlin clashes, one Kai Diesner, a 24-year-old neo-Nazi, fired several shots on Feb. 19 into a bookstore of the post-communist PDS party in Berlin-Marzahn, seriously injuring an employee.

This bloody act then served as a welcome pretext for several hundred leftists to riot, causing considerable damage in Magdeburg and Aschaffenburg on Feb. 23. That same day, Diesner killed a policeman and wounded another when his car ran into a police patrol. After a shootout with police, Diesner was finally arrested, after which he proudly confessed to being a member of the White Aryan Resistance, an international network of neo-Nazis that was originally spawned on the U.S. West Coast.

MST in the footsteps of the Zapatistas

The Landless Movement's terrorist actions are creating the conditions for civil war in Brazil.

Starting out from São Paulo on Feb. 16, a contingent of militants belonging to Brazil's Landless Movement (MST), an affiliate of the narco-terrorist São Paulo Forum, began a march on the capital of Brasilia. Their plan is to arrive there on April 21, the one-year anniversary of the bloody confrontation between MST provocateurs and police which occurred at El Dorado de Carajas. Inspired by Mao Zedong, the MST thus begins its "long march" from the countryside to the city, in what is intended to be an endless process of destabilization.

As its power has increased, the MST has flaunted its openly pro-terrorist nature. In January of this year, it chose the Pontal de Paranapanema zone of São Paulo state to launch an uninterrupted series of land invasions. It is this region which Mao-devotee Jose Rainha, considered to be the MST's military leader, thinks should become an "autonomous region."

Faced not only with the government's inaction, but its tacit support for the MST's actions, landowners in this region are opting for self-defense. Thus, Pontal has become a time bomb which could ignite a bloody war in the Brazilian countryside. On Feb. 17, in the midst of the protest march and wave of land invasions, congressman and MST lawyer Luis Eduardo Greenhalgh, an editorial board member of the São Paulo Forum's magazine *América Livre*, threatened that "if anyone dies there [in Pontal], there will be guerrilla warfare."

At this point, no one doubts that

the MST is prepared to carry out acts of irregular warfare. For example, the "march to Brasilia" has a well-organized logistical base, and, according to media reports, its participants are highly disciplined. There are daily brainwashing sessions in the style of Peru's Shining Path narco-terrorists, in order to keep people focussed on the march's objective. Facing an MST flag, militants must swear allegiance to the movement's goals, and shout out, "I am the MST flag. My red color represents the blood of dead peasants."

Aside from the actions confirming the MST's terrorist character, intelligence sources have told *EIR* that the group is closely linked, not only to the Zapatistas in Mexico, but also to the Colombian FARC terrorists, from whom MST militants receive training. There are also ties to the EPR terrorists, active in the Mexican state of Guerrero.

The MST's "long march" is supported and encouraged by high-level representatives of Liberation Theology, such as the archbishop of São Paulo, Cardinal Evaristo Arns. On Feb. 18, after the march began, the cardinal and five of his auxiliary bishops issued a statement backing the MST's actions. "The occupation of lands not being worked is legitimate," it read. Arns added, "The church is on the side of the landless. This is an historic march. Brazil can wait no longer. Agrarian reform is 500 years behind the times."

Priests in cities along the march route are collaborating with the MST

as well, providing food and clothing to militants. This support for the MST by Liberation Theology networks has the specific purpose of involving the Vatican in this matter. With the knowledge that Pope John Paul II will visit Brazil in October of this year, the theolibbers seek to impose on the Pontiff explicit support for the MST, using the pretext of a generic demand for "agrarian reform."

On Feb. 15, President Fernando Henrique Cardoso met with the pope at the Vatican, the first such official visit of a Brazilian head of state. At the conclusion of the meeting, the Pontiff read a statement referencing an "agrarian reform carried out in accordance with existing law." The mere mention of agrarian reform by the pope met with the immediate applause of MST leader João Pedro Stedile, who boasted that "the pope agrees with us."

There are two organizations providing international backup for the MST's "long march." One is the Mexico-based *Via Campesina* (Peasant Way), whose leaders are currently visiting Brazil; the other is the Food International Action Network, headquartered in Germany. In May, together with the MST, these organizations will launch an international campaign in support of agrarian reform, to force it on six countries: Brazil, South Africa, Honduras, Kenya, the Philippines, and India.

Peasant Way appeared for the first time in Brazil around last year's conflict at El Dorado de Carajas, together with France's Danielle Mitterrand. At an international conference held on April 21, 1996 in Mexico, the group published its program, which was the colonial doctrine of the new world order. For rural areas, it proposes use of primitive agricultural technologies whose adoption would exterminate rural populations.

Anti-IMF candidate challenges 'the system'

The PRI, the PRD, and factions of the PAN are desperate to stop Adalberto Rosas from becoming governor of Sonora.

Your recurring nightmare, if you are one of Mexico's banker creditors, or an official of the International Monetary Fund (IMF), is that a nationally prominent politician might win a major popular election on a clear anti-IMF program designed to save Mexico from national disintegration. Such a precedent could threaten your entire political control over that country, at a most delicate moment of economic and political upheaval.

That bankers' nightmare is close to reality in the Mexican state of Sonora, which borders on Arizona, and which will hold gubernatorial elections in July 1997. The candidate in question is Adalberto Rosas of the National Action, or PAN party, who is vociferously opposed to the neo-liberal (i.e., free trade) economic policies which the IMF has imposed on Mexico; he also has put forward specific proposals for reactivating Mexico's physical economy. On Jan. 31, Rosas said his campaign will "offer an economic program to free the country from the disasters of neo-liberalism, which have ravaged our productive apparatus and generated millions of poor." He vowed to build "a political movement to break the chains of the partyocracy, to make way for the changes people are demanding."

Rosas is a well-known wheat farmer in Sonora, a former state legislator, former mayor of Ciudad Obregón, and a founding member of the Permanent Forum of Rural Producers (FPPR), as well as a key supporter of the "Bill for the Bankruptcy Reorganization of the National Economy." This proposed legislation, which has been formally submitted to

the Mexican Congress for consideration, calls for urgent steps (including exchange controls and debt moratoria) to stop the IMF's bloodletting, and to establish a new national monetary system designed to foster industrial growth and infrastructure projects.

The bill is widely known in Mexico as "the LaRouche Plan," because it is inspired by the programmatic outlook of American statesman Lyndon LaRouche. In fact, well-informed sources in Mexico have told *EIR* that the real reason that Rosas's candidacy has been vetoed by the bankers and their political front men, is because of Rosas's affinity with LaRouche's economic ideas.

In May 1996, in a speech in Hermosillo, Sonora, Rosas demanded "moratoria on the foreign debt, and on certain categories of internal debt," emphasizing that the government's priority should be "saving our productive plant." The moratoria should remain in effect, Rosas said, "until more just terms of payment are defined which do not jeopardize our national development."

Rosas also recalled that he belonged "to a minority . . . which in the midst of the Salinista euphoria [a reference to former President Carlos Salinas de Gortari], had the vision and civic courage to warn that the neo-liberal economic model would lead us to national disaster." And, Rosas continued, "on Aug. 19, 1993 . . . in a private meeting . . . we showed President [Salinas]" that his model "encouraged speculation with high interest rates, while destroying our sovereignty over credit." That dynamic, he warned then, "would lead our national credit system

to bankruptcy." Salinas "ignored our predictions," Rosas said, "and today he occupies a prominent place in the dustbin of history."

Of course, neither the ruling PRI, the opposition PRD, nor the Salinistas inside the PAN have publicly attacked Rosas's economic proposals. Rather, they have resorted to their typical thuggery. The visible leader of the dirty alliance operating against Rosas is Sonora's current PRI governor, Manlio Fabio Beltrones, who has recently gained notoriety in the U.S. and Mexican press for his ties to the drug-trafficking apparatus of brothers Carlos and Raúl Salinas, the Mexican allies of former U.S. President George Bush.

Since Rosas's popularity pretty much guarantees his victory in any fair election, Beltrones's first move, according to Mexican press accounts, was to work out a deal with the PAN national leadership for them to deny Rosas the candidacy, and to then "throw" the Sonora elections, in exchange for a gubernatorial "win" in the state of Nuevo León.

To do this, the PAN's executive committee showed up in Sonora at the end of January, to announce that it had suspended the primary election scheduled for Feb. 23, in which the PAN's gubernatorial candidate was to have been elected. Instead, the PAN leaders said they would simply appoint the candidate.

The PRD then joined in the operation, suggesting that Rosas leave the PAN and run as the PRD's gubernatorial candidate. The trap was obvious: With the PRD, Rosas would lose, but would create the margin needed for a PRI victory. Rosas made clear, however, he would neither leave the PAN nor ally with the PRD. As of this writing, dirty maneuvers continue to try to remove him from the electoral arena.

International Intelligence

First Tory MP defects to Goldsmith's party

Jimmy Goldsmith's right-populist Referendum Party got its first Member of Parliament, when Tory MP Sir George Gardiner announced he was leaving the Conservatives for Referendum. According to the March 9 issue of the *Sunday Times*, Gardiner's defection is "a much-needed boost to the Referendum Party," eight weeks before general elections expected on May 1. Recently, Goldsmith's Referendum Party had not performed well in opinion polls.

Gardiner explained his decision in an article written for the *Sunday Times*, insisting that he is still a Tory and hopes to vote for the party again once its policies could be "enacted free of Brussels diktat," referring to the headquarters of the European Union in Brussels. Gardiner adopts the populist-jacobinism of Goldsmith's anti-EU party, with such lines as, "It is downright theft for politicians to barter away the birthright and freedom of our people. It is the people who must decide." (Spoken like a true "Sir.")

NATO expansion spreads to Central Asia, Caucasus

NATO Supreme Allied Commander Atlantic, Lt. Gen. John Sheehan, travelled to Bishkek, Kyrgyzstan on Feb. 17, to meet with the secretary of the Kyrgyz Security Council, and the defense ministers of neighboring Uzbekistan and Kazakhstan. Discussion reportedly centered on upcoming joint military exercises between the Central Asian Battalion, composed of the three Central Asian states, and the United States.

The first stage of the exercise will take place in Kazakhstan in mid-September, and will involve 540 troops from the Central Asian Battalion, and servicemen from a U.S. Airborne Division. (Last summer, Uzbek troops from the battalion took part in joint exercises with U.S. paratroopers at Fort Bragg, the first ever held between former Soviet armed forces and the U.S. military.) During the second stage, scheduled for Uz-

bekistan in late September, the Central Asian servicemen and U.S. paratroopers will be joined by troops from 10 states, including the three Baltic states, Turkey, Germany, Georgia, and Russia.

Also on Feb. 17, Lithuanian President Algirdas Brazauskas travelled to Uzbekistan to meet with President Islam Karimov. At their joint press conference, both leaders endorsed NATO expansion. On Feb. 14, Azerbaijan President Haider Aliyev reportedly proposed to visiting NATO Secretary General Javier Solana that NATO station troops in the region, to guard proposed Caspian oil and gas pipelines.

Museveni unable to refute Schiller, EIR charges

A lengthy report by the Republic of Zaire to the United Nations Security Council cites the inability of Ugandan dictator Yoweri Museveni to refute charges by the Schiller Institute that he is acting as a warlord against Zaire and Sudan to destabilize those countries. The two organizers, Diane Sare and Angela Vullo confronted the towel-boy for Lady Lynda Chalker when he came to Washington to address the Center for Strategic and International Studies on Feb. 3.

The "Reply of the Government of the Republic of Zaire to the communiqué dated 30 January from the Government of the Republic of Uganda," begins that "the communiqué . . . from the Ugandan Government, which was issued as a document of the Security Council . . . is a web of crude lies and untruths," and proceeds through the subsequent points to document the Rwandan/Ugandan invasion of Zaire, including publishing photos prisoners of war.

Point 5 reads: "During the debate which followed the lecture . . . the President of Uganda was unable to refute the claim by Diane Bare [sic] and Angela Vullo of the Schiller Institute that Uganda was executing a premeditated design to destabilize Zaire and other neighboring countries in order to control and exploit immense natural resources and vast tracts of land stretching from Shaba in Southern Sudan through Maniema, South Kivu, North Kivu, and

Haute Zaire."

The reply then quotes three paragraphs from the Jan. 17 London *Times*, which describes Museveni as coordinating the invasions against Zaire and Sudan. The relevant footnote cites *EIR's* Jan. 31 *Feature* "The War against the British Empire Can Be Won."

Australian MPs to vote on national euthanasia ban

A bill before Australia's federal parliament, known as the Andrews Bill, which seeks to override the legalization of "physician-assisted suicide" in the Northern Territory, is due to be voted on in the Senate on March 20. If passed, it will take away the right of Australia's territories to make laws legalizing euthanasia. The report of a special Senate Committee examining the euthanasia law, which was passed out of committee on March 6, has urged passage of the Andrews Bill, overturning the Northern Territory's "Rights of the Terminally Ill Act." The committee reported that 93% of the submissions to the committee were opposed to euthanasia, and only 6.4% favored it. The Andrews Bill passed the House of Representatives by a large majority, and is expected to also pass the Senate.

According to the March 5 issue of *The Age*, N.T.'s Jack Kevorkian look-alike, Dr. Philip Nitschke, has revealed that at least one victim "was feeling the pressure to die before the Senate decision." Nitschke is the designer of a grisly program for a laptop computer that, following a series of prompts to the euthanasia victim, administers a lethal injection. On March 1, the fourth person to die under N.T.'s law was killed in this manner.

China responds to 'Xinjiang separatists'

The Chinese government, for the first time on March 5, formally commented on the turmoil in the northwest province of Xinjiang. A communiqué from the Department of Propaganda of Xinjiang, appeared on the front

Briefly

page of the *Xinjiang Daily*, stating that the Chinese army has been placed on a state of maximum alert in Xinjiang, as well as in Tibet, in order to reinforce the struggle against what are denounced as "separatist activities." The daily characterized the recent bombings in Xinjiang as "acts of premeditated violence, carried out by a terrorist organization." The police have arrested "the principal suspects" who produced and supplied the explosives, as well as those who carried out the attacks.

Meantime, France's left-liberal daily *Libération* joined the British media in cheering on a Uighur ethnic separatist operation in Xinjiang, running a clandestine interview with a "militant Uighur autonomist." This individual states: "All we need now, is a small flame, to set fire to everything. Fear is everywhere. There is a kind of general psychosis among us Uighurs. We see the enemy everywhere. For millennia, the Chinese have tried to colonize us. We have battled for millennia against Chinese imperial policy. All we want is autonomy. I am very pessimistic, unless the Chinese extend their hand to us and stop their policy of bringing Han Chinese into Xinjiang."

Laughland shows how the British 'do history'

On March 2, British European Foundation official John Laughland (who made his fame since 1989 by promoting the lie that "unified Germany is the Fourth Reich") wrote an article in the *Sunday Times*, headlined "Germany, Naturally an Empire," pontificating that Germany has always been, and continues to be, a natural empire, with a "universalist missionary mentality." Most absurd of all, is his claim that modern German imperialism, from the Kaiser, through Hitler, up to Chancellor Helmut Kohl, is "inspired by the theories of Friedrich List, the 19th-century economist famed for having attacked Adam Smith's theories of free trade" (gliding deftly past the fact that Smith's free-trade theories were—and continue to be—the bedrock of Britain's Empire).

A journalist with *Strategic Alert* con-

tacted Laughland, and raised the simple point that List's main influence was not, in fact, within Germany (where he designed the anti-free-trade Customs Union), but rather in the United States, where he was a key influence on the economic advisers collaborating with Abraham Lincoln. Laughland, who is on the payroll of Sir James Goldsmith, and is a vocal ally of Baroness Thatcher, stuttered uncomfortably: "Hmm, um, that's true, I didn't think of that. Now that you mention it. . . . Hmm, that part of List is largely forgotten. But you are right, that is an omission in my work, I suppose, very curious, yes, you are right, hmm."

Pakistan seeks urgent dialogue with India

Pakistan on Feb. 28 made a "creative diplomatic proposal for an urgent meeting with India at the level of foreign secretaries for the exclusive purpose of setting the stage for 'meaningful discussions' " between their prime ministers, according to *The Hindu*. It has been suggested by Pakistan's new Prime Minister Nawaz Sharif, that the foreign ministers should meet, "preferably before the end of March." By calling for a preparatory meeting at the foreign secretary level, Pakistan made it clear that its primary objective is to ensure "some progress on the core issue of Jammu and Kashmir."

Sharif apparently hopes to seize the "historic opportunity" offered by the celebration of the Golden Jubilee of both India's and Pakistan's independence from Britain in 1947. The proposal, which conveys a sense of great urgency to "deal with all the outstanding disputes that bedevil relations," is a direct response to Indian Prime Minister H.D. Deve Gowda's "willingness for wide-ranging and comprehensive talks on all issues of mutual concern," Sharif said.

For Pakistan, a critical consideration is whether India will include Kashmir as one of the "issues of mutual concern." Sharif expressed the hope that Gowda "will agree that without some progress on the core issue of Jammu and Kashmir, it will be difficult to initiate meaningful cooperation in economic and cultural fields."

15,000 BELGIANS gathered in Brussels on March 9 outside the Islamic Center, where a memorial service was held for the latest pedophile murder victim, Loubna Benaissa, who was nine years old when she was kidnapped in 1992. A Parliamentary Commission is investigating official protection for pedophile Marc Dutroux, who was arrested after the first four bodies were uncovered six months ago.

NATO TROOPS removed illegal roadblocks set up in the Hercegovinian city of Mostar by local Croats and confiscated some weapons, AFP reported on Feb. 24. The operation followed two recent attacks against armored vehicles belonging to the Stabilization Forces (SFOR). NATO issued a warning that its units in Mostar will not hesitate to use weapons against those trying to attack the SFOR contingent.

CARL BILD, former Swedish prime minister, will leave his post as International High Representative in Bosnia in May, and was expected to lead his country's Conservatives in the next general election in September 1998. Bildt is a prominent figure in George Soros's first West European policy group, "Charter Europe," a "pro-Maastricht" populist counter-gang to Jimmy Goldsmith's "anti-Maastricht" Referendum Party and Other Europe.

'CONSCIENCE International," a new magazine published by Chief Abiola Ogunodun, a member of Nigeria's Constitutional Conference, published two articles by *EIR* contributors: One by Nancy Spannaus on the future of the Clinton White House, and a second by Uwe Friesecke on "Africa's Economic Challenge."

VATICAN RADIO said that nine Rwandan priests and three Rwandan nuns were believed to have been killed in the eastern Zaire town of Kalima in February, at the time the town was under the control of the British-backed force of Laurent Kabila, Uganda, and Rwanda.

DOJ misconduct fuels demand for hearings

by Debra Hanania Freeman

Since late February, a series of shocking revelations of a clear pattern of gross misconduct by the FBI and the Criminal Division of the Department of Justice (DOJ), seems certain to result in the long-overdue clean-out of one of the most corrupt sections of the federal government's permanent bureaucracy. On Feb. 25, FBI Director Louis Freeh disclosed that it appeared that the FBI, during the 1980s, intentionally mishandled evidence, and gave false testimony to a judicial panel that later recommended the impeachment of U.S. District Judge Alcee Hastings, now a U.S. Representative from South Florida.

Hastings had been appointed to the federal bench in 1979 by President Jimmy Carter, making him the first black U.S. federal judge in Florida since Reconstruction. Before his appointment, Hastings was a well-known civil rights attorney, with a reputation for being uncompromising on Constitutional questions. As Florida's only black federal judge, he became an outspoken critic of the Reagan administration's immigration policies, which had resulted in the detention of Haitians; for this, he angered key figures in the FBI and the federal judiciary.

In 1981, Hastings was charged with conspiring to take a \$150,000 bribe from two cocaine dealers in exchange for reducing their sentences and returning confiscated property. Even though what has now been revealed to be false testimony by the FBI was included in Hastings's criminal trial, the trial ended with a hung jury. A second jury acquitted him in 1983. Nonetheless, following a complaint that was filed by two fellow federal judges, the 11th Circuit Court of Appeals appointed a panel of judges to conduct a judicial inquiry. The inquiry, which was conducted in secret, went on for three and a half years, and raised a wave of protest from African-American leaders, who charged that the inquiry was racially

motivated, and part of a pattern of such racist assaults during the Reagan-Bush era that came to be known as "Operation Frühmenschen." The inquiry concluded by urging Congress to impeach Judge Hastings. The U.S. House of Representatives voted to impeach him in 1988.

The Tobin memorandum

So far, in each legal proceeding, FBI agent Michael Malone's false testimony, and the false evidence that had been mishandled by the FBI crime lab in Quantico, Virginia, played an important role.

But, before the Hastings case went before the U.S. Senate, an FBI crime lab examiner, William Tobin, wrote an internal memo in which he demonstrated that the evidence in question had never been properly tested. Tobin went on to cite 27 different instances of highly questionable FBI testimony against Hastings. Tobin's sharply worded memo charged that the FBI's forensic testimony "represent[ed] a glaring pattern of conversion of what should have been neutral data into incriminating circumstances, by complete reversal of establish[ed] laboratory test data, with scientifically unfounded, unqualified, and biased testimony."

Tobin wrote that the transcript of Malone's testimony provided to the judicial inquiry "reveals a pattern of complete omission of crucial conditions, caveats, premises and/or assumptions, which may be viewed as tending toward exculpatory in nature."

The fact that FBI agent Malone gave false testimony, and mishandled evidence, in his appearances before two federal juries, the panel of judges that had recommended impeachment, and the U.S. House of Representatives, is, by itself, a cause for deep concern. But, worse, after FBI supervisors covered up Tobin's critique of Malone's actions, his memo-

randum was never provided to the U.S. Senate, which, in 1989, in a very close vote, convicted Alcee Hastings, and removed him from the federal bench.

FBI Director Freeh's admission of the FBI misconduct came to light as part of a larger Justice Department investigation into "questionable conduct" in the handling of evidence at the Quantico crime lab, which services all federal prosecutions. That investigation was launched after Dr. Frederic Whitehurst, who worked in the lab, charged that the FBI routinely manipulated forensic analysis and fostered error-riddled expert testimony in court, to help federal prosecutors get convictions.

While Hastings and his attorneys are weighing whether to reopen or contest the impeachment, angry noises are coming from a number of senators, particularly those who were present in 1989, and who voted to convict Hastings. Sen. Charles Grassley (R-Iowa) was furious, charging that the FBI lied, and then covered up evidence of its misconduct in order to convict the former federal judge. "It raises questions about the integrity of the entire federal criminal justice process, especially the FBI's role. It raises the inference, in this highly visible case before the American people, that other evidence could also have been tainted," said Grassley. Similar statements were issued by Arlen Specter (R-Pa.). Although Freeh quickly announced an internal investigation, Grassley and Specter, both members of the Senate Judiciary Committee, expressed strong doubts about the FBI's ability to police itself, and demanded that the Justice Department intervene.

On March 1, Attorney General Janet Reno ordered the FBI's internal investigators to turn the investigation over to the Justice Department's Inspector General, Michael Bromwich, who is expected to deliver a report of his findings before the end of March.

'Egregious prosecutorial misconduct'

Within days of the scandal erupting around the Hastings travesty, on Feb. 28, U.S. District Judge Falcon Hawkins issued a stinging 86-page order dismissing the notorious "Operation Lost Trust" frameup cases in South Carolina, and ordering that they not be retried.

The "Operation Lost Trust" cases stemmed from a Justice Department sting operation launched against 28 state legislators and other political operatives, the majority of them African-American, in South Carolina over 1989-90. The sting revolved around proposed legislation to have pari-mutuel betting in South Carolina. The majority of the "Lost Trust" defendants were either pressured into guilty pleas or were convicted; only one was acquitted after trial. The case represented the largest single attack by George Bush's Justice Department on black elected officials and their white allies; it decimated the black leadership of the South Carolina legislature, and, although he was never directly a "Lost Trust" target, completely sabotaged the 1990 Democratic gubernatorial campaign of state Sen. Theo Walker Mitchell, the first black to

seek statewide office in over 100 years.

Hawkins's landmark decision castigates the Justice Department for knowingly using false testimony from their star witness, acting in bad faith, withholding exculpatory evidence, working to prejudice the political atmosphere for the trial, and carrying out other misconduct in their pursuit of a guilty verdict. His order states, "The court is convinced that the totality of the government's actions in these matters rises to the level of egregious prosecutorial misconduct." He names the perpetrators as ranging from the U.S. Attorney's office, to the Justice Department Office of Professional Responsibility and Public Integrity Section, to FBI Director Freeh. He particularly singles out Freeh for holding a pre-trial press conference in South Carolina, in which the FBI director declared that the defendants' claims of prosecutorial misconduct were without merit. Judge Hawkins writes that Freeh's action was intentionally prejudicial and "appalling."

Hawkins states that the court is clearly offended by the fact that the Office of Professional Responsibility failed to disclose exculpatory evidence "from the beginning of these cases until just several months ago, amount[ing] to a pattern of conduct." Further, the misconduct is not only serious, but "repetitious, flagrant, and long-standing. The withholding of such a voluminous array of discovery which the government had to know was exculpatory and relevant to the defenses of these defendants is unprecedented before this court. The court finds that these violations are too numerous and too specific to certain issues to be considered simply unintentional of the result of neglect.

"Even more offensive to the court is the continual misrepresentations made to the court that all discovery to which defendants were entitled had been turned over to them. The government had to have been aware of so much information that incriminated public figures holding powerful positions, yet it did not submit to the court for review the discovery it claimed would jeopardize ongoing investigations or that it claimed to be irrelevant. The constant assurances that 'we have given them everything,' the veracity of which the court had no reason at the time to question, rises to the level of outrageous conduct. . . .

"There is no way to avoid the conclusion that the various and repeated acts of the government were simply wrong; that the government acted in bad faith, and its misconduct is not only greatly offensive to this court, but has interfered with this court's duty to insure the proper administration of justice."

The immediate result of Judge Hawkins's order was to end the prosecutions of five Lost Trust defendants: B.J. Gordon, J.M. Long, Luther Taylor, Larry Blanding, and Paul Derrick. Moreover, the long-term consequences are likely to be far-reaching. Plans are being made to reopen all the Lost Trust cases. The judge has made it clear that he believes that, at the very least, disciplinary action is in order. But the decision has also, once again, raised allegations about other Bush-era judicial railroads.

The Mann-Chestnut independent hearings

“Operation Lost Trust” was one focal point of the “Independent Hearings to Investigate Misconduct by the U.S. Department of Justice,” facilitated by the Schiller Institute on Aug. 31-Sept. 1, 1995. Those hearings were presided over by former U.S. Rep. James Mann (D-S.C.), probably best known for his service on the House Judiciary Committee during impeachment proceedings against President Nixon, and distinguished Alabama attorney J.L. Chestnut.

The panel, which included legislators from Alabama, Mississippi, North Carolina, South Carolina, and Tennessee, and international observers from four continents, reviewed testimony and evidence of racially and/or politically motivated targeting of victims of prosecutorial misconduct in three types of cases.

The first groups of cases, which included testimony from several victims of “Operation Lost Trust,” were related to the harassment of African-American elected and public officials in the FBI’s “Operation Frühmenschen.” In addition to the Lost Trust case, the panel heard testimony on similar cases, including the 20-year Justice Department campaign against Birmingham, Alabama Mayor Richard Arrington, and the 10-year ordeal suffered by former Tennessee Rep. Harold Ford. One name which emerged during testimony on the Ford case was that of Hickman Ewing, who was not only key to a number of “Frühmenschen” prosecutions, but who is currently the chief assistant to Special Prosecutor Kenneth Starr in the Whitewater operation against President Clinton.

The second type of cases that the panel looked into was the systemically abusive misconduct of the DOJ’s “Nazi-hunting” Office of Special Investigations (OSI). Testimony was presented on the political, fraudulent targeting of former UN Secretary General and later Austrian President Dr. Kurt Waldheim. The second case concerned the conscious OSI fraud in setting up retired Cleveland auto worker John Demjanjuk for trial in Israel. At the time of the Independent Hearings, the federal Sixth Circuit Court of Appeals had already ruled, that the Justice Department had perpetrated a massive “fraud upon the court.”

Most striking to the panel was the case that former U.S. Attorney General Ramsey Clark had referred to in September 1994 as the case which, viewed in context, “represented a broader range of deliberate cunning and systematic misconduct, over a longer period of time, utilizing the power of the federal government, than any other prosecution by the U.S. government, in my time, or to my knowledge”—the politically motivated prosecution of American statesman Lyndon H. LaRouche, Jr., and his associates.

The Noriega case

At the close of the Independent Hearings, Congressman Mann read into the record a request he had received from Gen. Manuel Antonio Noriega of Panama, currently a prisoner of war in a federal prison in Miami. Noriega asked that the panel,

at some future date, also consider evidence of DOJ misconduct, and the conduct of then-President George Bush, pervading Noriega’s trial (see article, p. 61). Ironically, controversy over the actions of George Bush and his Justice Department in carrying out Noriega’s kidnapping, illegal trial, and U.S. incarceration, has become part of the growing controversy around the FBI and the DOJ, with the release of the general’s memoirs.

But, the incident which has probably guaranteed a Senate Judiciary Committee investigation and supervisory hearing in the long-standing pattern of massive corruption with the U.S. Department of Justice and its FBI, occurred when it was revealed, on March 10, that last June, during the 1996 election cycle, the FBI gave sensitive briefings to several members of Congress, and two National Security Council careerists, Edward J. Appel and Randy Beers. The briefing concerned allegations that the government of China was seeking to influence the U.S. electoral process and, through it, Washington’s policy toward Beijing, by targetting key Congressional races, and by making illegal contributions. The FBI, in an act of incredible arrogance, ordered those briefed, especially the NSC officials, not to inform their NSC superiors, or President Clinton, as to the content of the briefing! President Clinton has responded by ordering a full NSC investigation, but no one expects this episode, which brings back chilling memories of allegations that the FBI was involved in the assassination of John F. Kennedy, will stop with a mere investigation. Already, a bipartisan group in the Senate is insisting that full Judiciary Committee hearings into this incident, and other instances of questionable conduct by the FBI and DOJ as a whole, be scheduled as soon as possible.

In last week’s issue of *EIR*, Lyndon LaRouche demanded that this package be put on the agenda of the Senate Judiciary Committee. LaRouche proved why such hearings—which would take into consideration the recent revelations, the findings of the 1995 Mann-Chestnut Commission, the still-unaddressed incidents at Ruby Ridge, Idaho and Waco, Texas, and the persistence of Attorney General Reno and FBI Director Freeh, in covering up for both their predecessors and their subordinates (including such members of the “permanent bureaucracy” as John Keeney and Mark Richard, whose names come up in almost all the cited cases)—are crucial to permitting the American people to restore their faith in their government.

Such hearings, particularly a full investigation of the judicial railroad of LaRouche and his associates, would mean finally dealing with that corrupt permanent bureaucracy, the John Keeneys, the Mark Richards, and others, who have acted as a virtual “assassination bureau,” controlling the DOJ since the 1960s. And, it would respond to the growing demand that LaRouche, as is urgently required in these turbulent times, finally be exonerated. As Congressman Mann stated, at the close of the 1995 Independent Hearings, “Justice must finally be returned to the Department of Justice.”

Noriega exposes Bush as cocaine kingpin on national television

by Jeffrey Steinberg

Jailed former Panamanian Armed Forces head Gen. Manuel Antonio Noriega has joined the growing chorus of prominent voices publicly condemning George Bush for his involvement in drug trafficking, murder, and political persecution during his 12-year tenure as Vice President and President of the United States.

In his soon-to-be-released autobiography, and in recent interviews with CBS News's "Sixty Minutes" and the *New York Post*'s Cindy Adams, General Noriega has again detailed his long-standing personal experiences with George Bush, revealing the *real* reasons that, as President, Bush deployed tens of thousands of U.S. troops to Panama to carry out his "arrest," and providing new corroboration that Bush was, as *EIR* has documented, the cocaine kingpin of the 1980s.

These latest Noriega revelations add to the growing volume of evidence that, under the December 1981 Executive Order 12333, and National Security Decision Directive 3, then-Vice President Bush was placed in charge of a clandestine enterprise, headquartered in his White House office, that carried out high crimes and misdemeanors, under the fraudulent protective coloration of "national security."

Among the crimes of the Bush-led enterprise were:

- *The decade-long campaign, launched in the summer of 1982, to destroy the political movement and publishing enterprises of political economist Lyndon LaRouche.* The Bush-led effort, launched at the behest of Henry A. Kissinger and his backers in London, involved the abuse of EO 12333, to conduct a judicial frame-up of LaRouche and a score of his associates, using the corrupt "permanent bureaucracy" of the Criminal Division of the U.S. Department of Justice and the FBI, and a White House-based "public diplomacy" black propaganda unit, which planted thousands of false stories about LaRouche in major U.S. and international media outlets, to brainwash the population into accepting the brutal elimination of "the LaRouche factor."

On Oct. 6, 1986, over 400 heavily armed federal, state, and local law enforcement agents, backed up by special warfare units of the Pentagon, carried out a military-style raid on the offices and residence of LaRouche and his associates in Leesburg, Virginia, in an effort to "judicially" execute LaRouche. When the effort failed, the Bush team resorted to the fallback option of the judicial frameup. Former U.S. Attorney General Ramsey Clark, in testimony before an inde-

pendent commission on Sept. 1, 1994, described the LaRouche case as the most egregious instance of sustained prosecutorial abuse that he had ever encountered.

- *The facilitating of the illegal drug epidemic of the 1980s.* In his capacity as the actual director of covert warfare, anti-narcotics, anti-terrorism, and continuity of government during the Reagan Presidency, George Bush personally oversaw the Nicaraguan Contra arms-for-cocaine operations, and the even more extensive Afghansi arms-for-heroin operations, which financed the not-so-secret wars in Central America and West Asia. (For the most thorough documentation of Bush's role in the drug epidemic, see *EIR's Special Report*, "Would a President Bob Dole Prosecute Drug Super-Kingpin George Bush?" September 1996.)

- *The delivery of Mexico and Panama to the hands of the Colombian drug cartels.* In the case of Mexico, during the Presidency of Bush's hand-picked stooge, Carlos Salinas de Gortari, nationalist leaders, like oil workers union figure Joaquín Hernández Galicia (known as "La Quina"), who attempted to resist the narco-takeover, were railroaded into prison or silenced through violent means.

Noriega speaks out

General Noriega is America's only official prisoner of war. Following the Dec. 20, 1989 U.S. military invasion of Panama, ostensibly to serve an arrest warrant on the Panamanian head of state, based on bogus drug-trafficking charges, Noriega was taken to the U.S. and tried in federal court in Miami, Florida and convicted. He was officially classed by the court as a prisoner of war, and, he is, to this day, allowed to wear his Panamanian Defense Forces uniform, as he serves a 40-year sentence, and awaits the next phase of his appeal.

On March 9, 1997, CBS News's "Sixty Minutes" aired a 12-minute interview with General Noriega, on the occasion of the publication of his autobiography, *The Memoirs of Manuel Noriega, America's Prisoner* (with Peter Eisner, New York: Random House, 1997). In the interview, Noriega identified the real reason that he was targeted by George Herbert Walker Bush: On two occasions, he had dared to say "no" to Bush emissaries. The first occasion involved his decision to shut down the School of the Americas, a military counterinsurgency training center in Panama run by the Pentagon. The second instance involved the Nicaraguan Contras.

From the broadcast:

Morley Safer: “Noriega says Oliver North, working with Adm. John Poindexter, President Reagan’s national security adviser, tried to get Noriega to help in a secret war against the Sandinistas in Nicaragua and the rebels in El Salvador.”

Manuel Noriega: “The second ‘no’ was Poindexter; when Poindexter was saying, ‘We need Panama as a spearhead against Nicaragua.’ So that the United States can go ahead and carry out an invasion. But Noriega said, ‘no.’ Now I became unfriendly. Now, I was considered ugly. . . .”

Safer: “Peter Eisner is Noriega’s co-author. He says he has little doubt that the campaign against Noriega had little basis in solid fact. Washington leaked stories about his drug deals, stories with very little foundation. . . . The campaign of vilification, says Noriega, was bought, hook, line, and sinker, by the opposition press in Panama, and by American reporters. The conspiracy, he said, became the obsession of one man.”

Noriega: “George Herbert Bush.”

Safer: “In early ’88, a 30-page drug indictment was drawn up. It took 25,000 troops and Stealth bombers to bring Noriega to trial.”

Safer then presented some startling evidence: that it was actually Bush and the U.S. Department of Justice—not Noriega—who were caught in bed with the Cali, Colombia drug cartel.

Safer: “Carlos Lehder, the drug kingpin who’d never met Noriega, testified against him, and his sentence was reduced. More than half the witnesses were convicted felons. The government’s so-called dynamite witness was a trafficker named Ricardo Bilonick, who simply gave himself up and offered to testify. . . . Frank Rubino, Noriega’s lead attorney, says Bilonick was so important to the case that the government made a real sweetheart deal with him. Instead of facing 20 years, he did 24 months. . . . But there was more. If Bilonick testified against Noriega, the U.S. government would reduce the sentence of one Luis Santa Cruz Echevery, a convicted trafficker and half-brother of a member of the Cali Cartel. But what was in it for Bilonick to give up his freedom in Panama?”

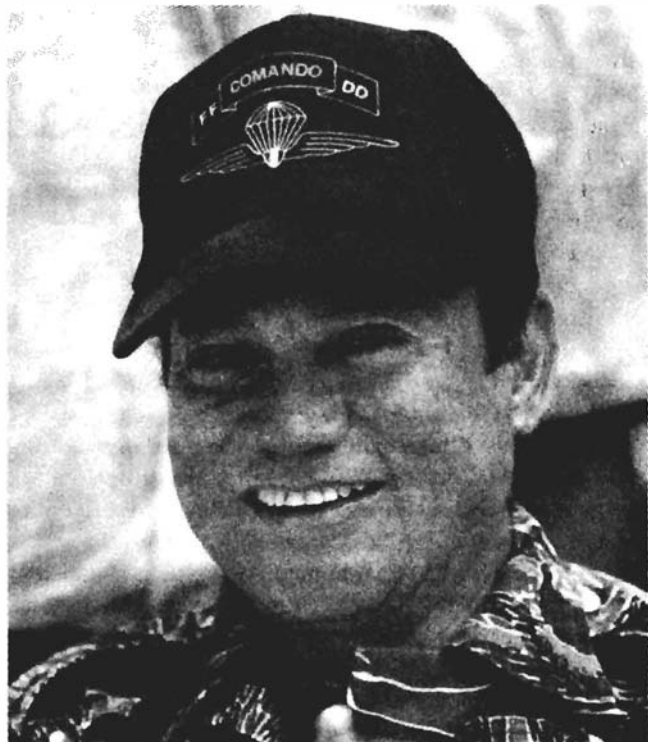
Frank Rubino: “Ricardo Bilonick was paid by the Cali Cartel, \$1,250,000, to testify against General Noriega, and was also told that he basically had one of two choices: He could collect the million-and-a-quarter, he could come and testify, or he could be buried here.”

Safer: “So, in effect, a cynic would say that the U.S. Justice Department and the Cali Cartel were in cahoots to nail Noriega.”

Peter Eisner: “Not only a cynic, but the lawyer for the Cali Cartel said—wrote in a letter—that we must keep this quiet.”

Safer: “Because, the letter to the U.S. Justice Department went on to say, ‘the appearance will be that you have made a deal with the Cali Cartel.’ ”

As events proved, following the invasion of Panama and



Manuel Noriega has written his memoirs, and has taken off the gloves against George Bush, whom he links to narcotics traffickers who were hired to supply arms to the Contras.

the overthrow of Noriega, it was, ultimately, George Bush who had the deal with the Cali Cartel. The government that Bush handpicked and installed in Panama City was dominated, from President Guillermo Endara, to Attorney General Cruz, to Chief Justice López Tejada, by leading assets of the Cali Cartel.

A most damning photograph

The day after the “Sixty Minutes” interview was aired, the *New York Post* published a column by Cindy Adams, based on a March 8, 1997 telephone interview with Noriega. The article appeared under the banner headline, “Noriega Does Machete Job on Bush—‘Ex-Prez Lied About His CIA-Era Links With Me.’ ” The article featured a photograph of then-Vice President Bush, seated with Noriega at a meeting at the airport in Panama City in 1983. Adams notes that, in 1988, as the drug accusations against Noriega were flying around, Vice President Bush had publicly stated: “I never met General Noriega.”

Noriega told Adams that he had, in fact, held three face-to-face meetings with Bush—all at Bush’s initiative; the first was on Dec. 8, 1976, when Bush was the director of the CIA. At Bush’s behest, Noriega had previously refrained from detailing his personal contacts with the ex-CIA chief. But, asked by Adams whether Bush had played a role in the covert arms deals involving Iran, the Nicaraguan Contras, etc., the general

replied: "Oliver North was in charge of the Contras for Bush. Oliver North was not the architect of the Iran-Contra operation, only the messenger. However, make no mistake, he was the messenger for Bush. Bush recruited Panamanian pilots to provide the Contras with arms. Bush was the one to provide the list of Panamanian pilots who were working with the U.S. government."

And who were the Bush-picked pilots? As Noriega notes in his memoirs, "The pilots included such men as Jorge Canalias, Floyd Carlton Caceres, César Rodríguez and Teofilo Watson, future cocaine traffickers transporting Contra weapons in exchange for cocaine."

EIR's September 1996 *Special Report* provided further background on some of these men: "American officials already knew that Carlton had been arrested on a drug flight in Peru during the 1970s. Watson was employed by Diacsa, a Miami-based company owned by Carlton and convicted drug-trafficker Alfredo Caballero, who had been contracted to deliver 'humanitarian aid' to the Contras by the State Department's Elliott Abrams. Watson died when his drug-laden plane crashed at the Costa Rica ranch of John Hull, which was a center for the Contra supply effort. . . . Rodríguez was later executed in Medellín, Colombia, in March 1986, in a drug deal gone sour."

Carlton Caceres was one of the witnesses that the Bush Justice Department called to testify against Noriega. Under cross-examination, Watson admitted that he was angry at Noriega because Noriega had cooperated with Costa Rican officials in prosecuting him on drug charges. He also admitted, under oath, that he had delivered arms to the Contras in 1983-84, while smuggling cocaine from Medellín into the United States.

Case pending

An appeal has been filed on behalf of General Noriega before the U.S. Appeals Court, based on the recent revelations of the Justice Department-Cali Cartel collusion, in obtaining the tainted testimony of Bilonick. In his interview with Adams, Noriega summed up his view of his situation:

"I am optimistic that God is leading me very near to the door of freedom. I am not that ridiculous image of a man waving a machete. These are insane images used by George Bush to soften the public for the carnage that took place when they invaded my country in 1989 and imprisoned me. They created the image of a mad dictator who dared challenge the supremacy of the United States.

"Why, after being the man the U.S. could count on, did I become the enemy? Because I said no to Panama being a staging base for Salvadoran death squads and the Nicaraguan Contras.

"So they found something horrible to call me. A drug dealer. How do you deal with one who defies you? Destroy him. Plus you factor in a gutless man of weak character, a hypocrite, a liar, a George Bush."

Richard Mellon Scaife: Who is he, really?

by Edward Spannaus

The following article will be continued in a forthcoming issue.

He's considered the stupidest member of his extended family, and was kicked out of Yale, not once, but twice. He's a (supposedly recovered) alcoholic, as have been most members of the family. The kindest description of his personality is "dark and mysterious." He is known for never looking his own employees straight in the eye.

He has a long history of using the U.S. Justice Department to target his enemies. He got his own sister's fiancé indicted; after his sister married the poor chap, the man ended up dead within a year—some say suicide, some say murder.

He owns a network of newspapers, but he himself refuses to be interviewed by reporters from other publications. On one occasion, when a reporter for the *Columbia Journalism Review* tried to question him, he berated her as a "f—king Communist c—nt."

He gave a million dollars to Richard Nixon's Committee to Re-Elect the President (CREEP), and he is the biggest funder of right-wing think-tanks in the United States today.

Meet . . . Richard Mellon Scaife.

His name is hardly a household word, but in the past quarter-century, "Dickie" Scaife has been one the most powerful behind-the-scenes operators in the United States. His power comes purely from his wealth, and specifically, from the way that he has deployed that wealth at the instruction of the Anglo-American banking families that he represents. Dickie is not known for his brains—in fact, he was kicked out of college twice, first expelled as the result of a drunken brawl, and flunked out the second time. His family made him go "local," to Pittsburgh University, which he tried to make up for, by majoring in British history.

Only recently has Richard Mellon Scaife come into public prominence, as a result of the disclosure that he is the bank-roller of a cushy "retirement" position for Whitewater independent counsel Kenneth Starr at Pepperdine University. This raised eyebrows, to put it mildly, because Scaife is the principal funder of a news media propaganda campaign aimed at defaming and discrediting Starr's main target, President William Clinton. Scaife has also bankrolled a nationwide crusade charging that White House aide Vincent Foster did not commit suicide, but was murdered; something which is also the subject of official investigation by the recipient of Scaife's largesse, Kenneth Starr.

In the 1980s, Scaife also coordinated and financed a similar campaign of media defamation against Lyndon LaRouche, a Presidential candidate and founder of *EIR*, and Scaife has a long history of using his own newspapers to smear others who have drawn his ire.

But this is nothing new for Scaife. What he is now doing to President Clinton, and what he did to Lyndon LaRouche, is what he was trained and deployed to do. Scaife is not simply a “multimillionaire supporter of conservative groups,” as he is portrayed in the news media; nor is he simply an eccentric rich man who has an obsession against President Clinton.

To understand what is being done to President Clinton today, and to understand what lies behind the campaigns of defamation run by the news media against figures such as Clinton or LaRouche, it is necessary to know who and what, someone like Richard Mellon Scaife actually is.

That story, naturally enough, starts in London.

The Anglo-American OSS

Dickie Scaife is what one might call a second-generation “OSS brat.” During World War II, Dickie’s father, as well as a number of his father’s close business and familial associates, occupied high positions in the Office of Strategic Services (OSS)—America’s wartime intelligence service. Alan Scaife, his father, was a lieutenant colonel in the OSS. A number of cousins of Dickie’s mother, Sarah Mellon Scaife, also had very high positions in the OSS.

For example: Paul Mellon (a cousin of Dickie’s mother and a rabid Anglophile) was recruited in London to the OSS by his brother-in-law, David Bruce. Paul trained with British troops, became a major in the OSS, worked under Allen Dulles in Berne, Switzerland, and commanded a unit responsible for conducting propaganda operations behind disintegrating German lines.

David Bruce, husband of Paul Mellon’s sister Ailsa Mellon Bruce, was designated by OSS head William Donovan to oversee all OSS operations in Europe from his base in London. (Although some say, with justification, that it was Bruce who was designated by the U.S. banking-establishment families to oversee Donovan.) Another OSS cousin was Larimer Mellon, who likewise worked on Allen Dulles’s staff in Berne.

David Bruce (a direct descendant of the Scottish Bruce dynasty) later divorced Ailsa and married his second wife, Evangeline, an OSS secretary whose father had been a special liaison to British intelligence from the U.S. State Department.

It is reliably reported that these Anglophilic OSS circles around Scaife’s father were the crucial influence on steering Dickie into intelligence-related “philanthropy”—i.e., the private funding of joint British-U.S. intelligence projects which were commonly mis-identified as “CIA” projects or fronts.

It is more accurate to describe the CIA as a “front”

for these Anglo-American banking families. But even that would be too simple. The CIA is an agency of government, and is thus subject to the institutional and bureaucratic pressures to which any agency of government must respond. The “families” attempt to control the CIA, as they do with the State Department and other agencies. The principal means of control is through the private financing of think-tanks, conferences, publications, etc., which attempt to train the personnel, and set the agenda, for the institutions of government. This is precisely what Dickie Scaife and his family money did when the Reagan-Bush administration came into office in 1981.

The ‘Focal Point’ and First Boston

Another element of this bankers-intelligence apparatus is what is called the Focal Point system. The public may misconceive of this apparatus as “CIA”—but the CIA is simply a secondary component of this operation, which encompasses the old families, military intelligence capabilities, and private intelligence operations. One intelligence source, familiar with this system, said recently that “CIA” is simply a “cover story” for activities that the banking families and other institutions and agencies carry out in the name of the CIA.

The Focal Point system, within the official government apparatus, was originally created in the mid-1950s by then-CIA Director Allen Dulles. It functioned as a capability extending into other agencies, particularly the Department of Defense, for conducting covert operations and paramilitary “special operations.” A particular emphasis was counterinsurgency and “civil affairs” (as taken over from the British); an included feature of this was psychological warfare and propaganda.

Within the military, the Focal Point system was centered in the Joint Chiefs of Staff—and remnants of this system still exist to this day, in the Support Activities Branch of the J-3 Special Operations Division.

There was also a substantial “private” component to the Focal Point system, the precursor of the privatized intelligence operations authorized under the Reagan-Bush Executive Order 12333. But this privatized intelligence system was already active in the 1950s, according to knowledgeable sources, with the First Boston Corp., the First National Bank of Boston (now Bank of Boston), and other banking houses playing a leading financial role.

Of particular interest here, among the many families which played key roles in this Anglo-American bankers’ intelligence network (such as the Astors, Rockefellers, and the du Ponts), are three families: the Roosevelts, the Mellons, and the Welds.

Mellon Securities had merged into First Boston in 1946, and as of about 1980, the Scaife family held about 6% of First Boston, and the combined Mellon and Scaife families about

13%. First Boston's principal law firm was Sullivan and Cromwell, out of which Allen Dulles ran U.S. intelligence after the termination of the OSS and until the creation of the CIA. This is also Paul Mellon's law firm; his and much of the Mellon family's financial affairs were run by Stoddard Stevens of Sullivan and Cromwell, who has been described as Paul's "father figure."

Dickie Scaife was brought into this system by his OSS relatives no later than 1973, and in 1979 he was placed on the board of directors of First Boston, where he remained until 1987. At that time, 40% of First Boston was owned by Crédit Suisse-White Weld (of the dope-running family of former Justice Department official William Weld). In 1988, First Boston became CS First Boston, and the size of the board was apparently considerably reduced.

Already in 1929, a White Weld banker, John A. Gade, had proposed the creation of an American central intelligence agency, to be modelled explicitly on British intelligence. The current, most public, standard-bearer of the Weld family, is William Weld, who organized the judicial frameup of Lyndon LaRouche from his positions as U.S. Attorney in Boston and, then, head of the Justice Department's Criminal Division. William Weld is married to a Roosevelt, Susan, the daughter of another OSS veteran, Quentin Roosevelt.

The Oyster Bay branch of the Roosevelt family is deeply enmeshed in this OSS-Wall Street intelligence apparatus, and they are especially close to Cord Meyer, a key operative of this network who shows up again and again as a top operative with responsibility for handling "CIA" front organizations. It was Teddy Roosevelt's grandson Kermit ("Kim") Roosevelt, who had proposed the creation of a "propaganda and intelligence agency" to Wall Street lawyer William Donovan during World War II. Kermit subsequently worked with British intelligence to overthrow the Mossadegh government in Iran in 1953, an action which worked to the financial benefit of not only British Petroleum, but also of Gulf Oil, a Mellon family enterprise which was closely tied to First Boston after the 1946 Mellon Securities merger. In 1958, Kermit "retired" to take the strategic position of vice president for government relations with Gulf Oil.

Dickie gets his assignment

When he was 40 years old, having been trained and disciplined through some particularly nasty operations to be described in our next installment, Dickie Scaife was formally inducted into the top levels of the Anglo-American bankers' intelligence apparatus. In 1973, he took control of the Scaife family foundations, which he had previously run jointly with his sister Cordelia. He dramatically changed the focus of foundation grants, to emphasize British-intelligence-oriented "right-wing" think-tanks such as the Heritage Foundation, or the Georgetown Center for Strategic and International Studies. This was not something totally new; funding from the

Scaife family foundations for some of these institutions, such as the National Strategy Information Center, goes back into the early 1960s.

Of singular importance is the position Dickie was given in early 1973, when he was allowed to take over ownership of Forum World Features, a joint British intelligence-CIA news media operation based in London. This is probably the most important career advancement for Dickie, for it defines the track he has pursued since: the use and the manipulation of the news media to promote favored causes, and to attack and defame adversaries. There is a direct path from Forum World Features, to the Bush "secret government's" Public Diplomacy operation created in 1983, which in turn spawned the "Get LaRouche" task force, all the way through to the anti-Clinton propaganda machine which Scaife directs and finances today.

The background of Forum World Features (FWF) is instructive. Although accounts of its creation vary, it appears that it was a division of Kern House Enterprises, created by Kermit Roosevelt in the 1960s; one account says that Kermit "was entrusted with creating the CIA's publishing empire." Kern House was set up by Roosevelt with Mellon money; in turn, it set up a London subsidiary, Kern House Enterprises, Ltd. Kern House began Forum World Features, financed with funds from the National Strategy Information Center (NSIC), based in New York. FWF's major purpose was to supply feature material to newspapers around the world, including at least 30 in the United States. It also commissioned a number of books.

One of the premier private intelligence think-tanks, NSIC was formed in 1962, primarily with Mellon family money; on the board was Prescott Bush (of the Harriman-linked Bush family, and George's brother), John Norton Moore of the University of Virginia (one of the authors of Bush's EO 12333), and various representatives of the corporate and intelligence world, as well as personnel associated directly with Scaife.

From 1966 to 1973, FWF was headed by John Hay Whitney, a raving Anglophile who had been U.S. ambassador to Britain, and who was the publisher of the *New York Herald Tribune*. In 1973, Dickie Scaife purchased Kern/FWF, and headed it until its demise in 1975-76, following its exposure as a "CIA" front. At the time of its dissolution in 1976, its three directors were Scaife, Scaife's top operative Daniel McMichael (former president of the Pittsburgh World Affairs Council), and Lewis Preston, the chairman of Morgan Guaranty Trust (and later head of the World Bank).

In 1975, a British weekly, *Time Out*, and the *Washington Post*, published a 1968 memorandum from the CIA station chief in London to then-director Richard Helms, describing FWF as an agency-sponsored operation providing "a significant means to counter Communist propaganda." The memorandum portrayed FWF as a CIA proprietary, which

was “run with the knowledge and cooperation of British intelligence.” The overseer of FWF in the United States was Cord Meyer.

(Cord Meyer, incidentally, not only promoted the publication of material favorable to the Anglo-American banking-intelligence establishment, but attempted to block publication of disfavored material. Author and former CIA officer Victor Marchetti reports that in 1972, Meyer, whom he describes as the number-two man in the CIA Clandestine Services, visited the New York offices of Harper and Row to attempt to stop the publication of Alfred McCoy’s first edition of *The Politics of Heroin in Southeast Asia*. As a result, the publisher insisted that McCoy submit the manuscript to the CIA before it would be published.)

Although FWF was dissolved, its operations were not. Its day-to-day operations in London were managed by Brian Crozier, a British writer long associated with both U.K. and U.S. intelligence. In 1970, Crozier had also become the head of another FWF-created organization in London, which was renamed the Institute for the Study of Conflict (ISC). Between 1973 and 1979 alone, Dickie Scaife’s private trusts gave over a million dollars to Crozier’s ISC.

In a 1980 proposal, Scaife’s aide Daniel McMichael described ISC as doing “a first-rate job in conducting research on ‘low-level conflict,’ i.e., political and psychological warfare, revolutionary activities, insurgency operations and terrorism.” McDaniel boasted that ISC work “is consistently used by the Thatcher government,” and that the ISC had “solid working relationships with the Heritage Foundation, the National Strategy Information Center, the Institute for Foreign Policy Analysis [associated with Tufts University and its Fletcher School] and a number of other Scaife-supported organizations.” On ISC’s board of directors at that time were a number of top, easily identified British intelligence and counterinsurgency officials.

After FWF was dumped, its book publishing operations were taken over by Rossiter Publications, later renamed Craven House. Crozier was also its managing director. Among authors published by Crozier’s shop was Robert Moss, a British intelligence operative who floats between the ISC, the London-based Royal Institute for International Affairs, and the Heritage Foundation in the United States.

Promoting his British ‘Heritage’

Scaife is also one of the biggest financiers of British-linked think-tanks in the United States promoting “conservative” social and economic policies—prototypical of which is the Heritage Foundation. Although beer magnate Joseph Coors is more publicly identified with Heritage, the fact is, that Scaife has provided more funding for Heritage than has Coors. From 1974 up through the end of the 1970s, Scaife provided about \$200,000 a year to Heritage; after a shakeup in the late 1970s—which transformed it into what one Heritage

staff member termed “an outpost for British intelligence in the United States”—Scaife’s support jumped to the range of \$1 million a year.

(In November 1994, just after the commencement of the short-lived “Gingrich revolution” of the 1994 elections, Newt opened a speech at the Heritage Foundation President’s Club by praising two people “who have really created modern conservatism—Dick Scaife and Ed Feulner.” Gingrich went on: “Dick Scaife is a remarkable citizen who has spent many years as a key force in sustaining conservative ideas and who has played a major, major role on the Heritage Foundation’s board, and he’s been a good friend and a good ally for a very long time, and I remember working with him starting in the late ’70s.”)

In fact, Scaife’s role at Heritage increased after the 1976-77 shakeup, when he personally brought in Edwin Feulner to head it up. Feulner (a board member of the Sarah Scaife Foundation) placed many Brits into key policy positions at Heritage, among whom was Stuart Butler, a member of the British Fabian Society. A socialist at the “conservative” Heritage Foundation? Not so strange. Both are motivated by a deep-seated, bitter hatred of industrial capitalism. It was, after all, the “Fabian” London School of Economics to which Friedrich von Hayek, later the founder and head of the Mont Pelerin Society, had moved his “Austrian School” of economics in the 1930s.

In a 1981 interview with *EIR*, Butler explained it as follows: “In the case of the Reagan government, we are using a conservative government to impose a quite radical, left-wing program—all based upon solid, liberal economic principles. There really isn’t so much difference between the people in the Fabian Society, people like myself, and Milton Friedman. We really overlap in the middle of things on such ideas as local control.”

What Butler said then, goes many-fold for Gingrich’s 1994 Contract with America.

But that gets ahead of the story. First came the so-called “Reagan Revolution,” which on virtually every level was run by operatives associated and financed by Mellon Scaife, along with four other foundations which make up the “Philanthropic Roundtable.” The Roundtable includes the Smith Richardson Foundation, the John M. Olin Foundation, the Lynde and Harry Bradley Foundation (these four are known as the “Four Sisters” because they finance almost all of their projects in common), plus the J.M. Foundation.

Even more important, was the reorganization of intelligence operations in the Reagan administration, and the creation of what became known as the “secret government” run under the personal direction of Vice President George Bush in the 1980s. This “secret and parallel government” was simply the Scaife Mellon network of think-tanks and academic retainers, brought into the government, and made “official.”

Texas welfare plan pits Bush vs. Clinton

by Marianna Wertz

Texas Gov. George W. Bush is preparing to implement the first wholesale privatization of welfare services in the nation, under which a private company will earn \$2-3 billion for creating and running a computerized system to determine the eligibility of applicants for more than \$8 billion in welfare benefits. Called the Texas Integrated Enrollment Services (TIES), the plan is hotly opposed by trade unions, not only because it threatens the elimination of up to 10,000 union jobs, but because it turns over the running of welfare services to a private company, whose principal concern is making a profit, not the well-being of the state's citizens.

However, Texas can only receive billions of dollars in federal funds for TIES, if it is first approved by the Clinton administration. But the administration's Department of Health and Human Services (HHS) has put the plan on hold since last year, while it decides whether TIES can actually achieve what is claimed.

Michael Kharfen, director of the Office of Public Affairs of the HHS/Children and Families Division in the Clinton administration, told *EIR* on March 5:

"This is an unprecedented systems proposal, in terms of the number of programs it covers, in terms of what it intends to do. . . . We're trying to do this as quickly as possible, that's what we've informed the state. We understand that the state has said, that they are considering proceeding without our guidance on this. What we said to them is, that if they proceed without that approval, then they're proceeding at their own risk."

Charles Stuart, a spokesman for Texas Commissioner of Health and Human Services Mike McKinney, told *EIR* on March 7 that the state's Bush administration views Clinton's refusal to act as a "bait and switch" operation, and said that Texas is preparing to put out bids on the contract, while still negotiating with the administration in Washington.

Union opposition

While a war of words continues between the Bush and Clinton administrations, the unions involved are fighting to retain their own rights and the rights of the welfare recipients involved.

The Texas Communication Workers of America (CWA) Local 6186 last summer issued a demand for public hearings on the privatization proposal, identifying seven problems

with TIES which are potentially "fatal to continued quality services to the people of Texas": 1) there is no defined level of access to services for clients; 2) offices could be closed without any public needs assessment process; 3) the plan doesn't guarantee confidentiality of computerized information; 4) TIES doesn't require that state agencies will be responsible for all program, funding, policy, and other key decisions; 5) the plan would contract out to corporate employees eligibility work, which federal law requires be done by state employees; 6) there are no clear requirements that workers in the privatized company get pay and benefits equal to those of state employees whom they would replace; and 7) the plan doesn't require corporate employers to honor state employees' right to organize.

On March 5, *EIR* spoke with Brooks Sunkett, national vice president of Public and Health Care Workers of the CWA, about the situation. Sunkett said, that while privatization of welfare services is occurring nationwide as a result of the federal welfare law passed last August, "a lot of people are waiting to see what happens in Texas. This could be very devastating to public services, especially human services."

Sunkett said that the CWA plans to substantiate what many believe—that Governor Bush's campaigns have been financed by the companies seeking to win the bids for the privatization, which includes most prominently Lockheed-Martin, IBM, Electronic Data Systems, Unisys, and Andersen Consulting. "We can't substantiate it at this time, but there appears to be that connection," he said.

Privatization doesn't save money

Sunkett charged, that while privatization appears to save taxpayers' money in the beginning, it actually doesn't in the long run. "In fact, we have not seen it save money anywhere. There have been a number of studies done, one by OMB [Office of Management and Budget] in the federal government, that showed that it didn't save any money. There have been a number of private studies done, at various universities. Nowhere have we ever seen that, in the long term, it saves money. The only time it does, is in the short term. In the short term, they purposely low-ball certain bids, just to keep their foot in the door. Once they're in the door, and they have a contract, it costs so much money to convert back. But, if you do a tracking on the last five to six years, no place, at any level in this country that we know of, on any scale, would it save money. . . ."

"This is more than just about people losing their jobs, and the private sector taking over the place of public workers," Sunkett concluded. "It's also about the level of benefits, it's about the ripoff of tax and government monies. So we're all going to be affected by it. This is more than just about people's jobs. . . . And it devaluates everybody's job. If they break labor, nobody's job is safe in this country."

Partisan warfare erupts over Lake nomination

Richard Shelby (R-Ala.), chairman of the Senate Select Committee on Intelligence, took to the floor on March 5, to explain why he has held up the nomination of Anthony Lake for CIA director. One of the areas of concern that he said the committee had to look into, was Lake's role, if any, in Democratic National Committee (DNC) fundraising activities. "The committee must consider this issue in great detail, and determine if Mr. Lake could become embroiled in a potential independent counsel investigation into these matters, as we read in the press," Shelby said. Shelby focussed on allegations in the Feb. 25 *New York Times* on the relationship between Lake and Pauline Kanchanalak, described as a Thai businesswoman and lobbyist, whose \$250,000 in donations were returned by the DNC.

On March 6, Bob Graham (D-Fla.) responded that, rather than a problem with Lake's credibility, what's at issue, "is the credibility of the Senate Select Committee on Intelligence to conduct a fair, nonpartisan examination of this nominee." He criticized Shelby for twice postponing the nomination hearings (now scheduled to begin March 11) without legitimate reason, and despite Lake's having been given a clean bill of health by the Justice Department regarding his stock transactions and the Iranian arms transfers to Bosnia.

Graham expressed concern that the whole process has turned into "a fishing expedition in which the hearings are being used to determine if some malfeasance can be found, rather than to develop information on a credible hypothesis of inappropriate behavior." What's being lost, Graham indicated, is what is the proper role of the CIA in the post-Cold War world and

how effective it is. "An elevated debate, one marked not by partisan rancor, but by honesty and openness, can help answer these questions and contribute to reaching a consensus about the intelligence community's role in our society as we enter the 21st century."

As if to confirm Graham's charges, Shelby, appearing on the CBS TV news program "Face the Nation" on March 9, admitted, with respect to the FBI background files on Lake, "We don't know what we're looking for." Shelby said that what he wants, is to look at the complete file, not just the FBI's background report, which he said was "inadequate."

Lott independent counsel resolution based on media

On March 4, Senate Majority Leader Trent Lott (R-Miss.) introduced a sense of the Congress resolution calling on Attorney General Janet Reno to apply for the appointment of a special counsel, to investigate allegations of illegal fundraising in the 1996 Presidential campaign. The resolution uses some variation of the phrase, "Whereas, there has been specific, credible information reported in the media . . ." four times, as the justification for the call, and focusses its attention entirely on the Democratic National Committee and President Clinton's re-election campaign.

The wording gives added credence to the White House report, which demonstrated that the scandals plaguing the administration are based on a "media food chain," in which the media launder allegations among themselves to give added credence to their hoked-up allegations of White House misconduct.

During a press conference on March 6, Lott said, "We [the Republicans] feel very strongly that there's more than enough reason to have an independent counsel. We don't quite understand why the Attorney General has not moved to do that."

However, Lott was forced to relent on March 11 and agree to expand the scope to "improper activities," when it became clear that enough Republican senators were disturbed by Lott's maneuvering over the head of the relevant committee chairman, that a floor fight would probably go the Democrats' way.

Government Affairs to probe fundraising

On March 6, the Senate Rules Committee voted up a resolution to give the Government Affairs Committee, chaired by Fred Thompson (R-Tenn.), \$4.35 million to investigate allegations of improper fundraising activities by the Democratic National Committee and the Clinton Presidential campaign. The resolution was the result of efforts by Majority Leader Trent Lott (R-Miss.) to, as he said at the hearing, "move the process forward."

The resolution reduces Thompson's funding request of \$6.5 million, and mandates that the committee will end its investigation by Dec. 31, 1997 and release a report by Jan. 31, 1998. It defines the scope of the investigation as all "illegal activities in connection with the 1996 Federal election campaigns," which includes the Congressional campaigns.

Democrats objected to the limitation on the scope of the investigation to only "illegal activities." John Glenn (Ohio), the ranking Democrat on the Government Affairs Committee, com-

plained, "We couldn't consider anything unless we thought going in that they were illegal activities."

Bob Torricelli (D-N.J.) cautioned, "Illegal activities' is an extraordinarily high standard for undertaking an investigation of activities. In our system, what is illegal is customarily established by a grand jury and then by a judge and jury. It would be difficult for members of the committee to know whether their suspicions, or the press reports they read, genuinely constitute illegal activities."

Patients' rights bills introduced

At least five bills, three in the Senate and two in the House, have so far been introduced to establish some form of "patients' rights" with respect to health maintenance organizations (HMOs).

The most comprehensive one was introduced by Sen. Edward Kennedy (D-Mass.) on Feb. 25. "In too many cases," he said, "the pressure for profits leads to lesser care, not better care. Too many managed-care firms and other insurance companies have decided that the shortest route to higher profits and a competitive edge is by denying patients the care they need and deserve." Kennedy said his bill "establishes a right to needed care" by requiring health plans to cover emergency services "without need for any prior authorization determination," and defines an emergency medical condition as any condition, "such that a prudent layperson who possesses an average knowledge of health and medicine could reasonably expect" to result in a serious threat to that person's health. Kennedy's bill would also prohibit gag rules forbidding doctors from explaining treatment op-

tions, and compensation plans that reward doctors for withholding treatment for the benefit of the health plan.

Two other Senate bills, offered by Paul Wellstone (D-Minn.) and Bob Graham (D-Fla.), focus more narrowly on information disclosure and access to emergency services.

Daschle warns of return of budget gridlock

Senate Minority Leader Tom Daschle (D-S.D.) warned at a press conference on March 5, the day after the balanced budget constitutional amendment went down to defeat, that "prevailing budget politics appears to be the same sort of political approach now to budget consideration that we saw two years ago, and I believe that unless something changes, that political approach is going to lead to the same political result, which is a shutdown of government and complete chaos again, when all of us have pledged to try to avoid that this year."

Daschle said that he and House Minority Leader Richard Gephardt (D-Mo.) had sent a letter to the Republican leadership purging immediate consideration of a budget resolution, based on President Clinton's budget proposal, subject to amendments by the Republicans as they deem necessary. "The idea that somehow the President should submit a second budget," Daschle said, "not only is delaying the process, but is politicizing it way beyond anything we have seen in a long time."

In four weeks, the most significant piece of legislation the House has considered so far is the term limits amendment to the Constitution. Gephardt, at the same press conference, warned: "We have 20 working days until we're supposed to report a budget out of the

[Budget] committee. The committee isn't close to doing anything about a budget. The Republicans don't want to talk about the budget, which to me is the main issue of the year, and the thing we ought to be working on."

House GOP leadership sets forth its agenda

Perhaps responding to reported disaffection among the party rank and file, the House Republican leadership finally set forth its legislative agenda for the 105th Congress on March 6. The first item remains the Balanced Budget Amendment to the U.S. Constitution, despite its defeat on March 4 in the Senate. Speaker Newt Gingrich (R-Ga.) said, "I believe it will pass the House, and I hope, as the country watches this process, that enough senators will hear from back home that ultimately the House version will then pass the Senate."

Gingrich also seemed to confirm one of the arguments made against the Balanced Budget Amendment, when he insisted that Federal assistance to victims of recent flooding and severe storms in Ohio and the Midwest should be paid for by offsets in other areas of the Federal budget.

Other items on the agenda include: auditing the Internal Revenue Service, United Nations reform, the partial birth abortion ban, religious equality and victims' rights amendments to the Constitution, and judicial activism.

Majority Leader Dick Army (R-Tex.) dubbed the 105th Congress the "regular-order Congress," that is resolved to pass "legislation that is meaningful in the lives of the American people." He added that this will be done "in a much more inclusive and congenial basis, because of our commitment to regular order."

National News

Lloyd's U.S. victims to get their day in court

In a significant victory for the United States, the Ninth U.S. Circuit Court of Appeals ruled on March 6, in *Richards v. Lloyd's*, that U.S. Names (as Lloyd's investors are called) have the right to sue Lloyd's of London in a U.S. court. The ruling overturned a lower court decision that the suit must be heard in English courts, arguing that the "in England under English law" forum-selection provisions of the Names' agreements with Lloyd's, violate U.S. securities laws and are thus null and void. The Names had the support of the Securities and Exchange Commission, which last year filed an amicus brief on behalf of the Names' position; the SEC General Counsel and four SEC lawyers attended the March 6 hearing, according to the American Names Association.

Until now, every suit by Names against Lloyd's has been dismissed by U.S. courts, because of the forum-selection clause. Finally, the Names will be able to try the case against Lloyd's on its merits, something Lloyd's has fought desperately to avoid.

Rural electric coops move to halt deregulation

In a full-page ad published in the *Washington Times* on March 4, the Electric Utility Shareholders Alliance (EUSA) kicked off a campaign to stop Congress from restructuring the electric utility industry. The Alliance, which represents more than 70 rural electric cooperatives, from Alaska to Georgia, reminds the Congress that federally mandated retail wheeling (the "power to choose," in Conservative Revolution-speak), will "harm the vast majority of electricity consumers in our congressional districts."

EUSA national chairman Bill Steinmeier, a self-described "free-market Republican," said that rural electric cooperatives fear that the proposed restructuring would "create serious threats to reliability, and lead

to price volatility." The cooperatives question "who or under what conditions anyone will be willing to build new baseload capacity when it's needed," he said.

The EUSA, which was established last August, has been soliciting the support of state and local groups to organize the shareholders of small utilities. The EUSA maintains that the "generation, transmission, and marketing of electricity is both affordable and highly reliable. . . . This has been made possible through vast expenditures of capital. Small shareholders, literally millions of ordinary Americans through their pension funds, mutual fund holdings, or as individual investors, have made these capital expenditures possible. These ordinary Americans have substantial personal interest in any federal debate concerning the electric utility industry."

Racist scam helped pass Arizona drug decrim law

The Goldwater Institute in Arizona, a British intelligence front, ran a racist deception operation to stampede the state's black voters into voting for the referendum that legalizes all illegal, Schedule I drugs, under the rubric of "medical use." The propaganda campaign to pass Proposition 200, like its California twin, Prop. 215, was heavily funded in last year's elections by the drug lobby's moneybags, George Soros.

The Goldwater Institute, one of the many "radical free trade" operations set up by the Institute of Economic Affairs in London, is chaired by John Norton, chairman of Arizona's Drug Policy Reform—i.e., legalization.

Accompanying Prop. 200 on the ballot was another proposition dear to the Conservative Revolution: Prop. 102, a purported anti-juvenile-crime measure that would try youthful offenders as adults. Playing on the understandable concern of black voters that such a measure would target mostly black youth, a series of community meetings was called by the Greater Phoenix Urban League, many of which were addressed by the Goldwater Institute's Sam Vaginnes. Vaginnes offered the argument that, if the black com-

munity supported the drug decriminalization measure, there would be less reason for the police to lock up their children.

While Goldwater's chairman Norton was backing drug decrim, Goldwater's president, Michael Block, had scripted the campaign to pass the racist "lock 'em up" Prop. 102 for Gov. Fife Symington. Then, during 1996, Symington hired Block as his justice adviser, at a reported salary of \$92,000, to help plan the implementation of Proposition 102. Both measures were passed, and Block has resumed his duties at the Goldwater Institute.

Dereg has left U.S. with fewer freight railroads

Seventeen years after the passage of the deregulation legislation purportedly aimed at "increasing competition," the consolidation of the nation's rail system reached another milestone on March 3, when Conrail's directors agreed to let the railroad be carved up and sold off in pieces to CSX Corp. and Norfolk Southern Corp. When that deal is completed, the United States will have only four major freight railroads, of which two, Union Pacific and Burlington Northern Santa Fe, will control 35.9% and 30.6% of America's track mileage, respectively.

In 1980, when railroad deregulation was passed, the United States had 17 major freight railroads.

Rabbi compares 'assisted suicide' to Nazi medicine

Testimony on the euthanasia practice known as "physician-assisted suicide," at a March 6 hearing of the House Commerce Committee subcommittee on health and environment, included a statement by Rabbi A. James Rudin of the American Jewish Committee, who was quoted by the *Richmond Times-Dispatch* as saying: "The legalization of assisted suicide . . . reminds me of the brutal excesses of the Holocaust when Nazi physicians carried out deadly experiments upon

the Third Reich's 'surplus population'— Jews, Gypsies, political prisoners, homosexuals, mental patients, and others." Boston's bishop, Cardinal Bernard Law also testified, asking: "Do we want a society where only the fittest survive? God help us if somebody else is defining who the fittest are."

The hearing was organized by Rep. Thomas J. Bliley (R-Va.) and others, who are introducing legislation which will ban any federal money for assisted suicide. The preceding week's decision by a federal appellate court, affirming Oregon's first-in-the-nation law permitting physician-assisted suicide, fueled the move to hold the hearing. That decision is under stay of enforcement pending appeals, and the Supreme Court is still considering the issue.

Ethics complaint against Kenneth Starr goes ahead

An ethics complaint against Whitewater special prosecutor Kenneth Starr is being referred to the chief judge of a federal court in Washington, D.C. The complaint, one of a number filed by Francis Mandanici, a public defender in Bridgeport, Connecticut, was filed with the Committee on Grievances of the U.S. District Court, which reviewed it and referred it to Chief Judge John Garrett Penn, and also to Judge David Sentelle, who heads the panel which appointed Starr in the first place. In 1994, Mandanici filed a complaint against Sentelle for Sentelle's own conflicts of interest in the firing of the previous independent counsel and replacing him with Starr.

The March 7 *Washington Post* quoted Joseph diGenova, the chairman of the grievance committee (also a Republican and former U.S. Attorney for D.C.), as saying that the referral means very little, because Mandanici's charges fall outside the committee's jurisdiction. But Mandanici told *EIR* that that diGenova is just "blowing smoke." Mandanici said that the grievance committee screens such complaints, and if they find a complaint to be sufficient on its face, they investigate it and then forward it to the chief judge. Mandanici added that diGenova should not even be involved, because he has

been giving frequent television interviews about Starr and Whitewater.

Mandanici recently supplemented his complaint, adding the fact that Starr is taking a position at Pepperdine University, funded by Richard Mellon Scaife, who has also financed the black propaganda side of the "Get Clinton" operations in the press. Mandanici told *EIR* that Starr's salary from Scaife is a "hard-core conflict of interest." If a witness is paid, Mandanici said, it is called "hush money." He added: "Starr is taking money from someone who has an interest in Whitewater—not to hush it up, but to keep it going."

Inslaw trial against DOJ begins in federal court

On March 10, the Inslaw trial began at the U.S. Court of Claims in Washington, D.C. The case was referred to the Claims Court as the result of a private bill that passed Congress several years ago. Under the private bill provisions of the law, a Claims Court judge will hear the evidence regarding Department of Justice (DOJ) theft of Inslaw's proprietary software, *Promis*, and will rule on the evidence in the case. No technical grounds for dismissal are allowed, and Inslaw, in return, does not have the right to appeal.

The crux of the case is that, in the early 1980s, the DOJ purchased one copy of Inslaw's case-management software, *Promis*, and then copied and widely circulated the software to other government agencies, as well as to foreign governments and private institutions. Over the years, Inslaw President Bill Hamilton developed evidence that, along with Justice officials like Ed Meese and Lowell Jensen, other "Bush-leaguers" like Oliver North, became involved in the *Promis* theft and re-sale, perhaps to raise funds for the Contra and similar dirty operations.

When Janet Reno became Attorney General, she sided with the DOJ permanent bureaucracy and refused to order a serious review of the Inslaw case, effectively stepping in to cover up for past crimes of the DOJ "old boy" apparatus and her predecessors.

BUREAU OF LABOR Statistics Commissioner Katharine Abraham is in hot water with the Republican Senate chartered "Boskin Commission" mandated to study lowering the Consumer Price Index. Abraham refuses to fudge the CPI inflation figures to the commission's liking. The purpose of lowering the CPI would be to cut the cost-of-living adjustments for wages, Social Security benefits, pensions, and other entitlements.

ALABAMA became the third state in which a proposal to tax securities transfers has been introduced. In early March, Rep. Thomas Jackson (D-Thomasville) filed the Alabama Securities Transfer Tax Act, which calls for a 1% tax on the face value of securities, bonds, stocks, and various derivatives instruments, when they are transferred in the state. Jackson's legislation is modelled on Pennsylvania's House Bill 393, introduced by Rep. Harold James of Philadelphia. A similar bill was introduced in New Hampshire last month.

THE DEPARTMENT of Energy has established a task force to examine the technical, institutional, and policy questions surrounding electric reliability issues, in the wake of the multi-state blackouts last summer.

THE NEW YORK TIMES howled that President Clinton's harsh stance against drug legalization, under the guise of medical use is "a dangerous and unwarranted interference with free speech and a patient's right to hear the truth from a doctor," in its lead editorial on March 6.

HOWARD UNIVERSITY students occupied an administration building to protest a course designed by the Anti-Defamation League of B'nai B'rith (ADL) on March 6. Howard, in Washington, D.C., is one of the nation's leading black universities. The ADL has never repudiated assertions made at its 1991 annual conference by Leonard Dinnerstein that educated blacks are "naturally" anti-Semitic.

A turning-point in history

The biggest political earthquakes of the Twentieth Century, were not the outbreaks of wars and revolutions, but rather, those uncommon occasions, when the citizens of a nation were awakened some morning, to read the long-suppressed truth about their own nation's history in one of their country's leading daily newspapers. The politics of Germany, and the world, could never again be the same, after the leading political daily of Germany, the *Frankfurter Allgemeine Zeitung*, published the truth about U.S. President George Bush's role, in 1990, in imposing, intentionally, the conditions which have caused the economic collapse of Germany today.

Germany's politics, and Europe's, will never be the same again.

For Americans, a comparable experience would be, reading in the flagship daily of the U.S. Anglophile financial establishment, the *New York Times*, a documented report, that the Anglo-American establishment arranged things inside the U.S. government, such that Pearl Harbor would not be mobilized to prevent the attack of Dec. 7, 1941: so as to shock the U.S. population into a war-fighting mood. Or, to read in that *New York Times*, the officially documented evidence, showing that the *Times*, in January 1974, ran a major libel against what was then a relatively minor political celebrity, Lyndon H. LaRouche, Jr.: as a cover-up for the U.S. Federal Bureau of Investigation's use of the FBI-controlled Communist Party U.S.A. in a just-aborted assassination-attempt against that same LaRouche.

For better (as in President Franklin Roosevelt's U.S. recovery from the Depression which he had inherited from the pro-British policies of Presidents Woodrow Wilson and Calvin Coolidge), or, for worse (as in the 1933-38 backing of the Hitler regime by the father of later President George Bush, Harriman executive Prescott Bush), no profound change in the course of a nation's, or the world's history can occur, except through a sweeping rethinking of what had been generally accepted opinion on the preceding interval of history. So, today, until the U.S. public accepts such truths, as the fact that George Bush, as Vice President (and head of the ultra-secret, drug-trafficking, E0-12333/NSDD-3 Special Situation Group), was the U.S.'s Colombia-cartel-connected, leading cocaine kingpin, there is little likelihood that the U.S. Constitution will still be in force for

the presently scheduled general election of Nov. 7, 2000.

What Detlef Junker, Director of the Washington, D.C.-based German Historical Institute, presented to the *FAZ*'s readers, was the fact that, in 1990, President George Bush was advised to resist Prime Minister Margaret Thatcher's grim determination to crush Britain's NATO ally Germany; instead, to summarize the essential facts, Bush negotiated a deal among Thatcher, France's President François Mitterrand, and Soviet General Secretary Mikhail Gorbachov, to put Chancellor Helmut Kohl's Germany under a regime of destructive "self-containment," which would destroy Germany and its D-mark, as Mrs. Thatcher and her François Mitterrand devoutly desired, but would compel the Germans to do it to themselves, under the so-called "Maastricht" agreements: rather than have it openly imposed from the outside, under the post-war "Four Powers" agreement of the "occupying powers."

The appearance of that *FAZ* report implicitly, totally discredits any German political figure, or political party, which continues to insist on submission to the terms of the "Maastricht" agreements. With that, the 1989-96 era of continued Bush-league U.S. foreign policy-structures is doomed.

The publication of that report occurs in the midst of a wave of political mass-strikes, throughout western Europe, chiefly strikes against the terms of the Maastricht agreements. The publication of Detlef Junker's featured report, occurred as the mass-strike wave in Germany had reached a new, ominous high-water mark, with enraged German miners in mass demonstrations on the grounds of the "forbidden city," the government zone within the Bonn national capital.

Already, Chancellor Kohl himself had been confronted with the threatened choice of dumping Maastricht, or being summarily dumped—for a new "grand coalition"—himself. The strike-wave reaching into Bonn's "forbidden-city" zone, combined with evidence of a new round of explosions and implosions in the international financial system, had brought Germany's Maastricht political commitments to the breaking point.

A new page in Germany's history has thus begun. In Germany, and throughout the world, this signals that we must now choose, a profound, and sudden change in the course of history—either for the better, or much worse.

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