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Who will answer for East Zaire holocaust?





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From the Associate Editor

Finally, the international press has begun to report on the genocide being perpetrated in Zaire by Laurent Kabila's soldiers, backed by Uganda's Museveni and the British oligarchy. Had it not been for the role of *EIR* in forcing into public view the evidence of crimes against humanity, the coverup would certainly still be going on. Even now, you hear people say that we should not "demonize" Kabila; that we "have to give him a chance to stabilize his government," etc. Exactly what was said in 1933, when Adolf Hitler came to power.

Since 1994, readers of *EIR* have known exactly what was going on in Africa's Great Lakes region:

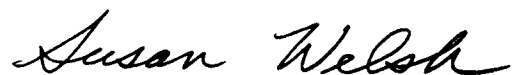
- Our cover story of Aug. 19, 1994, "The British Hand Behind the Horror in Rwanda," forecast that "without *effective* intervention to bring a halt to British geopolitical designs for the destruction of the African nation-states and depopulation of the African continent, the horrific events that have taken place in Rwanda since early April 1994, will be repeated, on a far greater scale, in country after country."

- On Sept. 9, 1994, we published an article by Linda de Hoyos, "Is Zaire Britain's Next Target?" which said that Zaire "is one of the major targets in the British grand strategy for East Africa."

- On Feb. 7, 1997, an editorial by Lyndon H. LaRouche, Jr., "Africa: Today's 'Indo-China Quagmire,'" warned that if the Clinton administration does not intervene against "our ever-loving British imperialist ally," to force a halt in the British Privy Council's invasions of Zaire and Sudan, then "the Clinton administration will be set up to take the blame for what will become within months, or even weeks, the worst genocide of the Twentieth Century, raging throughout sub-Saharan Africa."

The documentation in our *Feature* this week, shows just how right we were. In the *National* section, you will find an exposé of the U.S. political honchos—George Bush and friends—who are complicit in the British-run genocide in Africa, among other crimes.

EIR is now preparing a Special Report, "Never Again! London's Holocaust Against Africans," scheduled for release the week of June 18. This document must be read by policymakers and citizens, worldwide.



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Foreign Affairs, journal of the New York Council on Foreign Relations, has served up a series of articles on “Changing Course in the Persian Gulf,” acknowledging that the Kissingerian dual containment strategy has failed, and frantically seeking a “kinder, gentler” method of stopping economic development in this crucial region. Muriel Mirak Weissbach reports.

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A demonstration of the German Civil Rights Movement-Solidarity against bloody British puppet Laurent Kabila, in Mainz, Germany this May, where his sidekick, Rwanda's Paul Kagame, was visiting as a guest of the state government. The banner reads, "Stop the 'Final Solution' of the Kabila Alliance."

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Thailand fights back vs. hedge fund speculators

by Michael O. Billington

Two rounds of speculative attack on the Thai currency, the baht, since February have heightened concerns that the collapse of the Thai financial bubble is imminent, and could be the spark that ignites a global financial explosion. Thailand escaped both attacks — the first, by adopting the International Monetary Fund's (IMF) demands for looting of their development plans and their labor force; the second, on May 15-16, by a most unexpected defiance of the speculators, by shutting off foreign exchange to offshore operators. This uncharacteristic display of nationalist sentiment was backed up by Thailand's Asian neighbors, sending a shock through the City of London.

Thailand's "Asian Tiger" economic miracle is and always has been a fraud, based on the looting of Thailand's resources and labor force through "globalization" (see *EIR*, Feb. 7, 1997). While foreign processing industries swept into Thailand in the 1980s and 1990s to exploit cheap labor, there were no significant investments in national infrastructure or education. The London-centered speculators had a field day in Thailand, thriving on a flow of dirty money mostly from drugs, prostitution, and gambling, laundered through the unregulated offshore banking facility set up in 1992, the Bangkok International Banking Facility (BIBF). With the physical "looting limit" having been reached several years ago, the bubble was ready to burst. As one senior European banker told *EIR*, "It was totally predictable that it would crack, only not when."

Chavalit breaks profile

The timing is most instructive, because Thailand, while following IMF orders on financial policy, has been less willing, recently, to obey political dictates from London's "world government" apparatus. Two political initiatives by the government of Prime Minister Chavalit Yongchaiyudh have

earned the ire of London. First, Chavalit took a delegation of 120 military, business, and government officials to Beijing for four days in April. Numerous trade and military deals were signed, including collaboration on extensive road, rail, and infrastructure projects, involving Myanmar (formerly Burma) and the countries along the Mekong River. These projects are part of the Chinese diplomatic offensive to unite the nations of Europe and Asia around the Eurasian Land-Bridge project—rail-centered development corridors connecting the nations of Eurasia. The Land-Bridge is viewed by London as the greatest threat to their scramble to prop up the financial bubble, by austerity, speculation, and a raw materials grab.

The second, related policy initiative by Chavalit, regards a raw material which has enjoyed a sustained historical interest in London: opium. For the first time in its history, Thailand's western neighbor, Myanmar, is establishing the central government's control over its entire geographic area. Although independent from Britain since 1946, British intelligence operations have maintained control over the world's largest source of opium in Myanmar's Golden Triangle, through various ethnic "drug lord" armies. Over the past six years, Myanmar's ruling military junta, the State Law and Order Restoration Council (SLORC), has either defeated or pacified all but one of 16 such insurgent armies. It is only because of this military success that Myanmar, with help from China and Thailand, has begun the process of building the transportation, communications, and energy infrastructure in the Golden Triangle, that, eventually, can wipe out drugs. This, the British, as chairmen of the board of Dope, Inc., will not tolerate. That is the source of the furor against Myanmar's "human rights violations," as evidenced by the fact that the entire human rights campaign against Myanmar is financed by the infamous sponsor of drug legalization,

speculator George Soros.

This is also the key to the timing of the speculative attacks on the Thai baht. In early February, the Thai military modified its “neutral” stance toward the last remaining ethnic army fighting against the Myanmar government, the Karen National Union. Rather than continuing to give the KNU unlimited protection on the Thai side of the border, Thailand closed the border to all except disarmed refugees, in coordination with a Myanmar Army sweep to mop up the KNU. The Karen camps have served as base camps for insurgency operations, directed by Soros, George Bush’s friends at the International Republican Institute, and others. Under British colonial rule, the Karen served as the officer corps of the British Burma Army, and were the first ethnic group to break away from the central government after independence.

‘Robber’ Soros strikes back

Within days of the SLORC offensive, Soros led an assault on the Thai baht on the Singapore futures exchange, which was described by Dawai Institute of Research Director Peter Schiefelbein: “Foreign hedge funds are going after the baht with a zeal I haven’t seen since the successful assault on several European currencies around three years ago.” The immediate object was to force a devaluation, which would result in a windfall for the speculators, and a disaster for Thailand. But there can be no question that Soros was attempting to punish Thailand for its role in undermining his Myanmar operation, which provides the political instability in the border areas needed to keep the drug trade going.

Bangkok was not pleased by Soros’s colonial tricks. One Thailand-based newspaper quoted Deputy Prime Minister Samak Sundaravei calling Soros a “robber,” who should stay out of Thailand.

Unfortunately, Thailand’s economic response to its financial bubble was to further loot the real economy, in order to bail out the speculators. Following the February attack on the baht, former Bangkok Bank chief, Finance Minister and Deputy Prime Minister Amnuay Viravan, pushed through \$4 billion in budget cuts over two years, gutting essential infrastructure plans and services. Government workers’ pensions were diverted to bail out the bankrupt financial institutions, to the tune of \$3 billion. Various speculative tricks were adopted, including legalizing short selling on the stock market. All of this digs a deeper financial hole.

But, Chavalit did pursue a diplomatic offensive aimed at integrating Thailand into China’s Land-Bridge plan, while helping to stabilize his troubled neighbors, Myanmar and Cambodia. It is only this approach that could potentially provide a real alternative to the looting.

On May 11, Chavalit unexpectedly announced that he was taking personal responsibility for the economy. This was widely perceived to be a move against monetarist Finance Minister Amnuay Viravan, although Chavalit officially denied it. The stock market plunged the next day to a six-year low, and the British press declared a collapse to be inevitable.

By May 15, a second round of attacks on the baht hit the Singapore markets, again led by foreign hedge funds. This occurred only two days before a planned visit by Chavalit to Myanmar, to solidify bilateral relations, trade deals, and Land-Bridge-related projects, while preparing for Myanmar’s entry into the Association of Southeast Asian Nations (ASEAN) this year.

The expectation in London was that the new speculative attack would be the last straw for Chavalit, who would devalue the baht and cancel his trip to Myanmar. The *Financial Times* of London drooled over the prospects: “In the bloody aftermath of a devaluation, there should be considerable value within the stock market, from exporters to companies with hedged dollar liabilities.” Commentators acknowledged, however, that devaluation would devastate the Thai economy, especially since 87% of Thailand’s estimated \$90 billion in foreign debt is held by private corporations, which could not sustain the strain of paying in a devalued currency.

But Chavalit did not respond according to profile. Thailand not only defended the baht with its foreign reserves, but, unofficially, ordered the banks and financial institutions to refuse to sell baht to any foreign or offshore traders, with the intention of leaving the speculators with no way to meet short-term obligations after dumping their baht. Dealers in Malaysia and Indonesia reported that their governments had asked them to stop lending to foreigners temporarily, although the governments officially denied this. The Singapore and Hongkong monetary authorities intervened to defend the baht, a first for such collaboration. Although both Singapore and Hongkong have extensive investments in Thailand, and thus have their own interests to protect, it is highly unusual to see these British colonial outposts act against London’s designs. It is possible that policymaking in Hongkong may already reflect China’s sovereignty over the Crown Colony, which becomes official on July 1.

However, Thailand is stuck with its financial bubble. The collapse of the Bank of Thailand-backed merger of the bankrupt Finance One company with the Thai Danu Bank, the 11th largest commercial bank, on May 23, signals that nothing is settled. This merger was a key confidence-building move, which has fallen flat. No tricks will make the problem go away; no additional short-term bailout, such as the 50 billion baht (\$1.9 billion) additional “support” fund that the Thai Bankers Association pledged on May 19, can patch the leaks. It is the price they will have to pay for buying into the hot-money antics of “globalization,” while allowing the expansion of drugs, prostitution, and gambling, which a 1996 Chulalongkorn University study reported equalled up to 58% of annual GDP—greater than the total annual budget. But, to the extent that Thailand pushes forward to integrate the nation into the Land-Bridge and related “great projects” to transform the physical economy of the region, and continues to break the rules of London’s financial roulette, Thailand will find plenty of allies to create a pathway toward survival.

Asian financial earthquake sends tremors around the world

by William Engdahl

Just below the surface of what appear to be booming world financial markets, are fundamental stresses and fault lines which threaten at any second to erupt into a global financial contraction of unprecedented dimension. The existence of such fault lines became obvious when American Federal Reserve Chairman Alan Greenspan made an unannounced stop-over in Tokyo on May 15, following talks in Beijing.

What Greenspan discussed with the Bank of Japan and the Ministry of Finance was kept secret; unusually, not even a brief communiqué was issued. Less than a week later, the consequence of the Tokyo talks became clearer. On May 20, Greenspan convinced his skeptical colleagues at the Federal Open Market Committee, which determines the level of U.S. short-term interest rates, to violate all precedent, and not to raise interest rates again.

The trouble involved, for the financial “managers,” in the question of raising interest rates, is that the world’s financial bubble-system is so hyperinflated, that to raise interest rates on the bubble, will serve to blow out the bubble. Put another way, the risk of bankrupting the bubble-system is less than the risk of continuing to “manage” it. Years back, an economy-friendly interest rate policy would have placed high interest rates on counterproductive, high-risk, speculative financing—such as derivatives—and placed lower rates on lending for medium- to long-term investments in infrastructure and production. This was not done. The world’s finance system-bubble is now at the bursting point, which poses the dilemma for the “managers.”

“This was one of the most difficult decisions of the Federal Reserve in recent years,” remarked City of London economist S.J. Lewis.

“The Fed shocked financial markets in March,” he said, “by raising rates for the first time in almost two years. The argument used was the looming threat of inflation. But data revealed no ordinary signs of wage rises, price rises, or such. Where was the feared inflation forcing the Fed to raise rates in order to cool economic growth? The inflation was in financial assets, what Greenspan called ‘irrational exuberance’ already last December. The effect of the March 25 Fed rate increase of a mere ¼%, was enough to trigger near panic in the stock

market, sending the Dow Jones Industrial Index down almost 10% from record highs, and other markets with it.

“This time,” Lewis added, “data pointed to even worse signs of inflation, with first-quarter GDP growing almost 6%, and official employment below 5% for the first time in 20 years. Wall Street investors fully expected the Fed to make a second rate rise, to signal it was serious about preempting inflation. The Fed has almost never raised rates only once. Why hesitate now?”

Much of the answer lies in Greenspan’s talks in Tokyo a week earlier. It was Greenspan’s second visit to Japan since November, and, Lewis is convinced, far from his last.

The new Japanese financial bubble

The vulnerable center of the present global financial structure, threatening to bring all down with it, is the situation in Japan. Since the collapse of Japan’s stock and real estate speculation binge in 1990, Japanese banks have teetered on the verge of one or another chain-reaction bankruptcy crisis. For more than six years, the Japanese Ministry of Finance had hoped that recovery of the Tokyo real estate market would allow the banks to recoup bad debts worth an estimated \$1.2 trillion or more. The scale of the Japanese crisis pales anything in the United States or Europe.

It is worth noting that, in comparative terms, U.S. banks are, by many key measures, such as derivatives exposure, significantly worse off than Japan’s. However, our point stands, that there is the potential for the crisis in Japan to spread shockwaves worldwide.

To prevent such a chain-reaction bank collapse, the Japanese Ministry of Finance finally acted, together with the Bank of Japan, in April 1995, to take emergency measures. They were supported by a worried Clinton administration and the Federal Reserve, which feared that a Japanese collapse would bring down the entire U.S. financial system with it. Japan’s government and private banks and insurance firms hold over \$500 billion in U.S. Treasury securities. Were Japanese banks or the government forced to liquidate even a sizable part of that amount, it would precipitate a crisis globally, beyond anything seen in the 1930s.

In summer 1995, the Japanese Ministry of Finance acted to force Japanese banks and insurance companies to push the yen drastically lower. The yen had hit a postwar high of Y 79 to the dollar that April, threatening a collapse of Japanese exports, the lifeblood of the economy. At the same time, the Bank of Japan lowered its key interest rate for banks, to an incredibly low $\frac{1}{2}\%$. The intent was to stimulate the depressed Japanese economy, and with it, bank profits, partly by allowing banks to borrow funds from the Bank of Japan at $\frac{1}{2}\%$, in order to buy dollars or European currencies, where the funds could earn 7% or more, a huge, apparently risk-free way out of the crisis. And it would cost Japanese taxpayers nothing.

Or, so it was thought in 1995. What has happened, however, is that Japanese banks have re-loaned the cheap yen deposits they borrowed from the Bank of Japan, to anyone willing to borrow. Since the Japanese economy was in deep depression, and domestic interest rates were at all-time lows, that meant overseas lending, often through Japanese branch banks abroad.

The borrowers of these cheap yen included aggressive hedge fund speculators like George Soros or the Tiger Fund, as well as private banks, often in poorly regulated, so-called emerging economies such as Thailand, South Korea, or the Philippines. For almost two years, the Bank of Japan has provided the cheap money to prop up a colossal financial bubble across Asia.

So long as the yen was falling against the dollar, the risk was nil. It was a "sure bet," as one Luxembourg banker termed it. Thailand earned export dollars, dollars whose value appreciated steadily against the yen, thus enabling Thai banks to repay yen loans ever more cheaply in real terms. For example, a bank that borrowed \$100 million from a Japanese bank with the yen at 100 to the dollar in early 1996, would have had to repay only \$79 million in April 1997, when the yen hit 127 to the dollar, a nice 21% gain. As well, he would have earned another 10% or more on the higher interest rates abroad, giving double profits. Little wonder the yen borrowing business outside Japan boomed in the past two years.

From April 1995, when the yen hit the postwar high of 79 to the dollar, until this past April, the currency had fallen by 61% against the dollar. Japanese export profits were booming, and so was the flood of funds out of Japan. The money flowed into high-profit areas like Thailand, Indonesia, and even Philippines real estate lending.

In South Korea, foreign debt, private and public, rose from \$69 billion in January 1996, to what will likely top \$144 billion by end of this year, a jump of almost 110% in less than two years. Most of the borrowing has been for less than one year's duration, and most in yen. Similarly, in the Philippines, hailed as the "newest tiger economy" of Asia, private companies' and banks' foreign debt, which was \$13.5 billion in early 1996, is expected to top \$40 billion by year's

end, a 300% jump in two years. Thailand is similar. And the vast bulk of this Asian emerging country debt is in yen, while the currencies of the borrowing countries are pegged to the dollar. The result has been that exports to repay the yen debts have collapsed as the dollar rose since 1995. Thai or Korean exporters were priced out of markets by Japanese competitors with a cheap yen. This economic contraction set the stage for the present crisis, by depressing economic growth across the Asian economies. The only element lacking by this spring, was a detonator to explode the financial gunpowder.

Damned either way

The detonator came from the Japanese Ministry of Finance on April 21. On that day, the first life insurance company in Japanese postwar history, Nissan Mutual Life Co., declared bankruptcy, sending shockwaves throughout Asia. The principal reason was losses due to Japan's low interest rates, which, combined with a falling Nikkei stock market, had bankrupted the company. Its plight was shared, in one degree or another, by most other life insurers. Emergency measures were called for.

Japanese Deputy Finance Minister Eisuke Sakakibara began making public statements about the need to strengthen the yen. Behind the scenes, the ministry began encouraging Japanese life insurers and banks to begin bringing money back into Japan, to invest in the Tokyo stock market. To convince the Japanese investors of this risky ploy, the ministry took steps to revive the falling Tokyo stock market as well, by increasing the amount of Japanese stocks held by its state-owned Postal Savings Bank. With a staggering \$1.8 trillion of deposits the Postal Bank is the world's largest bank. The effect on the stock market was immediate, and the Nikkei climbed to well above 20,000 for the first time in over a year, a rise of almost 18% in less than two months. The ministry began dropping strong public hints that the days of almost free money from the Bank of Japan were about to end.

The Nikkei began to rise further, as money returned to Japan from abroad. The return of money began to strengthen the yen, and weaken the dollar. The yen began a dramatic reversal since the last week of April. By May 20, it had gone to Y 112, from Y 127 three weeks before, a jump of 12%. "Good" for Tokyo, catastrophic for Thailand, South Korea, the Philippines, and for banks and hedge funds that had borrowed the cheap yen, and changed it to dollars or other currencies.

As the yen continued to rise, according to informed financial market sources, hedge funds "went into panic" and began a rush to repay their yen loans before losing even more. "The effect of this panic, however," noted S.J. Lewis, "ironically, has aggravated the rise of the yen, forcing even more panic on the part of those around the world who have borrowed yen." Hedge funds' buying of yen in recent days, at any price, to cut their potential currency losses, aggravated

the very problem they were trying to avoid. No exact data on the amount of yen loans are available, but indications are that the total is staggering. Japan's banks are the world's largest.

The crisis spreads

The effect of the panic has been, reportedly, that hedge funds and others began to liquidate their investments in Thailand and other Asian emerging economies, to get yen. The Thai baht, which is firmly pegged by the Thai central bank to the dollar, came under enormous selling pressure on May 14, as a result. To stabilize what some termed "a potential mini-Mexico crisis," the central monetary authority of Singapore, with its huge dollar reserves, announced, with Thailand, on May 15, a joint baht stabilization support against speculators. In the Philippines, banks began to get alarmed as the huge speculation boom in Manila's luxury real estate construction of the past two years came under threat. The Manila stock exchange index had plunged 19% since April, as foreign investors fled, eager to repay yen loans.

In South Korea, where heavy debt and the strong currency had devastated Korean exports, banks announced on May 20 an emergency rescue of a series of companies including Midopa Group, and Dainong textile company. The reason was to "prevent a chain-reaction bankruptcy crisis" in Korea. In January the famous Hanbo Steel Co. was forced to be bailed out by Korean banks, a victim of the collapse of exports, along with the interventions by the International Monetary Fund (IMF), the Organization for Cooperation and Development (OECD), and related London and New York financial interests, to "deregulate" and end the very labor and investment practices that built up the South Korean economy in the first place.

In Europe and the United States, hedge funds have been reported to be conducting massive selling of bond futures and bonds in German, British, and U.S. bonds, forcing interest rates higher as a result, potentially threatening a new international stock market crash. Unconfirmed market reports are that one large hedge fund may have lost upwards of \$1 billion over recent market shifts.

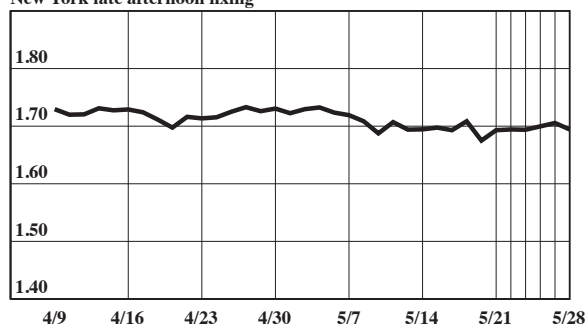
This is the non-Japanese side of the Japanese liquidity trap. To continue the low-interest, cheap-yen policy, will devastate Japanese insurance companies and weaken their banks, but will feed the global speculation bubble. But, ending the low-interest policy and raising the yen more, while it may help Japanese restructuring, will threaten a chain-reaction series of banking crises, which could bring down some of Japan's largest banks. Were that to occur, the U.S. financial system and that of Europe would follow.

That is the real reason for Greenspan's fear of raising U.S. interest rates even a mere 1/4% more — the dilemma of a global liquidity trap. It is also the grounds for U.S. Treasury Secretary Robert Rubin's latest call, on May 21, for a strong dollar. This problem, however, will require more than words and cautious inaction.

Currency Rates

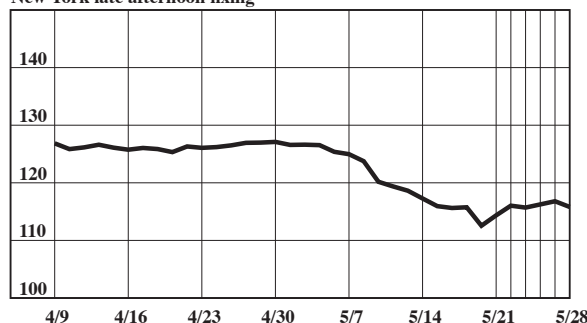
The dollar in deutschemarks

New York late afternoon fixing



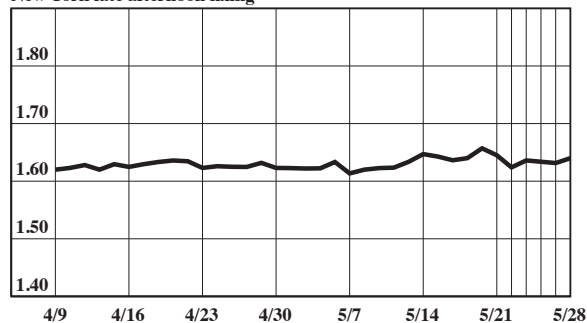
The dollar in yen

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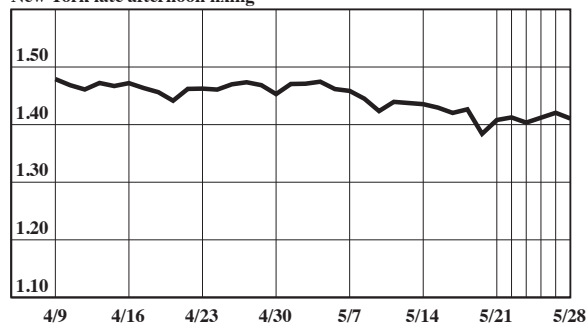
The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



Upgrade India's machine tool industry to build the Eurasian Land-Bridge

by Susan B. Maitra and Ramtanu Maitra

In EIR's first issue of 1997, Lyndon H. LaRouche, Jr. broke new ground in economic analysis, with his article on "Machine-Tool Design: The Brains of Profit." He emphasized that "for any national economy taken as a unified whole, scientific and classical-artistic progress, combined, are the only source of sustainable profit, nothing else. The machine-tool sector illustrates the role of science in this. For the imperilled economy of the United States, and, of many other nations, today, the lesson told is a desperately urgent one, even if it appears to address only technological progress as such." This idea was expanded in LaRouche's Feb. 7, 1997 EIR cover story, "Return to the Machine-Tool Principle."

The following contribution, from EIR's New Delhi bureau, elaborates the current situation and future prospects of India's machine tool industry, as that nation struggles to join in the development program of the Eurasian Land-Bridge.

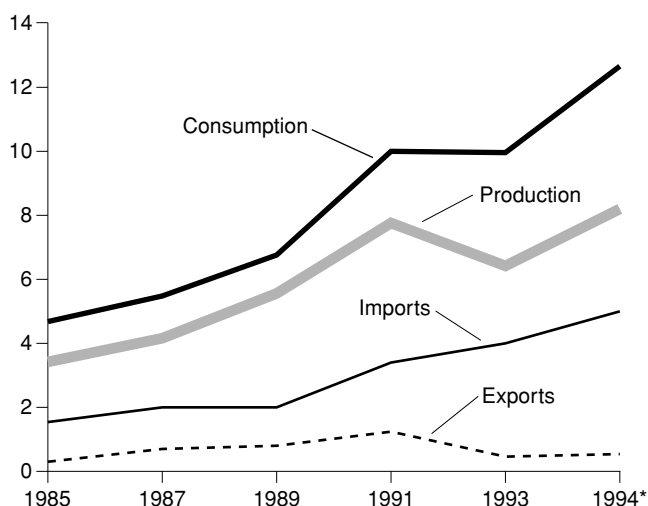
After years of virtual stagnation, India's machine tool industry began a turnaround in 1994. Rates of growth showed a decided downtrend in the early 1990s, following two good growth years in 1989 and 1990, but picked up again visibly, registering a 26% growth in fiscal year 1994-95 (Figure 1).

India's machine tool industry is still a vastly underdeveloped sector, both from volume-output and technological standpoints. Production registered a marginal growth rate during the two-year period of 1992-93 and 1993-94. This setback to the sector, after a decades-long low-growth-rate cycle had been broken temporarily in 1989-90 and 1990-91, was due to a number of factors related to the health of the world economy.

First, following the collapse of the Comecon (former East bloc) countries, the attempted imposition of a new world order and "free market" economies on nations led to social and economic chaos. The Comecon countries, burdened with backward technologies, no effective financial institutions, and little trade expertise, were put under International Monetary Fund (IMF)-World Bank control, with the ostensible objective of macro-structural change. What followed was growth curtailment, reduction in capital formation, a squeeze on domestic industries, and looting of existing industries and infrastructure. This led to general despair among the population, forcing social chaos and economic bankruptcy in the

FIGURE 1
Trends in India's machine tool industry

(billion rupees)



* Estimate.

Source: Indian Machine Tool Manufacturers Association.

early 1990s. India depended significantly on its trade with the Comecon countries, and so these difficulties were reflected in the growth of the machine tool industry in India as well.

What is relevant to note in the Indian context is that the setback to the machine tool sector caused by the collapse of the Comecon countries' economies, came about at a time when the Indian machine tool industry was beginning to break out of its cocoon after decades of slow growth and stagnation. This tentative upswing was brought about by the policy directives during the mid-1980s under the leadership of the late Prime Minister Rajiv Gandhi. The machine tool industry more than doubled in size between 1985 and 1992.

But then, in addition to the drop in exports to the Comecon countries, the Indian machine tool industry came under severe pressure from two other areas:

- Reduction in public expenditures to satisfy the IMF's



Indian firms are upgrading the quality of domestically produced machine tools. By the turn of the century, computer numerically controlled machine tools are expected to comprise 70% of machine tool production.

requirement of reduced fiscal deficits, which resulted in a fall-off of government orders.

- A simultaneous growth in demand for high-tech and more productive equipment to meet the challenge posed by foreign industrial competitors, in the aftermath of the policy decision to liberalize India's tariffs and customs duties and globalize the Indian economy taken by the Rao government in 1991, which led to increased import of machine tools.

The capital goods industry was badly hit by the recession which set in shortly after the onset of liberalization in 1991. Within the capital goods sector, the machine tool industry, the mother industry for capital goods, was particularly affected. Production crashed from 7.5 billion rupees in 1992 (roughly \$55 million in today's currencies) to 6.4 billion rupees in 1993—a decline of 18%—much more than any other industry (Figure 1).

Time for a new beginning

As policymaking discussions on the southern tier of the Eurasian Land-Bridge unfold in India and throughout the subcontinent, and the long-term inevitability of the project is comprehended in full among policymakers, the importance of strengthening the backbone of India's physical economy will also come into focus. The land-bridge will demand development of the physical-economic conditions which will lead to the production of high-tech and high-value products. Needless to say, the development of the machine tool industry is one of those conditions. Other necessary conditions are abundant power generation, and distribution of power throughout the subcontinent; development of high-skilled manpower, from a base which consists of 100% literacy; de-

velopment of a domestic and commercial water distribution system throughout the subcontinent, which focuses on making optimal use of available water; upgrading and modernization of railroads, making the rail system a more efficient beast of burden; and, last but not least, spreading enhanced productivity in the agricultural sector from a handful of districts to the entire Ganges Valley through which the land-bridge will snake.

The urgency of working out plans to meet the requirements of the land-bridge, in terms of manpower, finance, and other inputs, is as important as laying out the high-speed railroads themselves and working out the logistical details with the nations involved directly in the land-bridge.

In evaluating India's machine tool industry, we have concentrated chiefly on the industry itself, an approach which is admittedly inadequate. The existing and planned infrastructure network, when put under a magnifying glass, will provide more insight into where the machine tool industry is heading. For instance, while India's basic metals and alloys research has many successes to show, the business environment and the all-pervasive bureaucratic system have done little to translate the research work into mass production processes. The environment, which includes a government-run, -dictated, and -controlled financial sector, has done perhaps more than anything else to harm the small machine tool manufacturers, while large machine tool manufacturing facilities have become overgrown and slothful—just as in South Korea—choking off the entrepreneurial spirit of a large number of competent and ambitious small manufacturers.

At the same time, India's abject failure in getting its power-production sector on a real growth path; its painful

slowness in putting in place a water distribution network which would help to hold water in reservoirs and underground aquifers, nature's bounty which comes annually in the monsoon; and its failure to provide primary education to almost 50% of children, are major roadblocks to developing a highly efficient and quantitatively adequate machine tool sector. The machine tool sector cannot function in a vacuum. The failure of the nuclear industry in India and the semi-success that the space industry has met so far, are signals that while high-technology can push the country forward, the back-up, the

very basics of the infrastructure sector, if ignored, will turn the high-technology successes into failures.

According to many, the decidedly negative initial impact on the capital goods sector of the 1993 liberalization (which led to increased high-technology capital goods imports), over the longer term, far from harming the industry, has now actually strengthened its capacity to take advantage of the recovery which began in 1994-95. "The recession was a period of introspection of the industry. There was a conscious attempt to improve our quality in terms of better finish and packag-

Facing the competition

Following the introduction of a liberal free-trade economic policy in 1991, Indian machine tool manufacturers were confronted with the danger that demand would outstrip production. The other problem, manufacturers have begun to realize, is the tendency of Indian companies to make a wide range of products. To overcome the latter problem, manufacturers must concentrate on a few products and achieve economies of scale.

This is already happening. In 1994, only 54% of domestic consumption was met by domestic producers, up from 50% in 1993, but way below the pre-liberalization peak of 86%. Domestic manufacturers, however, do not see increased importation as a threat. Import of machine tools, indeed of any capital goods, would expand the market and ultimately help Indian machine tool makers. "The question is not about protection. It's about market size. I would prefer to have a small share of a large market rather than a large share of a small market," says Jamshyd Godrej, managing director of Godrej and Boyce.

Analysts claim that imports can only increase in the future, as duty rates come down. The import tariff on computer numerically controlled (CNC) machines is 35%. Project imports carry a duty of 25%, while imports under the Export Promotion Capital Goods Scheme are at 15%. CNC controls and drives carry a tariff of 35%, while certain other components carry an import duty of 65%.

While industry will have to compete against imports, it is not in danger of losing control to foreign investors. This is perhaps due to technological development achieved by about a dozen companies. As a result, imports of cheap machine tools from East Asia are coming down. Certain Indian companies, such as ACE Designers, have benefitted immensely from technological development. Producing turning and machining tools, ACE has increased its production by 90% from 1992-93 to 1993-94 (100 million rupees to 180 million rupees).

Mysore Kirloskar Ltd. (MKL), a major victim of the worldwide economic recession at the end of the Cold War, has now become a believer in R&D. After visiting hundreds of plants abroad and analyzing the costs, MKL authorities have concluded that India is definitely competitive in large castings, precision-machined parts, sub-assemblies, carcasses, and so on.

Following this observation, MKL joined up with Colchester (U.K.), part of the well-known 600 Lathes Group, and jacked up its production facilities with lathes, CNC cylindrical grinding machines, and machining centers. As a result, MKL's turnover shot up from 380 million rupees in 1993-94 to 630 million rupees in 1994-95, and further on to 950 million rupees in 1995-96.

Another company, Batliboi and Co., previously known as a trading company, is making waves in India in the machine tool sector. Batliboi, which produces 400 to 450 milling, drilling, and turning machines annually, has gone a long way with technological development. Batliboi is now looking to form a joint venture with the Bridgeport Machines of the U.K. for enhanced production.

Another area of technology development which is going to have a major positive impact on Indian industry is retro-fitting conventional machine tools into CNC machines. Technofour is a leading player in this area. But, its role will be diminished significantly because big engineering outfits such as Godrej and Boyce, and Premier and TELCO (a Tata outfit), have large machine building divisions which will serve not only their in-house requirements but will also seek new markets.

The next step already taken by some Indian machine tool manufacturers is to create consortiums for market alliance and to provide solutions and specializations. A six-manufacturer consortium called Micromatic has been formed. In various memorandums presented by the manufacturers to the government, they do not call for increased tariffs or more protection. Instead, they are pleading for some sort of investment allowance for all those machine tool user industries that are going for CNC machines for the purpose of enhancing productivity in the industry.

ing,” says Jamshyd Godrej, managing director of Godrej and Boyce.

The background

Indian machine tool production began in the 1930s. The total number of manufacturers before World War II was estimated to be close to 100. The ruling British forced manufacturers to produce defense equipment at the outbreak of war in Europe. The British government in India passed the Machine Tool Control Order in 1941, the main object of which was to regulate and channelize production for use in the defense industry. The cut-off of imports called for increased activity in the domestic machine tool sector, and machine tool production was significantly higher in 1941 because of this.

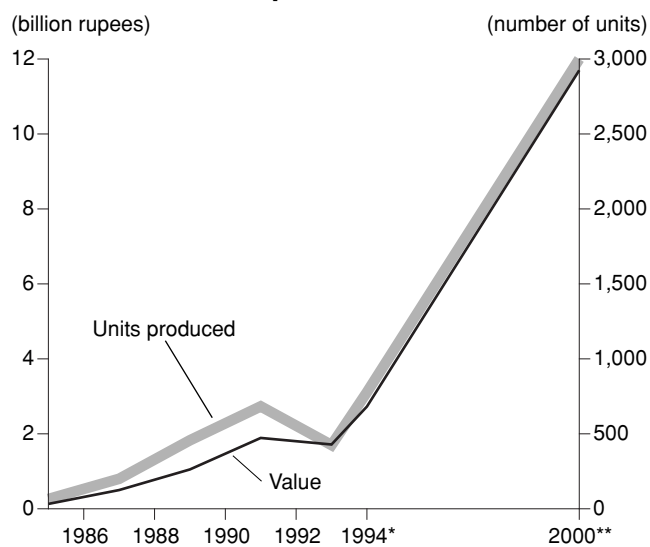
In the 1930s, however, India was importing most of the machinery needed to develop its industries. In 1933-34, the total import of machinery and millwork was valued at 1.277 million rupees, of which about half was accounted for by sugar and textile (cotton) machinery. All kinds of machinery and millwork figure in the imports, from earthmoving equipment to typewriters. This stopped during the war, but as soon as the war came to an end, imports were opened up and domestic manufacturers were confronted with competition from abroad. The number of domestic firms manufacturing machine tools dropped from 125 in 1941 to 45 in 1947, when British rule finally came to an end.

In 1948, soon after India achieved independence, the government of India reformulated the Industrial Resolution. It was decided that all the larger units in the category of “miscellaneous industry machinery,” should be in the public sector, which meant that all larger and new machine tool facilities in the future would be under the public sector.

Among the highlights of the new policy was the setting up of Hindustan Machine Tools (HMT), in Bangalore, in a collaborative agreement with Oerlikon and Buerlue (Switzerland). HMT started production in 1955; it was protected to the fullest extent, and all imports of machine tools were either restricted or banned. Subsequently, a number of agreements were signed with leading machine tool manufacturers in Japan, Europe, and the United States. By 1971, Indian manufacturers had increased production significantly, to the point where 70% of demand was met through domestic production. In 1961, the figure was 23%.

By the early 1970s, the Indian machine tool industry got into a rut. Functioning in a highly protected environment and in an economy which for decades never grew at a rate more than 3%, the machine tool industry adopted a low-growth syndrome. During the 1970s, there was a general slowdown in public investment and the demand for capital goods remained suppressed throughout the decade. Some argue that that decline in capacity utilization of the capital goods industries after the mid-1960s reflected some deep-seated problems, including the incompatibility of the structure of capacities with the evolving structure of demand. The bottom line, however,

FIGURE 2
CNC machine tool production



* Estimate. ** Forecast.

Source: IMTMA.

is that the feasibility of raising public investment was severely constrained by the lack of resources. Nonetheless, HMT, through some R&D efforts, started manufacturing numerically controlled/computer numerically controlled (NC/CNC) machine tools and other machine tools.

In the early 1980s, with the stabilization of the Indian political scene, the government introduced a few liberalization measures. Large-scale imports of special-purpose machines and of CNC machine tools took place, which accounted for the increased share of imports, to the tune of 40% in 1988, in domestic consumption. Technological cooperation has helped Indian machine tool firms to introduce CNC machine tools, and if the present trend continues, the share of the CNC machine tools will be at least 70% of total production by the turn of the century (Figure 2).

During the end of the 1980s, the Indian machine tool industry got a boost (Figure 3) from a steady increase in exports to the Soviet Union. A new cooperation agreement signed in 1987 between the U.S.S.R. and India resulted in a steady growth of Indian exports (see Figure 4 and Table 1 for a look at India’s comparative role in the worldwide production and trade of machine tools). On the import side, almost 25% of machine tools imported into India come from Japan. In the small-scale industry sector, Taiwanese and South Korean machine tools figure prominently in India’s domestic consumption.

A new spurt in growth

The turnaround of the machine tool industry in 1993-

FIGURE 3

Indian machine tools data

(millions \$)

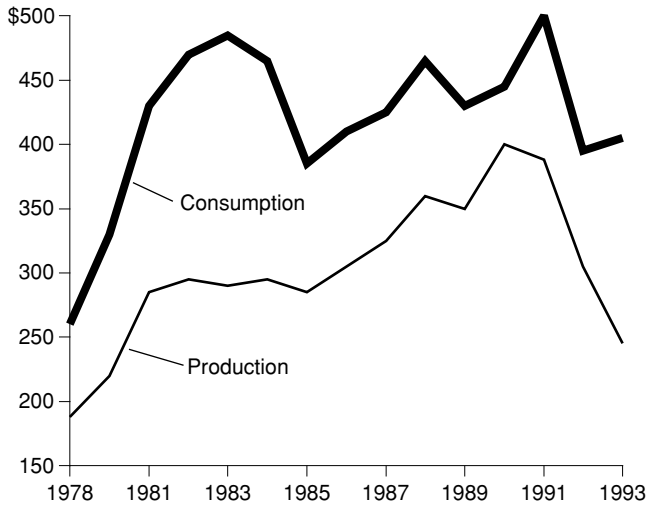


TABLE 1

Machine tool production and trade of selected countries

(millions \$)

Country	Production			Trade	
	Total	Cutting	Forming	Exports*	Imports
Japan	\$6,959	\$5,330	\$1,629	\$3,739	\$ 371
Germany	5,403	3,469	1,934	3,636	1,214
United States	3,223	2,083	1,140	1,060	2,188
Italy	2,105	1,364	741	1,371	577
China	2,970	2,080	890	216	1,940
Taiwan	1,074	716	358	688	441
South Korea	587	489	98	111	709
France	618	459	159	300	636
Indonesia	13	7	6	1	518
India	156	143	13	17	185

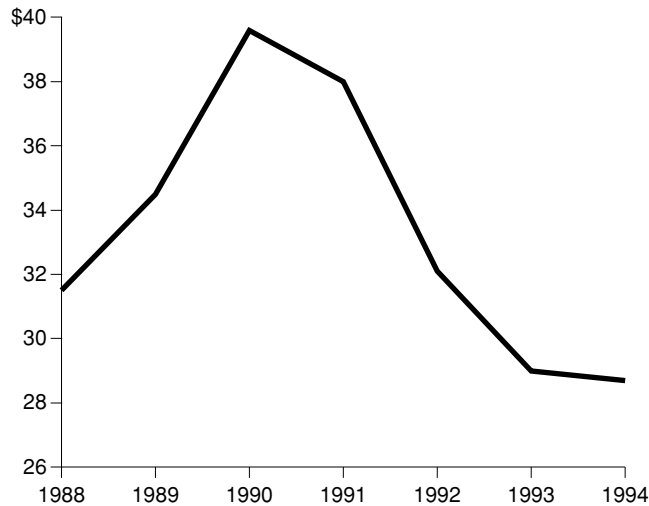
* India's major export markets are the Commonwealth of Independent States, Singapore, Kenya, Algeria, United Kingdom, Saudi Arabia, United States, Malaysia, and United Arab Emirates.

Source: *American Machinist*, May 1995.

FIGURE 4

World machine tools production

(billions \$)



94 is perhaps the most heartening development for Indian industry. The captains of industry are highly optimistic that the turnaround can be consolidated in the coming years, to make machine tools a major growth-oriented industry. Such optimism was clearly visible in the triennial machine tool manufacturers' jamboree, the Indian Machine Tools Exhibition (IMTEX), held in January 1995. There one could see the

right blend of technology, quality, and cost-competitiveness of Indian machine tool manufacturers gearing up to meet the demand and requirements of machine tool users, especially in the automobile and auto component industries.

The machine tool industry which has emerged from the recession faces a situation entirely different from what prevailed in 1991. It now faces the emergence of the private sector (auto, for instance) as the major buyer of machine tools, increased competition from imports, and a major shift from conventional to computer-controlled machine tools.

There is a near unanimity among machine tool manufacturers that the advent of state-of-the-art automobiles, through joint ventures with some of the world's leading auto manufacturers, and the emergence of India as a global sourcing base for auto components, has opened up demand for flexible and cost-competitive manufacturing solutions.

The impact of changes due to the shift of buyers from the public sector to the private sector has been felt throughout the country (see **Figures 5 through 9** for consumption of selected machine tools). In the pre-liberalization days, 30% of the demand was from the government, particularly defense and railways. In the defense sector, projects such as the T-72 tank manufacture, modernization of the Ishapur Rifle Factory, and production of anti-aircraft guns were major sources of orders. There are still a few large projects in the pipeline. However, given the situation facing the railways, in which most of the capital expenditure involves conversion of track from narrow to broad gauge, orders for new machine tools have been reduced significantly. "The public sector now accounts for less

FIGURE 5

Machine tools consumption: standard drilling and broaching

(number of units)

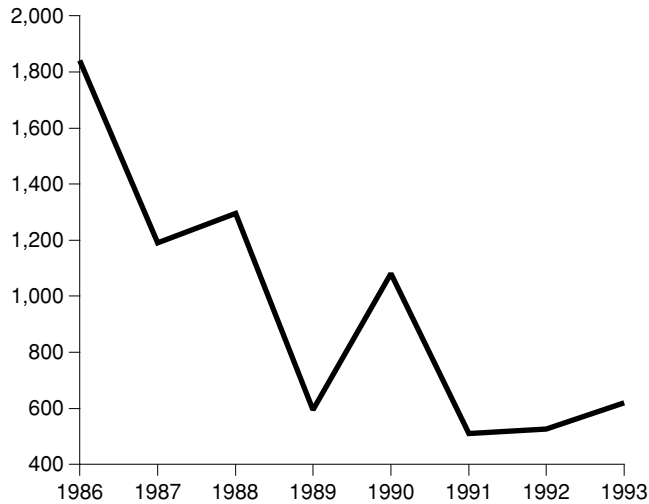


FIGURE 7

Machine tools consumption: CNC lathes and chuckers

(number of units)

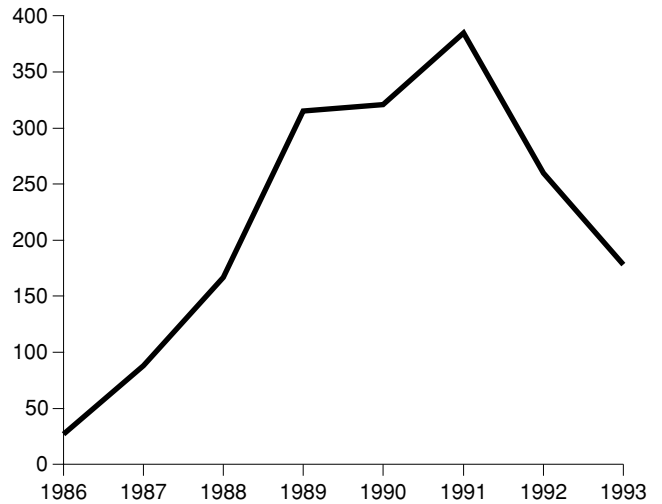


FIGURE 6

Machine tools consumption: standard gear cutting

(number of units)

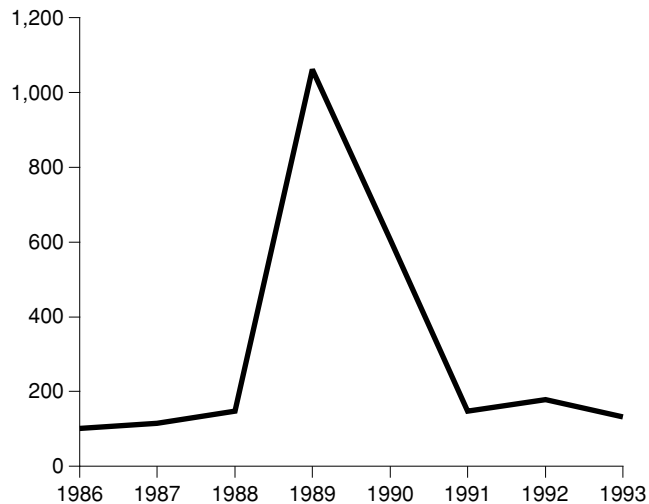
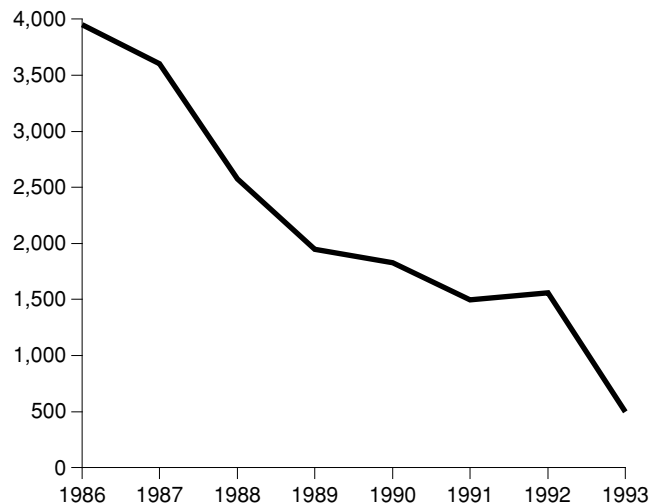


FIGURE 8

Machine tools consumption: standard lathes and automatic

(number of units)



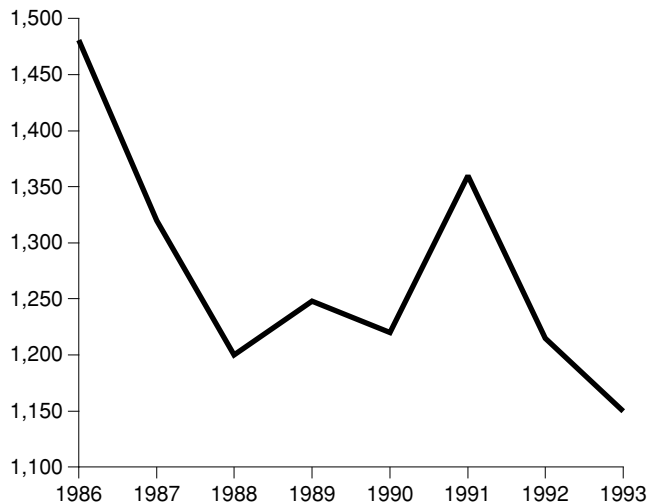
than 10% of the whole demand,” says Shailesh Sheth, president of the Indian Machine Tools Manufacturing Association. Companies such as Mysore Kirloskar, 30% of whose output used to go to the defense sector while another 30% was exported to Soviet Union and Germany, were major losers.

Although orders from the defense sector and the railways, and exports overall, have stagnated, the domestic order book situation is a lot more comfortable for a number of companies. Bharat Fritz Werner raised its turnover from 270 million rupees in 1993-94 to 350 million rupees in 1994-95. The Banga-

FIGURE 9

Machine tools consumption: milling and boring

(number of units)



lore-based Widia India Ltd., a subsidiary of Cincinnati Milacron, next year expects to top its turnover of 1.3 billion rupees in 1995.

From the technological standpoint, state-of-the-art passenger cars, two-wheelers, and commercial vehicles have introduced a whole new range of manufacturing processes. The emphasis is now more on enhancing productive machining systems which would reduce to a bare minimum the non-cutting time. These systems have to be capable of operating at high machining parameters, achieving specific process capability and increased automation in loading and unloading (resulting in substantial saving in time in each cycle of operation), flexibility to accommodate product-mix variations (resulting in emphasis on flexible manufacturing cells in place of dedicated transfer lines), and with reliability and "high up-time" to support customer service.

In addition, the emerging requirements of metal-forming and plastics-processing technologies, to meet the needs of vehicle exterior and interior structural components, have introduced new machine tools and further improvement in operating systems. For instance, such requirements will call for a highly productive sheet metal processing industry, forging presses, plastic injection-molding machines, press toolings, dies, and molds.

With the emergence of new processing technologies, the machine tool industry in India is also shifting gears. Production of general purpose machine tools has declined from 16,000 per year in the mid-1980s to 9,000 in 1994, while production of CNC machines has risen from 16 in 1984 to 800

in 1994. However, it is also evident that such technological improvement in the machine tool sector will take some time to consolidate. Fanuc India, a joint venture between Fanuc of Japan, General Electric of the United States, and Voltas of India, which makes controls and drives for CNC machines, had to content itself by selling 500 units in 1995. In Japan, Fanuc produces 8,000 units per month.

The present mix

The Indian experience of more than five decades in machine tool technology, according to J.P. Malik, executive director of the Machine Tool Business Group, HMT, has made it resilient. It now offers a wide spectrum of machine tools, from conventional machines to flexible manufacturing systems in the metal cutting range, supplemented by metal forming machines and plastics processing machines. Over 350 manufacturers in the sector produce 10 billion rupees worth of machine tools, cutting tools, and other peripherals annually, Malik points out.

As in many countries, the Indian machine tool industry began with the manufacture of central lathes. Over the years, however, the industry grew to cover almost all the conventional technology machine tools and CNC machines. A wide range of metal forming presses, forging presses, and deep drawing presses, and sheet metal forming machinery, has been introduced to meet current needs.

One of the more satisfying features of the performance of the Indian machine tool industry in recent years has been the proportion of CNC machines produced compared to total turnover. In addition, the manufacturers have succeeded in developing their own design and widening and completing the range of CNC machines such as lathes, machining centers, and grinding machines.

Notable successes have also been achieved in making available in larger quantities such basic machine tools as work holding and tool holding equipment (mechanical clutches, hydraulic and pneumatic clutches, drill chucks, tapping attachments, and so on).

Improvements have been noticed in the modernization of production facilities by way of investment in critical mother-machines such as sideway-grinding, jig boring, and measuring and metrology equipment. Improvements in manufacturing systems through adoption of computerization to further the capability to service CNC machines, has also occurred in recent years.

The weaknesses

However, the Indian machine tool industry also exhibits some palpable weaknesses. Some of these weaknesses are not due to lack of vision, but perhaps more to inadequate funding and ineffective coordination. For instance, while the perspective plan for the industry is geared to creating the conditions so that the vital inputs required for manufacturing CNC machines are made available within the country, such items as

CNC controls, ball screws, axis drive motors, measuring scales, feedback elements, among others, continue to be imported because, except for a handful, most of these items have been ignored by manufacturers.

Since the machine tool industry has not grown at the rate it should have, the relative cost of production of Indian machine tools is very high compared to the corresponding freight-on-board prices of machine tools made abroad, such as those from South Korea and Taiwan.

In addition, the following shortcomings have been cited by the industry:

- The most often heard complaint is that the Indian machine tool industry has not made significant progress in absorbing and establishing technology for the manufacturers of high-precision machines such as jig borers, precision grinders, tool-room precision lathes, and so on.

- Except for the production of gear hobbers and gear-shaping machines, other gear-producing machines such as bevel gear generators, spiral bevel gear generators, and gear grinding machines have not been put into production.

- Development in the Indian foundry industry is also lagging behind international standards. The improvements required by way of accuracy in castings, reduction in machining allowances, and castings for high-precision machines are lagging considerably.

- There has been very little progress made in the production of heavy machine tools which are critical to key sectors such as power generation equipment, pressure vessel manufacturers, and marine engine production, among others.

- The Indian manufacturers have inadequate appreciation of changes in production systems such as cellular manufacture. They have yet to fully apprehend the underlying principles and the areas where adaptation and modification in machine tool designs are required.

- The reliability of Indian machine tools has been much lower than corresponding machines made abroad. The up-time of the CNC machines has been lower than for the imported machines.

- A large number of user industries have specific requirements of machine tools, and these are best met by focussing on specific products of the user industry and developing the corresponding machine tools needed. In such customization of machine tools, there exist visible gaps. Some of these items have been highlighted by experts from time to time.

This list is by no means exhaustive, in cataloguing the weaknesses in the still-to-be-developed machine tool industry. At a forum organized by the Confederation of Indian Industry (CII) last year, one of the participants, T.V. Mansukhani, pointed to a whole range of weaknesses, and outlined what the industry has to do in the future to overcome these weaknesses. A few of Mansukhani's suggestions hit the core of the problem. To begin with, he suggests:

- India's large and medium-sized machine tool builders should concentrate on the more complicated and special-pur-

pose machines, and encourage smaller manufacturers to take on the manufacture of simpler products.

- It is important that machine tool manufacturers re-arrange their production facilities and move away from batch production to more flexible CNC manufacturing systems.

- Machine tool manufacturers must take action to improve the quality of castings which would help them to produce high-precision machine tools. Indian machine tool manufacturers are lagging behind in absorbing technology for castings and high-quality precision tools.

A similar view has been expressed by Malik elsewhere. He said that Indian machine tools are yet to attain international levels in terms of performance and reliability. He pointed out that the manufacturing philosophy requires a phase change. Manufacturers must abandon the present practice of in-house manufacture of all components and assembly. He says that through a series of interactions with machine tool builders

Flexible manufacturing cells and systems

Modern machine tools are not developed in isolation but are consciously designed as one element of a complete production system in the form of a production cell, which can be readily adapted to widely varying user needs. A survey conducted in 1995 among 35 leading companies from America, Japan, and Europe indicated a global trend toward modular production, necessitating further differentiation among Asian, American, and European zones.

Of the companies surveyed, 49% consider the modular method, based on simple, low-cost, stand-alone machine tools, the direction which will be taken in the immediate future. Some 38% favored modular production in the form of **flexible manufacturing cells (FMC)**, with standard interfaces for additional modules. The remaining 13% see a future for integrated manufactures in the form of **flexible manufacturing systems (FMS)** with integral control and logistics.

There are, however, counter-arguments against a completely integrated system. The increased integration of a multiplicity of elements results in an exponential rise in the complexity of entire systems. The trend worldwide of buyers is that their purchase decisions are dominated by a very high up-time, on the order of 97-99%, for a machine or manufacturing cell, because down-times often add up to several times the amount invested in the machine itself in additional costs.

of international repute, Indian manufacturers have started to recognize the benefits of ancillarization in the areas of cost effectiveness and short delivery time.

Malik says that there is an effort afoot to enhance technology. Because manufacturing technology comprises machines, systems, and toolings, it requires cooperation between the machine tool industry and the suppliers of components — hydraulics, pneumatics, electronics, and cutting tool manufacturers. At the industry level, central R&D organizations, such as the Central Machine Tools Institute, are involved in associating all these agencies in the effort to upgrade technology.

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The general trend toward greater local autonomy and individual responsibility, including in the planning, control, and monitoring of individual manufacturing cells. Over 90% of those surveyed all over the world confirmed the increasing importance of computer integrated manufacturing (CIM) and intelligent manufacturing system (IMS). CIM systems will be necessarily simple, easily managed, and designed in accordance with worldwide compatibility standards. Initial moves toward IMS are already being made by some manufacturers, who monitor the condition of machines and tool wear by means of sensors. IMS will eventually lead to the automatic replacement of tools after certain limits have been exceeded.

Flexible manufacturing cells consist of at least two conventional and/or numerically controlled machine tools (NCMT) and include a material handling device such as a robot serving a number of machine tools standing in line or in a circle, or automatic pallet changers in conjunction with automatic transport between NCMTs.

Flexible manufacturing systems consist of several automated machine tools of the universal or special type and/or flexible manufacturing cells, and if necessary, automated workstations. They are interlinked by an automatic workpiece flow system in a way which enables the simultaneous machining of different workpieces which pass through the system along different routes.

In other words, FMC is based on a synchronization principle: At any given time, several machines are processing the workpiece.

FMS is based on a coordination principle: Each of the machines is processing the workpiece in sequence. The transfer between the different machines can be organized under two principles: flow shop, where the workpiece goes

from one machine to another, as in a transfer line; and job shop, where it is then possible to combine in different manners the machine utilization.

How the FMS works

In most FMS installations, incoming raw workpieces arrive at a workstation where they are positioned into fixtures or pallets. When information is entered, the FMS-controlling computer takes charge, performing all the necessary operations to completion.

The controlling computer first sends a transporter to the load/unload station to retrieve a pallet. The loaded pallet then keeps moving in a loop until a machine becomes available to perform the first operation. When a position in the queue (in machine tool lingo, the shuttle) becomes available, the transporter stops and a transfer mechanism removes the pallet.

The controlling computer (called supervisor) determines whether all of the required machine tools are present in the packet and requests needed tools from either off-line tool storage or a tool crib/tool chain within the system. When all the required tools are loaded, the supervisor downloads the NC part program to the machine controller from the FMS computer.

When the set-up activities are completed, machining begins. The FMS monitors the tool during machining. If it breaks, a contingent procedure is invoked. Compensating corrections for any deviation are made during machining.

The finished, or machined part is moved to the shuttle to await a transporter, the pallet moves to the next operation, or else circulates in the system, or is unloaded at some intermediate storage location until the machine required for the next operation becomes available.

Business Briefs

Infrastructure

Egypt contracts for Africa-Asia bridge

Egypt has contracted two local firms and one Japanese firm to build a \$150 million suspension bridge across the Suez Canal. The 2.4-mile bridge, set 230 feet above the waters of the canal so that the largest ships can pass, will be the first overland road link between Africa and Asia since the canal was built in the 1860s. The only current transport links from African Egypt to the Sinai Peninsula are the Ahmed Hamdi Tunnel and ferries.

The bridge will be near the town of Qantara, 29 miles south of the city of Port Said. It will serve mainly northern Sinai, where the government is planning to irrigate 400,000 acres of land. The population of all Sinai is expected to rise to 3.2 million in 2017 from a few hundred thousand today, as a result of the transportation and irrigation project. Traffic across the canal is expected to reach 50,000 vehicles per day by 2015, and it will take 42 months to build the bridge, the government says.

Development

Chinese official says, a 'human right' is to eat

China's Vice Premier Li Lanqing told the Argentine daily *Clarín*, in an interview on May 20, that "the principal human right is to eat and develop oneself." He had been asked about human rights violations in China.

"There are concepts of human rights common to all humanity, but due to different cultural histories and degrees of economic development, there are different points of view on other aspects. Let's take an example: For some countries, the prohibition of homosexuality is a violation of human rights, but we believe that the reverse is true," he said. "For us, as a government of a developing country, the principal human right is to eat and to develop oneself. If we do not safeguard these two rights, we cannot then speak of other human rights."

Li Lanqing was leading a delegation on a visit to Brazil, Cuba, Colombia, Chile, and

Argentina, in an effort to develop South-South trade and economic relations with Ibero-America.

Southeast Asia

Rail, not airline hub urged in Thailand

Chalongphob Sussangkarn, president of the Thailand Development Research Institute, proposed that Bangkok, the Thai capital, not compete as an aviation center, but serve as a high-speed rail hub, linking the capitals of Vietnam, Cambodia, Laos, Myanmar, Malaysia, and Singapore, the *Bangkok Post* reported on May 20. Chalongphob made his proposal in a speech at a transport seminar in Bangkok the day before.

Chalongphob implied that the population density of the region would make such a high-speed rail network feasible within 15 years, as against trying to meet Thailand's needs alone. Using the example of the French 300 kilometer per hour trains, he said that such systems would cut travel times from Bangkok to Ho Chi Minh City, Vietnam or Yangon, Myanmar, to three hours; or to Vientiane, Laos or Phnom Penh, Cambodia, to two hours. In this way, he said, Thailand could be of "outstanding" service to the whole region.

South Africa

Government's economic strategy has failed

The South African government's growth, employment, and redistribution (GEAR) strategy has failed, Zwelinzima Vavi, assistant secretary-general of Cosatu, the South African trade union, said on May 15, the Johannesburg *Star* reported. Vavi told a Cosatu policy conference on the South African labor market that the federation should devise a strategy "to save our country from an imminent disaster of self-imposed structural adjustment. . . . GEAR has already failed the test Cosatu set for a macroeconomic policy [regarding] job creation, closing the apart-

heid inequalities, and wealth redistribution."

Vavi said the government has acknowledged that it will not meet its job creation target. "If one looks at the Central Statistical Service statistics, there is only one conclusion — instead of job creation there are massive job losses," he said. Labor should resist business calls for a more flexible labor market, because these have amounted to nothing more than the "retention of apartheid in a different form."

Any strategy designed to change the domestic labor market must tackle structural deficiencies introduced by the country's previous dispensation, Vavi said. He added that structural adjustment must include the development of human resources to meet the emerging challenges of the labor market, the adjustment of the significant remuneration gaps between management and labor, and the introduction of a living wage. He added that workers, as the key producers of wealth and the largest segment of consumers, must reject the "neo-liberal" market theory that had reduced labor to a common commodity to be traded freely. Vavi challenged the market theory's advancement of the concept of a "labor elite," because this distorted the real working conditions of the working class. "The irony of the labor market is that 63% of wage earners fall within the category of the poor," he said.

Russia

Officials demand real economic investment

On May 19, two deputies of the Russian State Duma (parliament) demanded investment in the economy to ensure real growth. The call came as the Duma neared a vote on the government's "sequestration," i.e., cut, of 108 trillion rubles from 1997 spending, which is 20% of the budget mandated by law.

Yuri Maslyukov, chairman of the Duma's committee on economic policy and a member of the Communist Party of the Russian Federation (CPRF), said that without a national "development budget," monetary maneuvers of any sort were pointless. "We clearly realize that there are absolutely no changes in the real sector of the economy. And no changes are expected unless we have

a development budget," he said.

Yuri Voronin, a deputy chairman of the committee on budget and taxes, opposed a money-printing proposal, saying, "Concerning emission, yes, I believe this should be done, but the money is not to be used to pay wages and pensions; this money should be directed into the real sector of the economy. If the real sector of the economy does not work, we will never be able to increase the tax base, to increase budget revenue, and so on."

Voronin was referring to a demand by CPRF deputies Gennadi Seleznyov, Viktor Ilyukhin, and others, that the state print 300 trillion rubles in order to pay back wages and pensions. Federation of Independent Trade Unions of Russia leader Mikhail Shmakov endorses this so-called "monetary emission."

Central Bank chief Sergei Dubinin warned against the CPRF "emission" bill, saying in an interview, that printing money could crash the value of the ruble by 80%, to something like 25,000 rubles to the dollar.

Economic Policy

Azerbaijan establishes special economic zone

The United Nations Industrial Development Organization (UNIDO) and the UN Development Program presented in the beginning of May a major investment project for the Azerbaijan city of Sumgait, one of the country's industrial centers with a population of about 300,000. Sumgait has suffered severely from unrest in the region linked to the breakup of the Soviet Union. The Nagorno-Karaback conflict, the war in Chechnya, and the loss of traditional markets have led to the near breakdown of production, to an extent that most plants operate at 10% capacity or less.

In the last year and a half, UNIDO has worked to create a plan for the establishment of a special economic zone in Sumgait to attract potential investors. A law on the zone was recently passed in parliament, and is expected to become effective in June. Six projects in the metallurgical, petrochemical, and textile industries, with a value of investments estimated at \$1 billion, have been

singled out.

The key for Azerbaijan's economy to improve, however, lies in the progress of the Eurasian Land-Bridge. Azerbaijan has vast oil and gas resources, and the first oil and gas pipeline to the Black Sea is expected to start operation in October. Several consortia have signed contracts with Azerbaijan which could bring investments into the country on the order of \$50 billion over five years.

Economic Theory

Mandeville's ethic called 'repulsive'

Spanish journalist Joaquin Estefania attacked the works of 18th-century free-trade economist Bernard de Mandeville, on the release of a Spanish-language edition of Mandeville's infamous "Fable of the Bees," in the daily *El Mundo* on April 6. Estefania said that the Fable is "the most scientific antecedent of Adam Smith's laissez-faire theory," and that Mandeville's "philosophy influenced such personalities as Rousseau, Montesquieu, and even Marx. The work — paradigmatically subtitled 'Private vices make for public prosperity' — forms a repulsive ethic which defends luxury, envy, and pride, and which justifies egoism."

"Mandeville's economic theses, which years later [allegedly] gave rise to capitalism, are, among others, the following: Commercial affairs go better when they are less regulated by government; things tend to find their own equilibrium; untrammled egoism on the part of each individual will intervene in society so reciprocally that . . . it will rebound to the benefit of the community. On the other hand, state intervention would tend to upset society's delicate harmony," Estefania wrote.

Estefania said he read Mandeville's book when three Nippon Bank affiliates went belly up, and noted that the Japanese banking losses were not dealt with by the "invisible hand," but with public funds. Thus, he concluded, "Mandeville's famous thesis may be influential, but does not reflect reality: Society's delicate harmony does not exist, because private vices almost never yield public benefits."

NIGERIA stopped British aircraft from landing in the country in May. (The British government barred Nigeria Airways planes two months ago.) On May 15, Nigeria cautioned the British government, following remarks by Foreign Secretary Robin Cook that Britain would support sanctions against Nigeria.

SOUTH AFRICA'S JCI will merge with Lonrho to create a \$3.5 billion mining conglomerate in coal, gold, and diamonds. Anglo American Corp., which has a controlling 33% share in Lonrho, can now gain control over Ashanti Gold, Ghana, the biggest, most profitable gold-producing entity in Africa. SBC Warburg helped design the merger.

AFGHANISTAN suffers from food shortages in many areas of the country, the World Food Program has reported, a spokesman for the UN secretary general said on May 14. In Kabul, for example, wheat flour is in short supply. The Taliban ruling group has called for increased humanitarian food assistance from the international community.

FILIPINA maids, representing 140,000 Filipinas in Hongkong, protested outside the Grand Hyatt Hotel on May 22, where Philippines President Fidel Ramos was speaking, against the exploitation of overseas contract workers, the largest source of foreign exchange earnings for the Philippines.

CHINA'S securities authorities are reigning in speculation, probably being fueled by foreign hot money, on the Shanghai stock market. Authorities fear a repeat of recent disasters in Albania and Russia.

RUSSIA'S official statistics of 1,500 new reported AIDS cases last year, represent only 10% of the actual new cases, according to experts, the *New York Times* reported on May 18. Experts estimate that there will be at least 100,000 people infected with HIV by the end of the year.

Who will answer for East Zaire holocaust?

by Linda de Hoyos

Laurent Kabila—the mercenary turned gold smuggler, turned “liberator,” and now turned “self-appointed President”—was inaugurated on May 29 as President of the Republic of Congo. Since arriving in Kinshasa on May 20, Kabila has already announced a series of sweeping decrees giving himself total authority over the government that rules 45 million people.

On May 24, he banned all political activities and the opposition parties. The edict signaled that those who disobeyed could be dealt with extremely harshly: “Those who contravene these measures will be considered enemies of the liberation of the Congolese, and will be prosecuted to the fullest extent of the law.”

On May 28, he announced that the “government conducts the policies of the nation as defined by the President, it executes the law of the republic and the decrees of the head of state.” There are to be no constraints on Kabila’s personal power or the power of his Rwandan, Ugandan, and Angolan military backers to enforce the “decrees of the head of state.”

At the inauguration, the May 30 *New York Times* noted, “Kabila was flanked by the Presidents of the five countries who helped him during the war: Yoweri K. Museveni of Uganda, Pasteur Bizimungu of Rwanda, Pierre Buyoya of Burundi, Frederick Chiluba of Zambia, and Jose Eduardo Dos Santos of Angola.” In the cases of Uganda, Rwanda, Burundi, and Angola, this aid extended to the deployment of military equipment, weaponry, and troops.

With the addition of Museveni’s military partners to the north, Eritrean President Isaias Afwerki and Ethiopian President Meles Zenawi, the group gathered at Kinshasa represents the military combine the British Privy Council has organized for its complete seizure of the mineral wealth of Africa—as indicated by Kabila’s May 9 Lubumbashi conference with 32 mining and investment houses, most of them representing financial interests of the upper crust of the British Commonwealth.

For the British Privy Council, the drive—whose preparatory phase began with



Since April 20, up to 45,000 refugees, the last remnants up to 600,000 that remained in Zaire, have been liquidated by the British-backed genocidalists who are being heralded as the leaders of a "new Africa."

the 1990 invasion of Rwanda from Uganda — to seize Africa's raw materials is fuelled by the ongoing collapse of the international monetary system. Under conditions in which the value of all paper instruments is nullified, it is the ownership rights to, and market control over, raw commodities, especially strategic minerals, oil, and agricultural production, that, the financial oligarchs believe, will give them the *political* power to dictate terms to the rest of the world. Hence, the drive to take Zaire, bringing it into the British Commonwealth at last, has brought the financial interests behind the British Privy Council into direct control of the heart of central Africa, and has put it in military position to lash out in all directions against any nation-state not already fully cooperative.

For Africans, this means systematic mass death, on a scale nearly rivaling the extermination campaigns of Hitler's Germany, and in intensity, already surpassing it.

Holocaust out in the open

Two days before Kabila strode into Kinshasa, the *New York Times* published a feature-length article detailing the mass murder of thousands of Rwandan and Burundian refugees in eastern Zaire, under the supervision of Rwandan Tutsi troops. "Since the middle of last month, no outsider has been allowed down the six miles of jungle road that begin at a roadblock manned by soldiers at Kilometer 42 south of here. But a growing number of accounts emerging from that zone suggest some form of systematic killing of refugees and disposal of the evidence has been taking place there," wrote

Donald G. McNeil, Jr., in an article entitled "Reports Point to Mass Killing of Refugees in Congo." This and other news accounts in the Western press since April 30 have detailed the liquidation of up to 45,000 refugees in eastern Zaire since April 20 (see press grid).

However, those killed were among the last remnants of more than 600,000 that remained in Zaire, after Kabila's Rwandan and Ugandan troops forced 500-600,000 refugees to return to Rwanda in November 1995. Hundreds of thousands of others are either dead through starvation, disease, and exhaustion, or were murdered in massacres at successive camps, or "hunted down like wild animals" in the Zairean jungles, as Emma Bonino, Humanitarian Affairs Commissioner of the European Community, described it. The safety of those who have returned to Rwanda is not considered secure.

The combination of leaders credentialed by British intelligence to enforce such mass murder are being heralded as the leaders of a "new Africa" to be aimed against those remaining old-style "dictators" who retained any link to their citizenry at all. This combine, claimed one promoter of London's game, Dr. Bob Arnot of the U.S. Committee on Refugees, will bring into being a "united states of Africa," a plan, he said on national television on May 15, that Museveni, Kabila, Afwerki, John Garang, and others hatched at the Dar Es Salaam University under then-Tanzanian President Julius Nyerere.

Museveni himself is more honest about the role model he has taken. At the opening of the East African Law Society General Assembly and Conference on April 4, 1997, accord-

ing to the newspaper *Shariat* of April 15-21, Museveni declared: "My mission is to see that Eritrea, Ethiopia, Sudan, Uganda, Kenya, Tanzania, Rwanda, Burundi, and Zaire become federal states under one nation. It is not a choice now, but a must that East Africa becomes one nation. Either we become one nation or we perish. If we don't come together, we shall perish as the Red Indians perished. . . . As Hitler did to bring together Germany, we should also do it here. Hitler was a smart guy, but I think he went a bit too far by wanting to conquer the whole world."

There are immediate targets on the agenda, now that Kinshasa is taken. According to reliable sources, 3,000 Ugandan and Burundian troops have been redeployed into Burundi, with the aim of destroying the National Council for the Defense of Democracy, the multi-ethnic resistance to the long-standing extermination policies of the Burundi Tutsi military. Another immediate target is Kenya. It is reported that a major force of Ugandan troops and Kenyan insurgents is amassing on the Kenyan border in the Mt. Elgon region, with the aim of targeting Kenya's General Services Units stationed along the border. Sources also indicate that soon we can expect "the ingestion of Congo-Brazzaville."

Never again?

Despite the evidence of the mass murder that has been carried out by the gang of invaders assembled under Kabila's

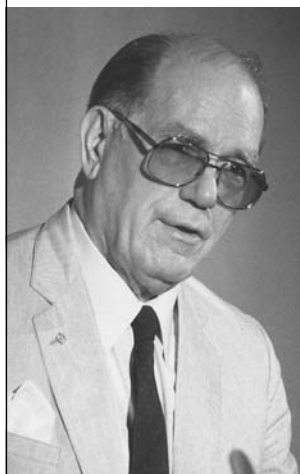
name last November, there has been little outcry in the Western world. To the contrary, the op-ed pages are filled with those ready to make excuses for Kabila and his friends, along the vein of Bob Arnot himself, who, after describing Kabila's wholesale destruction of village after village in Zaire and the indiscriminate murder of their inhabitants, declared: "This is a great opportunity."

Kabila and his gang are winning friends and congratulations from all levels. To enumerate only some of them:

- U.S. Rep. Donald Payne (D-N.J.): According to a report from Voice of America, Payne and Thomas Campbell (R-Calif.) ran to Kinshasa to meet with Kabila and his finance and foreign affairs ministers, before they went to Kigali, Rwanda, to meet with Tutsi leader Paul Kagame. As news of the mass killings was hitting the press, Payne was cited by VOA as saying that "now is not the time for Western political standards of democracy. . . . A country that has been in existence for two days, I do not think can be called un-democratic because they are not going to allow demonstrations." In January, after meeting Kabila, Payne praised him for treating the refugees "humanely."

- Jeffrey Sachs: The resident dope-economist at the Harvard Institute for International Development and whose recommendations destroyed the economies of eastern Europe, Sachs has weighed in on Kabila's side. In an op-ed in the *New York Times* on May 29, Sachs declared that "the West should

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Copenhagen	2300	San Francisco	1400
Denver	1500	Santiago	1700
Detroit	1700	Sarajevo	2300
Dublin	2200	Seattle	1400
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Helsinki	2400	Stockholm	2300
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Honolulu	1200	Teheran	0130*
Hong Kong	0600*	Tel Aviv	2400
Houston	1600	Tokyo	0700*
Istanbul	2400	Toronto	1700
Jakarta	0500*	Vancouver	1400
Jerusalem	2400	Vladivostok	0800*
Johannesburg	2400	Venice	2300
Karachi	0300*	Warsaw	2300
Kennebunkport	1700	Washington	1700
Kiev	2400	Wellington	1000*
Khartoum	2400	Wiesbaden	2300
Lagos	2300	Winnipeg	1700
Lima	1700	Yokohama	0700*
Lincoln	1600	Yorktown	1700
Lisbon	2300		* Mondays

save the morality lessons for later. . . . It seems likely that Kabila will rely more on direct military support from Uganda, Rwanda, and Angola to consolidate his rule than on the allegiance of his countrymen. . . . First the United States should abandon its calls for early elections. These will have to wait.”

Sachs then hails Museveni’s Uganda—the country whose life expectancy is falling faster than any other country in the world—as the model for Congo. “The experience of neighboring Uganda is instructive. Since President Museveni came to power in 1986, Uganda has recovered from the most harrowing depths of violence and economic collapse to become one of Africa’s fastest-growing countries, while improving its human rights record.”

- President Nelson Mandela of South Africa, wearing the mantle of the symbol of the fight against apartheid, is either not briefed or is forced to play the game as it is called by the Privy Council’s Anglo-American conglomerate that owns most of his country.

In a speech on May 28 after meeting with Ugandan President Museveni in Johannesburg, Mandela, who has complained of U.S. distrust of Kabila, declared: “You must judge what President Kabila is doing against the specific conditions that exist there. It would be suicidal for him to allow the operation of parties before he has a firm grip on the government of the country. I think that we can trust him, on the basis of his record, to keep his word.”

Mandela conferred on Museveni South Africa’s highest honor, the Order of Good Hope Grand Cross, during the Ugandan’s two-day visit.

- Tanzanian former President Julius Nyerere: “Please give Mr. Kabila a chance to organize himself,” he told the International Peace Academy in New York. In the same speech, he defended the actions of the Tutsi Rwandan government, claiming that the refugees were armed, implying thusly that the Rwandan Army was justified in its mass murder of civilians.

Despite the pressure coming from various private entities and reportedly from U.S. Ambassador Daniel Simpson himself, that Kabila be given a *carte blanche*, it does not appear that the Clinton Presidency agrees.

U.S. Ambassador to the United Nations Bill Richardson is to return to the Congo, Secretary of State Madeleine Albright announced from Paris on May 26. On orders from President Clinton, Richardson had travelled to Zaire at the end of April, in a mission to ensure that the taking of Kinshasa would not result in a general bloodbath, and to press upon Kabila the conditions for U.S. support. Richardson’s trip also began to bring to the U.S. media the plight of the hundreds of thousands killed or starved under Kabila’s watch in eastern Zaire since October 1996.

But Kabila’s record on adhering to U.S. demands is as poor as his human rights record. He dances to the tune of a different master—London. It will take confrontation with this reality to bring to account those responsible for the mass murder in eastern Zaire.

Documentation

Genocide in Africa: Some of the truth comes out

The following are excerpts from articles appearing in the world’s press on the genocide of the Rwandan and Hutu refugees and also displaced Zaireans in eastern Zaire since Nov. 4, 1996. The articles are listed in reverse chronological order. This chronology does not include reports from aid agencies, some of which, like Amnesty International, Refugees International, and Doctors Without Borders, have consistently reported on atrocities carried out by the combined “Tutsi legions” organized by Ugandan President Yoweri Museveni from Rwanda, Uganda, Burundi, and Zaire.

May 22, 1997, Donald G. McNeil, Jr., “Reports Point to Mass Killing of Refugees in Congo,” *New York Times*.

“Since the middle of last month, no outsider has been allowed down the six miles of jungle road that begin at a roadblock manned by soldiers at Kilometer 42 south of here. But a growing number of accounts emerging from that zone suggest some form of systematic killing of refugees and disposal of the evidence has been taking place there. . . .

“The accounts come from refugees who have emerged from the jungle, from aid workers who deal with the victims, from Congolese who live nearby, from a disaffected Congolese soldier who says he worked in the zone, and from aid workers who saw a military unit move into the area. All of the more than 25 people interviewed refused to be identified or to have their aid agencies identified for fear of retribution. . . .

“‘They march them down the road—yes, children and mothers, too,’ said a terrified 34-year-old man in the Biaro camp, just south of here. He said he had heard from other refugees what had happened. ‘They kill them, and then at Kilometer 52 they mix corpses together and make fire with them. . . .’

“One reason the accounts are now emerging is that the soldiers operating in the zone have needed the help of local people to carry out their work. Local people say they have been dragooned to work south of Kilometer 42, carrying bodies, driving trucks or digging graves.

“Witnesses have reported the arrival of a well-drilled and heavily armed military unit in the days before the jungle area was sealed off. Second-hand accounts report killings and funeral pyres deep in the rain forest, and soldiers carrying off bags of human ashes. . . .

“At least one former Zairean soldier who worked in the zone said about 30 refugees are still being killed each day as

EIR called the shots

At an April 26-27 conference in Germany on “Peace Through Development in Africa’s Great Lakes Region,” co-sponsored by *EIR*, a participant from Burundi, Jerome Ndiho of the National Council for the Defense of Democracy (CNDD), remarked upon the accuracy of this magazine’s coverage of developments in that part of the world. “I remember when I was in Zaire in 1994,” he said. “I was invited by the governor of Kivu, and I took the opportunity to offer him a feature written by Mme. Linda de Hoyos. I told him, ‘Mr. Governor, this is a very important feature. Here is a scheduled mass killing, and Zaire will be attacked, in British Empire framework, a Great British Empire. That is reality! You have to read details.’

“The governor told me, ‘Oh, you know, Zaire is so big; small Rwanda is not able to attack the Zaireans!’

“But, Mme. Linda de Hoyos was right!”

An example of what Mr. Ndiho was talking about, is the article by Mrs. de Hoyos in *EIR*, Sept. 9, 1994, titled “Is Zaire Britain’s Next African Target?”

“For the second time in the six weeks since the Rwandan Patriotic Front (RPF) swept the Rwandan government army out of Rwanda,” she wrote, “Lady Lynda Chalker, British Minister of Overseas Development, has been touring the East Africa region. During her first trip, Chalker, whose ministry is the former Colonial Office for the British Empire, spent five days in Uganda hosted by her friend President Yoweri Museveni, logistical and ideological sponsor of the RPF, and briefly visited the refugee camp in Goma, Zaire. This time, Chalker, reported the British Broadcasting Co., is visiting Burundi, with a different message: All governments of the region must ensure that the former Rwandan government army, now holed up in Zaire, must not be permitted to rearm or regroup. . . .

“The conditions are thus being put in place for additional military action in the region, either from the UN or between the warring groups, this time bringing Zaire into the fray.

“Zaire, now primarily an asset of the French government, as was the former Rwandan regime, is one of the major targets in the British grand strategy for East Africa, launched with the October 1990 invasion of Rwanda. Reportedly, Rwanda is the paradigm for the new British Foreign Office agenda in Africa.”

they emerge from hiding places in the forest.

“According to refugees and aid workers who have talked to survivors and to local Congolese soldiers who say they have helped bury the bodies, groups of refugees are being waylaid as they stumble up the road toward a United Nations airlift that would be their salvation. The men are tied up, made to kneel, and then strangled or hacked to death as others watch, they say. Sometimes women and children are killed too, and sometimes the children are released to go up the road—this time alone, they say.

“Beyond Kilometer 42, there are reports of burial pits from which the bodies from earlier killings are being dug up and burned. Soldiers and local Congolese civilians who have trucked in wood and gasoline say there is an open-air crematorium beside a quarry at Kilometer 52.

“According to the Associated Press, a disaffected soldier from Mr. Kabila’s forces who said he killed no one but helped remove bodies described how the ashes of the burned bodies are shoveled into white bags and stored to be dumped into rivers later. The soldiers operating south of Kilometer 42 are under great pressure to hurry before outsiders gain access to the area, said the soldier, who said he had volunteered the information because he had grown disgusted with the killings.

“ ‘When the UN eventually comes to investigate, there will be no evidence left,’ the AP quoted him as saying.

“The soldier told the AP that he had seen killings him-

self, including 43 refugees who were hacked to death one by one. . . .

“The soldier also provided the AP with a detailed map of the 10-kilometer stretch, purporting to show where mass graves are, a cremation area where bodies are piled on gasoline-soaked wood and burned on pyres, and houses where the ashes are stored.

“The soldier told AP that between 200 and 600 people slain by Mr. Kabila’s troops were buried there.

“A *New York Times* and an AP reporter and a diplomat who entered an area to which the United Nations has access found one set of what appeared to be graves—seven earth-covered pits about 10 feet by 10 feet each with clothes and identity cards scattered nearby and a cross made of sticks wired together. The reporters and several diplomats also tried to reach a house where the map said bags of crematorium ashes were stored, but were stopped by the village chief, who said it was a military base and off limits.

“There is no way to know how many people may have been killed. The United Nations estimates that 40,000 refugees are still missing in the area. They are part of an estimated 80,000 refugees who scattered into the forest from two camps, Biaro and Kasese, south of here, after being attacked by local villagers and rebel soldiers on April 22.

“Some are presumably still hiding in the jungle. About 6,000 who had been lying on the ground, too sick from cholera

and diarrhea to walk, had simply vanished, relief workers said, after the workers were allowed back into the camps later in April.

“Local Red Cross workers who said they had witnessed killings at Kasese on April 22 told a diplomat that Tutsi soldiers had buried bodies behind the abandoned camp with the help of a bulldozer that had been rented by the United Nations to smooth roads and dig latrines. But journalists and relief workers who tried to find that grave were stopped by the sound of gunshots. . . .

“Hutu survivors and local people say the soldiers operating south of Kilometer 42 are from a unit of 200 to 400 soldiers who landed at Kisangani Airport on April 17 and moved through the city, across the river, and down the road to the south. . . .

“Among the refugees, there are armed former Hutu guerrillas who could be considered a legitimate military target. But a refugee from Burundi, which also has several thousand refugees in Congo, said the unit did not limit itself to that mission. It drove through the refugee camps, taunting the crowds that they were going to kill them. ‘They were Tutsi,’ he said. ‘Some from Rwanda, some from Uganda, some from Burundi that we recognized.’

“On April 22, the whole road south of Kisangani was closed. When it reopened two days later, the two huge refugee camps were empty. Slowly, wounded refugees emerged from the forests, telling stories of being machine-gunned by uniformed soldiers and hacked at by local villagers. . . .

“Here in Kisangani, a remnant of the unit is said to have remained behind to waylay remaining refugees who might straggle up the road. The refugees said they did not feel safe even when they were inside Kisangani itself at the camp near the airport. ‘The soldiers at the gate whisper, ‘You think you got away, but we’ll get you in Rwanda,’” one refugee said. . . .

“Not all of the villagers in the area have been hostile to the refugees. . . .

“‘I was crying because of some dead babies on the ground—that these little ones should die,’ said There Mbuyaya, a worker at the transit camp in the city, ‘and the soldiers said to me, ‘Mama, why do you cry? Don’t you know they are snakes? Maybe they will kill you tonight.’ . . .”

May 14, 1997, by Axel Buyse, “Diplomats Claim Kigali Incites Rebels to Kill Hutu Refugees,” *Groot Bijgaarden De Standaard*.

“Under the supervision of the Rwandan Government the rebels of Kabila’s Alliance are causing a large-scale massacre among Rwandan refugees in East Zaire. Aid workers are used as a bait to lure the refugees out of their hiding places. This was reported by reliable Western diplomats in Kinshasa. The news is confirmed by other reports. The situation keeps deteriorating for the Rwandan Hutu refugees staying behind in Eastern Zaire. Unanimous sources report that they are being

chased mercilessly under the supervision of representatives from the Rwandan Government in Kisangani, in the conviction that all those who stayed behind, are accessory to the 1994 genocide. They have no mercy for women nor children. The local Zairean population is being heavily intimidated not to protect any Hutus. Sometimes, Zaireans are put under heavy pressure to take part in the killings. All traces of the massacres are being erased.

“The accusation that the rebels use aid workers as a ‘bait’ to lure the refugees out of their hiding places is particularly serious. Officials within the ‘Alliance’ inform them about the presumable presence of refugees in an area. As soon as the aid workers descend on the area, the refugees turn up. Shortly after that, the aid workers are refused access to the area, after which the refugees vanish ‘into thin air.’

“In at least one case, a battalion of the Angolan Government Army was ordered to ‘eliminate’ such a concentration of Hutu refugees in the vicinity of Kisangani.

“Last week, a UN commission of inquiry did not get permission from Alliance leader Laurent Kabila to verify the reports about massacres in Eastern Zaire. Yesterday, Paris sounded the alarm about mass murders the Alliance was committing in the city of Mbandaka.”

May 5, 1997, Jon Swain, “Killing Fields of Kisangani: Rwandan Troops Join Kabila’s Rebels in Massacre of Hutus,” London *Sunday Times*.

The article says that the road out of the rain forest via which Rwandan refugees, “with skeleton-like bodies,” were emerging, should be named “the Road to Hell.” Refugees “have lived through a nightmare, survivors of a series of massacres perpetrated by soldiers loyal to Laurent Kabila . . . with the participation of Rwandan regular forces. . . . Kabila’s soldiers encouraged or intimidated local Zairean villagers along the road, to join in the orgy of killing. . . . Some degree of Rwandan army participation in these killings seems certain. . . . Last week, as the full scale of the horror emerged, there were credible reports in Kisangani, that Rwandan units had arrived in force, the night before the massacres. People spoke of well-disciplined soldiers wearing the same clean uniforms as the Rwandan army, crossing the Congo River and heading for the camps. By contrast, Kabila’s rebels wear an assortment of tattered uniforms.

“United Nations Secretary General Kofi Annan’s accusation that a policy of ‘slow extermination’ is being carried out accurately conveys the cruelty inflicted on thousands of weak and defenseless human beings.”

April 30, 1997, David Orr, “Aid Staff Catalogue ‘Barbarities’ of Zaire Rebel Forces,” London *Times*.

“Confidential reports [from various aid agencies] allege that crimes against both Rwandan refugees and Zairean civilians started long before concerns arose over the fate of tens of thousands of refugees still missing in the forests near Ki-

sangani. The information, gathered on aid agency missions, points to a systematic campaign of extermination of refugees and of intimidation of Zaireans in rebel territory.

“One aid agency document obtained by the *Times* refers to indications that ‘serious violations’ of international humanitarian and human rights laws have taken place and are continuing, in areas controlled by the rebels.

“Testimony, says one of the reports, was gathered from expatriates working in Zaire and from Zairean villagers. . . . These sources gave evidence to the mission that the military are killing refugees. They report that it has been rebel practice to exterminate refugees in recent months and that the practice goes on.

“The rebels are said to have originally targeted male refugees, but recently have included women and children.”

Feb. 26, 1997, “Rwandese Hutu Refugees Were Massacred in Eastern Zaire,” *Le Monde*.

“Contradicting HCR [the UN High Commission on Refugees] statements and those repeatedly made by the Kigali government, a document transmitted to the UN Security Council members, to Amnesty International and to the Belgian government says most of the Rwandese refugees in Zaire have not gone back to Rwanda. This document, written by a Western witness just returned from Kivu, where he lived for

four years, points out the ‘systemic will of the Tutsi rebels to finish off Hutu refugees.’ This witness, who must remain anonymous for security reasons, says that ‘several hundred thousand refugees are already dead, most were massacred or were victims of hunger, exhaustion, or disease.’ He went back to some camps that he already knew well, after the refugees had fled and, guided by escapees, visited places where he ascertained the existence of mass graves. He also reports the stories of a great many refugees denouncing massacres committed by the ‘rebels.’ . . .

“ ‘Calling every Hutu refugee a “genocidalist” is tantamount to legitimizing, in the eyes of international opinion and also the rebels, the use of force, or worse, the elimination of these refugees,’ says the author of the document, who then explains that ‘the number of mass graves betrays a systemic will to finish off the refugees.’ ‘These mass graves are everywhere, always hidden and very difficult to reach. It is dangerous to be surprised by the rebels in these zones; it means immediate execution.’ He lists up his findings:

“ ‘Above Mugunga, at one and a half hour’s walking distance, I saw three graves with 10, 12, and 30 bodies. They were men, women, some with a baby on their back, old people. They all had been shot in the head, including the infants.’ . . .

“ ‘On the lava plain, behind the Ktali and Kahindo camps, towards the West, one can see thousands of skeletons.’ ”

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Nov. 21, 1996, "Zaire Rebels Detain Hutu, Refugees Say," *New York Times*.

"Zairean rebels are separating young Rwandan Hutu men from crowds of returning refugees, other refugees said today as they arrived in Goma by the busload. Nothing was known about the fate of the young men.

"Only women, children, and old people climbed off the rickety buses and trucks arrived here after a six-mile ride from Sake and the sprawling refugee camp at Mugunga. The rebels, who control a swath of eastern Zaire, refused to let journalists and aid workers out of Goma to look into what was happening to the men. . . .

"Some refugees said the rebels were segregating young men whom they suspected of being part of the Rwandan Hutu militia. United Nations workers said they had also received reports that young men are being detained by the rebels. . . .

"Rwanda says virtually all Rwandan refugees have returned home but aid agencies insist that hundreds of thousands are dispersed in eastern Zaire, particularly at the south end of Lake Kivu."

Nov. 12, 1996, commentary by Scott Campbell, "Mustn't Turn Our Backs on Genocide in Africa," *Houston Chronicle*.

"Hope for a solution involving the long-awaited repatriation of refugees to Rwanda seems even more absurd now than when such appeals were first made two years ago. Refugees who had fled the camp in Kibumba told me last week that Rwandan soldiers had attacked them with mortar and machine guns. How can we expect refugees to flee into the hands of the army that is shooting at them?"

Nov. 11, 1996, Scott Strauss, "Rwandans Invade Zaire in Reprisal for Shelling of Town," *Houston Chronicle*.

"Troops in Rwandan army uniforms were seen in the center of Goma. . . . Rwandan officials publicly assert that they want the refugees to return home, but only after the genocidal killers are separated and detained. But experienced observers in Rwanda wonder if the government indeed wants a huge influx of people in its already densely populated land.

"Now the refugee camps are broken. They were deliberately targeted during the fighting over the last two weeks."

Nov. 11, 1996, Anne McIlroy, "Forest Full of Dying, Refugees Say," *Toronto Globe and Mail*.

"Exhausted refugees who have made it across the border from Zaire hold little hope anyone can save thousands now dying in the forest, including the wives, husbands, and children they lost track of when their camps were attacked.

"'If you go into the forest, you would see many cadavers and many people who have only two or three hours to live,' said François Mubinyuza, a 31-year-old former electrician who walked across the Rwandan border today. 'They can't even walk five meters. They are too weak to make it to the border.'"

The Hannibal Principle

Superior strategy can defeat the British

by Lyndon H. LaRouche

At a conference in Walluf, Germany on April 26-27, sponsored by EIR, the Schiller Institute, and the Forum for Peace and Democracy, Mr. LaRouche addressed an audience of some 40 exiled leaders from Africa's Great Lakes Region. See EIR, May 23, for a full report. During the discussion period, Mr. LaRouche gave this presentation on "The Hannibal Principle," explaining how a small force, of superior intellect and moral qualities, can defeat an enemy which is stronger in sheer military power. Subheads have been added to the transcript which follows.

The point to be made is elementary and crucial.

Outside Arbela, on the Plains of Gaugamela, a relatively small force, commanded by Alexander the Great, advised by his friends and counselors from the deceased Plato's School of Athens, destroyed the Persian forces and the Persian Empire, destroyed the power of Babylon, essentially forever, as an empire. A student of this event, Hannibal, was outside Rome, faced by superior Roman forces. In his forces, which included a lot of what are called auxiliaries, which are about the fighting quality of diplomats, he had a Carthaginian infantry, heavy infantry, which was capable; he had a Carthaginian cavalry, which was capable; he had a secondary cavalry, which was not perfect but was capable; and, a number of auxiliaries.

But, he was near the lake. He was outnumbered, and we say, for the weapons of the time, outgunned by the Roman forces. Under these conditions, he placed his heavy infantry in the front lines to hold the assault of the Roman forces. And he launched a double enveloping attack by cavalry forces, including his heavy cavalry and light cavalry, against the flanks of the Roman forces. The light cavalry served as a diversionary force, while the heavy cavalry did the job. The Roman forces, which were too closely packed together, stumbled over each other's feet, and the entire Roman force was slaughtered, eliminated, annihilated.

We have similar cases of that. There was a case in the Civil War in the United States, in which General Grant acted in the place of the Carthaginian infantry, marching down to

Virginia, and General Sherman marched through, with flanking operations, a vastly superior Confederate force, destroyed Atlanta, and came up on the rear of the Confederate forces, with the result of the defeat of the Confederacy. One of the most brilliant operations in history.

During the course of the time that the British were planning World War I, that is, under the Prince of Wales who later became King Edward VII, because of their objection to the Land-Bridge program at that time, as had been proposed by the Americans, Henry Carey and so forth, the British organized war. They secured France in 1898 as an ally in the Entente Bestiale, sometimes known as the Entente Cordiale, and they suckered Russia, which had been an ally or friend of Germany and the United States, along with Belgium, as partners in an East-West assault on Germany, which was planned over years.

In response to this, the German General Staff, under Graf Alfred von Schlieffen, devised a plan, called the Schlieffen Plan, which was, again, to hold a position in what was then Alsace-Lorraine, which is the heavy infantry position, and engage in a massive enveloping attack on the northern flank of the British and French forces.

Had the attack been carried out as specified by von Schlieffen, within a matter of several weeks of the war, the British Expeditionary Force would have been annihilated, and the French would have been defeated, and the Russians would have gone home. Because the railroad system of Germany would have carried the troops from the Western front to the Eastern Front, and the Russians would have said, "Peace, no war in Europe."

During World War II, General MacArthur, with very limited forces, launched, from a vulnerable place in Australia, a counteroffensive against the Japanese Empire, in which he was supported by President Roosevelt, but with limited means, and supported by one section of the Navy, though the other section of the Navy opposed him.

And, there were two American wars fought in the Pacific. There was General MacArthur's war, which was to bypass as many Japanese forces as possible, with heavy battles in the Solomon Islands and in New Guinea, particularly where the Australians were playing a key role. But then, bypassing the Japanese islands, leaving them isolated, useless for military purposes. And, by the time that MacArthur had reached a position outside the main islands of Japan, Japan was defeated.

There was another war, which was run by some of MacArthur's political adversaries in the U.S. Navy, which used Marines who died on islands totally unnecessarily, in battles which should never have been engaged, let alone fought. They were unnecessary battles. And then, to cap it off, at the end, after the Japanese had been defeated, stupid President Truman, an evil little man, dropped two unnecessary atomic bombs on a Japan which had already been defeated, and then claimed he'd saved a million lives. Typical

of that type of politician. You may have met one or two in your life.

The flanking principle in general

Now, the principle I wish to emphasize, is not military principle, but a principle of conflict, which is applicable to our situation in a general way; applicable to the global situation, not only to the situation of Africa.

What is engaged in the flanking principle? What is engaged in the art of warfare of the MacArthurs, the Shermans, the von Schlieffens, or the case of Alexander the Great? What's the principle?

It's to accomplish something with the greatest economy of force, with the greatest economy of effort, with the least bloodshed, in the most decisive way, in the shortest possible time. Not to annihilate the enemy, not to kill, but to destroy the adversary's ability to continue organized warfare, which is called victory. That is, you annihilate the capability of the enemy to continue war, with the least possible killing.

What is really engaged, is this. For those of you who have had some military experience, particularly in training and watching how training works: The essential part of military training is entirely in the mind. You might say it's to train the soldiers not to step over each other's feet as they march. It's a matter of learning to work together. And, the point where the training is successful, is not only when certain skills have been learned, military skills have been learned, but when each member of the unit has a greatly increased confidence in their individual ability, because they now know they are part of a cooperating unit, which has certain collective skills.

And you'll see a difference between the morale of the soldiers sometimes before they're demobilized, as against after they're demobilized. A demobilized soldier will generally be a much more fearful person, a less courageous person, than a soldier just before demobilization.

Now, the commander has these troops to deal with. Now, presuming the case that the troops were equally trained and equally well-equipped, then the decisive thing, would be the mind of the commander, the ability of the commander to conduct a flanking operation, and to execute it in a way which Clausewitz in his posthumously published memoirs describes as *Entschlossenheit*, the quality of decision.

The essence of warfare

What I want to focus on, is that quality of decision, with one qualification first. That what I've described, is that the essence of warfare is not killing. The essence of warfare lies in the nature of man. Some people kill as beasts, and they call themselves soldiers. They're not soldiers. They're a disgrace to humanity, a disgrace to the profession.

Man is a creature of ideas. Human conflict must be ultimately resolved in the mind, in the powers of mind to under-

stand the cause of the problem—the same way man masters nature, increases man’s power in the universe.

The great military commander of the type that does the great flanking operation, such as Alexander the Great, or Hannibal, or Sherman, or designed by von Schlieffen, or MacArthur in World War II, actually has a superior mind to his opponent. And that’s the secret of the great commander, all other things being equal.

It’s the same thing in all politics. We say, “We have a great enemy. Yes, the British Empire. The British Empire controls this, the British Empire controls that.” *Like the Persian host before Alexander*. A great power—“Oh, you can’t fight them! They will always win. You will see: the IMF will remain eternally powerful. The World Bank—oh, it’s awesome! The British Empire: terrible, frightening, you mustn’t fight it!”

Well, these observations are not the observations of a useful commander in warfare, saying, you know, “Let’s surrender now. The enemy’s frightening.”

Well, yes, the enemy is powerful. What’s the enemy’s strength? The enemy’s strength is largely his control of his troops. Number one, the morale of his troops. The morale of his troops depends upon the troops’ confidence in the monetary and financial system, and the political strength of populations, and commitment of populations to support the governments which support these policies.

Therefore, use the military analogy to say, how would you command a fight to destroy the British Empire and its allies? You would think like a commander in warfare: Define the position, the moment, and the place and the time, that the enemy’s strength has been converted into his weakness, like the Roman soldiers at Cannae, too closely packed together; where their great strength was converted into their weakness, and exploited.

What’s the enemy’s great weakness? The collapse and weakening of his financial and monetary system, when the confidence of his supporting forces and auxiliaries in him is at a minimum. And that’s the moment to strike.

Now, in the meantime, we’re in a negotiating position. I’m not saying the situation of Africa is hopeless until that moment of decision comes. But I’m saying that the battle can not be decisively won, until that moment of decision comes, and the flanking attack is executed. There are other possibilities, in the meantime, to enhance the position. It’s like a maneuvering for position. Yes, a certain maneuvering for position can be done.

The British Empire *can* be defeated

But, what’s the crucial issue here? The crucial issue—my problem—is, there is not a government on this planet today, which has the *Entschlossenheit* to make the decision needed to defeat the enemy, at the moment the enemy can be defeated. That’s the problem. That’s where the passion comes in.

The problem is, with a commander, that when a commander sees a flank, and he thinks about deploying his forces on a flank, the commander is putting his entire command and its organized fighting capability at risk, in jeopardy. Therefore, he must judge the situation correctly; and, once he has judged the situation correctly, he must act with absolute resolution, unflinchingly, and must make sure that all the troops in his command do the same. Otherwise, he loses the war.

I can guarantee you, that we are approaching a situation on this planet, where the enemy, the British Empire and all that it represents, can be administered a decisive defeat. The thing that makes that defeat of the enemy unlikely, is the fact that there’s no commander of forces in the field who has the intellect and will to make the commitment of forces which *can* defeat the enemy, at the time the opportunity occurs.

And, our job, my concern, my great concern, is precisely that. I know how to defeat the enemy; but, I know the commanders in charge today, won’t defeat him—can’t. They lack the nerve. They lack the intellect. They don’t believe in themselves. They’re wishy-washy. “Oh, we’ve got to talk to more people, we don’t have enough people on our side. We don’t have enough troops. We don’t have enough this.”

You’re not going to get any more troops, you’re not going to get any more support. This is what you’ve got. You’re going to fight the war to lose or win *now!* *You must act!* And act with decision, not like young Moltke in World War I, not vacillating while adjusting a little bit here, a little bit there, and so forth.

This is not a battle of blood, though there’s a lot of blood spilled. This is a battle of nerve, political nerve, to decide to change the world monetary system into a just one. It can be done. We can win. But the principle is not the principle of blood and fists and stones and bullets, even though there are often blood and stones and bombs and lasers and bullets involved. The principle is a higher one, more in accord with the nature of man, as a creature of ideas.

That’s the point on which we must concentrate, to understand this in that way. And we can win. And we can know what the qualities are we must demand of potential leaders in acting. Our problem is to take people who are in governments, who are potentially capable of commitment, who are in a position of power to act, and to cause them to come to the state of mind and certainty, that they will act. And that’s the point.

It’s much easier to be the President of the United States; then I could solve the problems of the world. I’m not. I don’t have the power. Therefore, we have to find a way to cause the more positive elements in power in the world, to make the commitment intellectually and to find the passion to make the decision at the moment of opportunity. And, that’s the lesson of Cannae.

Russian military is latest target of IMF austerity

by Rachel Douglas

The public humiliation and firing of Russian Defense Minister Igor Rodionov, and of Gen. Viktor Samsonov as Chief of the General Staff, taken in the setting of the Russian government's furious pace of economic liberalization, bears an uncanny resemblance to the assault on the armed forces as an institution of the nation-state, experienced by one developing sector country after another in recent years. In *EIR's* book *The Plot to Annihilate the Armed Forces and the Nations of Ibero-America*, we warned, "Too many argue that all that is under discussion is that the military should be 'restructured,' like every other institution of the state, because of an economic crisis for which it is claimed there is no remedy. But far more than this is actually at issue. . . . At stake in this battle is nothing less than the continued existence of the nation-state itself."

The principle of dismantling the institutions of sovereignty, promoted for the nations of Ibero-America by organizations such as the Inter-American Dialogue, was stated in a more general form at the October 1991 British Commonwealth summit in Harare, Zimbabwe, where London attempted to enforce an agenda of "good governance," rather than "the basic needs of food, shelter, and health care," as then-Prime Minister of India P.V. Narasimha Rao countered that the priorities should be. "Good governance" had been the theme of Queen Elizabeth II's speech on the eve of that meeting, when she welcomed Namibia into the Commonwealth. "Good governance" meant that national figures, such as African "big men" Kenneth Kaunda of Zambia, Kenya's Daniel arap Moi, or Mobutu Sese Seko of Zaire, had better not stand in the way of easing access for Commonwealth cartels to raw materials or scrapping food price subsidies, which the British news agency Reuters politely called "a vital measure in the reform program backed by the World Bank

and the International Monetary Fund."

In 1992, the World Bank published its first handbook on "governance," which it defined as "the manner in which power is exercised in the management of a country's economic and social resources for development." The Bank's many publications on the topic harp on the necessity of decentralizing government, changing "attitudes toward corruption," and cutting defense spending. "Because . . . providing for security needs is intrinsic to political sovereignty, the level of military expenditure has been seen as a governance issue rather than a straightforward matter of public expenditure priority," explains one World Bank tract, in which it is also acknowledged that "because of the sensitivity of the topic," interventions on this matter have been done "at the level of Bank senior management and country leaders."

When dealing with Third World countries, the World Bank, the Commonwealth, et al., invoke the end of the Soviet empire as one justification for eliminating the military. Now, the same principles are applied to Russia itself.

Cash and metals mobilization

Since First Deputy Prime Ministers Anatoli Chubais and Boris Nemtsov came to power in March, the Russian government's every move has been taken with an eye toward what will suit the International Monetary Fund, the World Bank, and the London bond markets. On May 22, the day of the Defense Ministry purge, the head of the IMF's Moscow office, Martin Gilman, expressed satisfaction that the government now has "realistic" and "achievable" goals. He referred, above all, to the so-called "sequestration" of the 1997 budget.

On May 6, the government presented its package of "sequestration," 108 trillion rubles (\$19 billion) in spending cuts from the original budget law, or about 20% of the total. Cuts



Russian Defense Minister Igor Rodionov was dumped in a humiliating manner, under pressure from the IMF and a British oligarchy determined to get their hands on Russia's wealth. Here, Rodionov (right) is escorted by U.S. Secretary of Defense William Cohen (left) and Army Col. David Huntoon, as he inspects a Pentagon honor guard on May 13, just days before his ouster.

are mandatory if revenues are below 90% of the anticipated level, and they have been at 64.4% this year. They are supposed to apply to all "unprotected" spending areas in the same degree, but the government's bill contains great differentiation:

"Unprotected" spending to be cut by 30%: funding of goods deliveries to the Far North, military hardware purchases, funding for the coal industry, defense R&D, and subsidies to certain regions;

Unprotected spending to be cut by 55%: agriculture, the national investment program, culture, public health, the social development program, and regional programs;

Unprotected spending that the government wants to exempt from cuts: funding for natural disasters relief, funding for Russia's commitments under agreements with CIS countries, and—because it's a convertible currency earner—the fund for the replenishment of national reserves of precious metals and stones;

Protected spending, which the government would unprotect and cut by 50%: spending on science and education, and financing for the development budget.

Speaking to the State Duma (parliament) on May 21, Premier Viktor Chernomyrdin tried to argue that these "cuts do not actually have any negative socio-economic consequences because they already exist." The austerity will occur, with or without the sequestration law.

Above and beyond the budget constriction, the Chubais-Nemtsov team has adopted a breakneck pace of economic liberalization, producing major decrees for President Yeltsin to sign virtually every other day.

- On April 28, Yeltsin decreed the sweeping reform of the "natural monopolies," Russia's national fuel, energy, and transportation companies (see *EIR*, April 16).

- On May 7, Chubais convened a closed meeting on liberalization of the gold and precious metals market, resulting in a government decree. Yegor Gaidar, the original Mont Pelerin Society agent in the 1992 Russian "reform" government, intervened in the discussion, proposing to let gold producers sell directly to commercial banks, any time the State Fund for Precious Metals and Gemstones were 30 days late in making payments. The Fund is currently more than a year in arrears.

The conference took place just weeks after three large British investment funds, Mercury Asset Management, M&G, and Robert Fleming, threatened to pull out of Russia, unless Moscow reversed a Russian court's overturning of the 1992 privatization of the Lenzoloto (Lena Gold) Share Co. The three companies own blocks of shares in Australia-based Star Mining Corp. (controlled by Johannesburg Consolidated Investment Co.), which had acquired 31% of the shares in Lenzoloto and its premier deposit at Sukhoy Log, the largest gold find in Russia.

Russian gold producers warned that, soon, there would be "nothing to sell." They sell gold to the state at the London Metals Exchange price, but payment is over a year late; under Gaidar's plan, they would be selling to the commercial banks at less than the cost of production. *Kommersant-daily* reported leaks from the May 7 session, that Nemtsov had demanded, "Why do we have to limit the export of precious metals? Liberalization is liberalization. Let the commercial banks export as much gold as they can," and Chubais sup-

ported him.

- On May 11, Chubais travelled to Irkutsk Province, where Sukhoy Log and many other precious metals deposits are located, to meet governors of the 17 provinces in the Siberian Accord association. Yuri Nozhikov, the Irkutsk governor who in April proposed to renationalize industries, where the removal of state control has led to wholesale shutdowns, suddenly resigned. Chubais told Interfax he had arranged for the Almaz Rossii Sakha Russian diamond company to sign a long-delayed new contract with the De Beers cartel by June 4.

- On May 12, Yeltsin chaired a special government session to adopt the housing and utilities reform, demanded by the IMF and pushed by Nemtsov. A political hot potato in poverty-stricken Russia, the adopted plan will phase out housing subsidies over six years.

- On May 16, Yeltsin signed a decree, allowing owners of real estate (buildings) to purchase the land on which their property stands. The ownership (for resale) of land, beyond the vegetable patches granted to individuals in the Soviet period, is one of the remaining most politically sensitive economic issues in Russia.

- On May 21, Yeltsin took three Russian oil companies off the list of firms protected for national security reasons, so that the sale of the state's share in them, along with three other oil firms, could be authorized.

Humiliation

For a regime so preoccupied with money, it was no surprise that the Defense Ministry firings came with repeated citation of financial pressures. They occurred at a session of the Defense Council where, ORT television announced beforehand, the General Staff and Yuri Baturin's Defense Council were each to present a military reform program; the latter version would outline a sharp and immediate reduction in military forces to conform to the government's "financial capabilities."

Defense Minister Rodionov never got to give his report. Yeltsin blasted him and Samsonov, in a short tirade, given with the TV cameras running: "I am not simply dissatisfied, I am outraged with how the military reform is going. . . . You have done a bad job in this direction. I am not satisfied and must draw conclusions." He complained that none of his decrees on the military have been carried out, especially the order to cut 200,000 positions. Rodionov had warned that insufficient funds were received, to carry out the down-sizing of the military in an orderly fashion, but Yeltsin attacked him for "whining" for money when there isn't any.

Leading up to this public humiliation of the military, the major Russian TV channels (one of them owned by Security Council Deputy Chairman Boris Berezovsky, another by associates of Chubais) beat a drumroll about corruption in the upper echelons of the military. In mid-May, Yeltsin named former KGB lawyer Gen. Lt. Yuri Dyomin as Chief Military Prosecutor, the "Mr. Clean Hands" for corruption scandals

aimed at the top brass. "I hate corrupt officials, especially in uniform," Dyomin was quoted in *Izvestia* on May 16. "Those who discredit the authority of a Russian officer, will be ruthlessly prosecuted." His office announced it was investigating the cases of 20 generals and over 100 colonels.

The day of Rodionov's ouster, one of them, Gen. Konstantin Kobets, was arrested at a Moscow clinic, where he was recovering from a heart attack, and taken to Lefortovo Prison for interrogation on corruption charges. The day before, he was fired as deputy defense minister and chief of the Military Inspectorate. Kobets is charged with accepting gifts from a construction firm that employed his son and was paid by the state, which he denies.

The young deputy premiers, who provide Yeltsin with his agenda step by step, are proceeding with zeal, but their assault on the military is not without risk for the regime. Some of the officers getting the axe are men who made it possible for Yeltsin to come to power and stay there. Kobets was the commander who brought some hundreds of troops, including units of the elite Taman division in Moscow, to defend Yeltsin at the White House (then the parliament building) in August 1991, when he defied the State Committee for the Emergency (GKChP) that had kidnapped Soviet President Mikhail Gorbachov and declared itself in charge. Samsonov, then Commander of the Leningrad Military District, also acted for Yeltsin during that crisis.

Trouble arose, immediately after the May 22 dismissals, when Yeltsin's first choice to replace Samsonov as chief of staff, Far East Military District commander Gen. Lt. Viktor Chechevatov, refused the job. Another warning signal came from Yeltsin himself, who, two days before firing Rodionov, ordered a halt to reorganization of the Airborne Troops. Gen. Aleksandr Lebed, an Airborne Troops veteran fired by Yeltsin as Security Council secretary last October, after his appointment was exploited for electoral campaign purposes in the spring, offered an explanation at his May 22 press conference: "They got scared. According to preliminary information, 80% of the [Airborne] officers refused to prolong their contracts. . . . They would have left the Army with anger in their hearts."

The IMF's Gilman is "satisfied." Under its new policy of paying out tranches of its credit line to Russia on a quarterly, rather than monthly, schedule, the IMF released \$700 million to Russia the week before the military purge. In April, the World Bank granted \$6 billion in "soft" credits for 1997-98 Russian budgets. Nemtsov has castigated the Italian foreign minister, visiting Moscow, for Italy's making "too little" investments in Russia, and glowed about "the huge investment potential of Saudi companies," after meeting First Deputy Oil Minister Prince Abdul-Aziz bin Salman. First Deputy Finance Minister Aleksei Kudrin announced on May 23, that the several hundred million dollars expected from Russia's third Eurobond issue will be used to cover the budget deficit.

All this cash won't buy Russia survival as a nation, or maybe not even many months of political stability.

Voters want change, within continuity

by Muriel Mirak Weissbach

On May 23, when the Iranian population was called to the polls to elect a new President, the turnout exceeded all expectations. Of 33 million eligible voters, 29 million flocked to the polls, making it necessary for election officials to postpone closing them, twice. Instead of ending at 6 p.m., the voting booths stayed open until 10 p.m. The overwhelming majority of these voters cast their ballot for Dr. Seyed Mohammed Khatami, who garnered over 20 million votes, or 69%.

In a period characterized by low voter turnout in most European nations and the United States, the mere statistics of the Iranian vote are striking. They indicate clearly that the Iranian citizenry places trust in its political system, and sees the electoral process as a viable means through which to express its views. In pre-election polls, 92.2% of those asked said they viewed going to the polls as a national duty, and 89% considered it a religious obligation. Furthermore, that they elected Khatami, by an overwhelming margin, signals the electorate's desire for development, and change, but within the parameters of policy continuity.

Four candidates qualified to run in the election. The contest shaped up early on, between the two leading candidates, Khatami and Ali Akbar Nateq Nouri, speaker of the Majlis (parliament). In addition, were Hojjatoleslam Mohammad Mohahhadi-Reyshahri and, Seyed Reza Savarei, a lawyer, former parliamentarian, deputy head of the Judiciary, and head of the Real Estate and Document Registration Organization. Reyshahri, a member of the State Expediency Council and Leader's Representative in Hajj affairs, ran as the Presidential candidate of the Association for the Defense of the Values of the Islamic Revolution, a group he founded in 1995. He held posts as information minister in 1986 and Prosecutor General from 1989 to 1993.

Nouri and Khatami, both 54 years of age, share experience in the anti-Shah movement and in the 1979 revolution. Nouri, after completing advanced theological courses in the holy city of Qom in 1960, entered the School of Theology of Teheran University for a Bachelor of the Arts degree in philosophy in 1965. He was active politically in the Islamic movement of Imam Khomeini from 1962 to 1964, and was arrested, imprisoned, and banned under the Shah several times. After the 1979 revolution, he was appointed by Khomeini as head of the Construction Jihad Organization. He served as interior

minister during 1982-86, and otherwise was a representative of a Teheran constituency in Parliament, serving as speaker in the Fourth and Fifth Majlis. Nouri ran as the candidate of the Qom Seminary Instructors' Society and the political group Jama'a-ye Ruhaniat Mobarez (the Assembly for Combatant, Mujahid, clergy) which is the axis of the right-wing conservatives. He was cited in the Western press often for his support of conservative dress for women, and his rejection of relations with the United States.

Khatami's record

Dr. Seyed Mohammad Khatami, on the other hand, emerged in the campaign as the more liberal figure, though not in the Western sense of the term. Although he also has a background in theological and philosophical studies, in Qom and Isfahan, and he took a degree in education in 1971 from Teheran University. He was the director of the Islamic Center in Hamburg in 1978, then was elected to Parliament in 1980, and was a representative of Ayatollah Khomeini and the Kayhan newspaper group.

During his tenure as Minister of Culture and Islamic Leadership, Khatami gained popularity for his efforts to revive cultural activities in the country, particularly filmmaking, and to introduce modern technologies into the media. He became the Cultural Adviser of the Command Center of the Armed Forces in 1988, and in 1992, Presidential Adviser and Director of the National Library. In 1996, he became a member of the high council of the cultural revolution, by decree of Ayatollah Khamenei.

Khatami's "liberal" profile became distinct during the campaign, when he spoke out boldly in favor of freedom of speech, of the press, and of assembly. Election material described his support for the founding of civilian associations, the respect for different tendencies and perspectives, and the strengthening of a culture of criticism. During one of his many encounters with university students during the campaign, Khatami showed a keen understanding of the West, and a very balanced approach to communicating with it. According to a *Teheran Times* summary, "He explained [his views] by saying that the West is moving toward the path of humanism. By this he meant that man is the main axis upon which material life develops, but in Islam we are of the view that reason is next in importance to revelation and is capable of constructing human lives. Further, he said that our basic difference with the West is in our attitudes, but other than this all aspects of development, including social, political, economic, and cultural, have originated from the West. By expressing these views he said he intended to convey the idea that development will not be materialized without having a proper understanding of the West, i.e., knowing about its advantages and disadvantages. We cannot confront the West blindly. We should have knowledge about the issues such as liberalism, fascism, and capitalism, in order to have a basis on which to judge them, Khatami said.

He said the salvation of Iranian society lies in the possession of two kinds of situations. We should have a critic[ism] for the West and modernization and another for tradition. We should recognize all the positive and negative aspects of the two basic issues posed by Westernization and tradition [because] without having enough understanding of both we can neither reject nor accept either.”

‘We must understand Western culture’

Khatami’s emphasis on the need to accept what is good in Western culture is explicit: He “said that such understanding of their real nature is a must and only then should we deal with ourselves and search ourselves from the depths of our being. Therefore, an understanding of the West, tradition, and ourselves will help save this society. If we can do this, we can have the power to construct the country, Khatami said.” Among the positive contributions of the West, is technology, including the most modern means of communications technology. His slogans included: “Above all else, we have to believe in our youth” and “We cannot inoculate ourselves against technological breakthroughs like satellites and the Internet.” At the same time, he stressed the need for Iran to maintain its cultural identity, in order to be able to resist attacks from abroad. Another indication of his openness to other cultures is his mastery of three foreign languages, English, Arabic, and German.

If, with Khatami’s Presidency, a greater openness to the West can be expected, this does not mean a shift in fundamental policy. In his first press conference as President-elect, he said that Iran would not give up its independence, which he said had been the main objective, and result, of the 1979 revolution. “Any change in our relations with the U.S. depends on change in attitude of the U.S.,” he said. In other words, were the U.S. administration to pursue a policy of “constructive engagement,” offering a fair dialogue, Iran would not refuse.

Most important, Khatami will not introduce any changes in fundamental economic policy or the foreign policy orientation which is shaped by it. Khatami was very much the candidate of outgoing President Ali Akbar Hashemi Rafsanjani, who, according to constitutional clauses, could not run for a third term. Rafsanjani gave Khatami the explicit political backing of his group, known as the Cadres or Combatants of Reconstruction, which, as the name denotes, is associated with the ambitious reconstruction effort undertaken throughout the country over the last eight years. During his campaign, and in a meeting with Rafsanjani following the announcement of the results, Khatami acknowledged that the national reconstruction program had laid the basis for building an advanced, independent, and free Iran.

If there were any doubts about the commitment on the part of Iran’s political elite to pursue its economic development policy, they should be dispelled by the fact that institutional structures have been put into place to guarantee that continu-

ity. First, as one of the minor candidates, Seyed Reza Zavarei, pointed out in remarks to the press, Article 110 of the Constitution stipulates that the general policies of Iran are determined by the Leader of the Islamic Revolution, who is Ayatollah Khamenei.

A new institution

In addition, according to reports in the Iranian press on April 10 (and ignored in the West until recently), a new institution has been created, known as the Assembly for Determining the Expediency of the Islamic System. The new institution, significantly, was founded in the presence of both Ayatollah Ali Khamenei and Rafsanjani. Chaired by Rafsanjani, it is to function as a “clearing institution” to resolve any conflict which might emerge between the Majlis and the Guardians Council, an unelected group consisting exclusively of senior clergymen. The latter body’s task is to follow up the parliament’s resolutions and intervene to determine whether this legislation accords with the principles of Islam and the Islamic revolution. The Expediency Assembly is to be regarded as the supreme decision-maker between the Majlis and Guardians, and even Khamenei would have to consult the Expediency Assembly before taking major decisions pertaining to foreign policy, economy, and defense.

Rafsanjani told the members of the new institution that it will “function as consultant to the Leader [Khamenei] on overall policies. . . . This Expediency Assembly’s function is to remove all the differences and problems between the Majlis and the Guardians, problems that cannot be solved through the constitution. And to solve problems on the national level that cannot be solved through the law.”

Continuity in economic and foreign policy, which will lead to further economic development, is clearly what the electorate voted for, in choosing the successor to Rafsanjani. As pre-election opinion polls published in the *Teheran Times* showed, the main concerns of voters were economic. When asked what measures of Rafsanjani’s they thought most important, they listed: implementation of construction projects (26.1%); implementation of industrial projects (17.1%); promoting the country’s construction (14.5%); boosting political ties with other states (5.1%); reconstruction of war-stricken areas (5%); raising the status of underprivileged areas (4.9%); economic development (3.1%); and so on. Among the issues “to be given top priority by the next President,” 31.7% listed resolving economic problems, and 10.4% listed creating job opportunities, as the top two responses.

President-elect Khatami enjoys, therefore, a mandate which is not only numerical but politically informed: He has the vast majority of the electorate, including the majority of women and youth, who have selected him to continue Iran’s development course, and its growing economic, political, and cultural ties to other nations of the world. This election represents an excellent opportunity for the United States to rethink and improve its policy toward Iran.

Colombia hands over territory to the FARC, without firing a shot

by Javier Almarío

Ernesto Samper Pizano, the President of Colombia who was elected to office with \$6 million in contributions from the Cali drug cartel, in late May issued decree 16,038, which ordered Colombia's troops to evacuate 13,161 square kilometers of national territory, in the drug-infested eastern plains region—a swath of land which corresponds to more than half the territory of the state of Israel. The purported reason for the demilitarization, is to meet the demands of the FARC narco-terrorists for freeing 72 soldiers they have held hostage since last year. The FARC seized most of the soldiers when they overran the military base of Las Delicias last August, slaughtering dozens and capturing the rest.

Samper is proceeding with this operation under the prompting and watchful eye of the United Nations and its affiliated non-governmental organizations (NGOs), which are intent on creating a model for how *they* believe nations should handle narco-terrorist insurgencies—i.e., capitulate. They are orchestrating the Colombian case as an explicit alternative to what Peruvian President Alberto Fujimori did in April of this year, when a highly trained Peruvian commando force succeeded in rescuing 71 of 72 hostages who had been held captive for 126 days, without making a single concession to their MRTA narco-terrorist captors.

Samper, on the other hand, has gradually accepted each and every demand of the FARC narco-terrorists, in many cases over the angry protests of his own military. Where Fujimori expelled representatives of the International Red Cross, who were caught virtually red-handed collaborating with the MRTA, and kept the UN's NGOs in check so that he could carry out the military operation, Samper brought the UN, the Red Cross, and the NGOs in to collaborate in his surrender plan.

The demilitarization procedure hands the territory over to the narco-terrorists without their having to fire a shot. For 32 days, it will be without military or police authorities. After the 32 days, the zone will only be recoverable through military action that will more resemble regular warfare than the guerrilla warfare that has dominated thus far. Two military bases, in Cartagena del Chairá and Remolinos del Caguán, both of which have played a strategic role in fighting the FARC-dominated drug trade in the region, will be abandoned, and

could be seized by the narco-terrorists, or even mined. Some military analysts suggest it might have been better if the Army itself had dynamited the bases. Samper, however, expressed confidence “in the good faith” of the narco-terrorists, which is supposed to be “verified” by representatives of the Red Cross and other international organizations.

Samper has also ordered the suspension of arrest warrants against Milton Doncel (alias Joaquín), José Benito Cabrera (alias Fabian), and Ezequiel Huelguia Cruz (alias Rolando), all commanders of the FARC's so-called “Southern bloc.”

Samper would not have been able to carry out the operation without support from *within* the Armed Forces of treasonous Army Commander Gen. Manuel José Bonett Locarno. Bonett, surely flattered by Samper with the offer of becoming head of the Armed Forces (a post currently occupied by Gen. Harold Bedoya, who remained firmly opposed to the demilitarization plan), stated in a recent interview that all soldiers who do battle and who “smell of powder” needed to be expelled from the Army's ranks (see *Documentation*).

Law of the jungle

Not only soldiers are abandoning the region. Victor Oime Ospina, the mayor of Cartagena del Chairá, announced that he, too, is leaving, because he fears the FARC will order his assassination. The population in general is terrified, given that the Army is practically the only real representation of the Colombian state they have had to rely on in this distant region of the country. The only ones who have expressed satisfaction with the demilitarization are the coca growers sponsored by the FARC. In recent months, the Army and police have dismantled cocaine laboratories and destroyed coca crops in this FARC-infested territory.

Meanwhile, a new kind of inhabitant is appearing on the streets of Cartagena del Chairá—representatives of Amnesty International, Americas Watch, and other NGOs affiliated with the United Nations; representatives of the International Red Cross, who are charged with verifying the absence of the Colombian state in this region; and a legion of foreign journalists, many of whom have just come from witnessing the surgical military strike ordered by the Peruvian government to rescue the hostages held by the MRTA.

Later, Samper's negotiating team will arrive, made up of FARC collaborators and UN agents: Augusto Ramírez Ocampo, former head of the UN mission in El Salvador; Alvaro Leyva Durán, the FARC's unofficial messenger-boy; Father Luis Augusto Castro, bishop of San Vicente del Caguán, a township neighboring the evacuated zone; and priest Jorge Martínez.

It would be very foolish to believe, once the soldiers are released by the FARC — if they in fact comply with that promise — that the narco-terrorists will withdraw and permit Colombian soldiers to return to their bases and to control of the territory.

In fact, the narc-FARC has every intention of winning UN recognition of their dominion over this portion of Colombian territory, as a first step in the fracturing of the nation-state. On several occasions, the narc-FARC has declared its ownership of the provinces of Caquetá, Huila, Putumayo, and Meta, in Colombia's south, and of the Atlantic Coast in the north. Meanwhile, the so-called ELN, another narco-terrorist organization allied to the FARC, claims dominion over Santander, Santander del Norte, and Arauca, in the region bordering Venezuela.

The election farce

The FARC and ELN have threatened to assassinate all the mayoral, gubernatorial, congressional, and senatorial candidates from these provinces, and warn that they will not allow the holding of elections, which at present are set to occur in late 1997 and in the first half of 1998. Two municipal mayors in those regions have been assassinated in just the last two weeks in May, while several politicians and/or members of their families have been kidnapped.

At the same time, the FARC and ELN have succeeded in striking lucrative deals with the multinational oil companies, and with other foreign and Colombian companies, through which 10% of their revenues end up in the coffers of the narco-terrorists. The image of Kabila's Congo unavoidably springs to mind.

A petition for postponing the elections due to lack of guarantees, has begun to circulate among Colombia's political class. The only candidate who has taken on the drug cartels is former Prosecutor General Alfonso Valdivieso, famous for having dared to criminally charge narco-President Samper himself. However, there is no guarantee that Valdivieso will make it to the Presidential elections alive; his cousin, front-running Presidential candidate Luis Carlos Galán, was murdered in 1989 by cartel assassins.

Indeed, the only candidate with "life insurance" provided by the Samper narco-government, the narco-terrorists, and the Cali Cartel chieftains, is Horacio Serpa Uribe, Samper's former interior minister and the undisputed *éminence grise* of the Samper regime, whose Presidential campaign is dedicated to preserving the narco-dictatorship that reigns in Colombia today.

Documentation

The following excerpts are from a May 18 interview with the Colombian daily El Tiempo by Colombian Army Commander Gen. Manuel José Bonett Locarno.

El Tiempo: Last year, there was some reluctance to withdraw [as per the FARC's demands], given the constitutional mission of the Army in those areas.

Bonett: What happened is that Puerres and Las Delicias [massacres committed by narco-terrorists against troops] were still fresh, and you must understand that we are human beings, not toy soldiers, and all of that was still very real. Those were very explainable psychological attitudes, but time puts one in one's place, and we all have a very clear idea of what must be done.

El Tiempo: So if the President gave the vacate order this moment, you would heed it?

Bonett: The most famous and celebrated soldier of this century is Gen. Douglas MacArthur. MacArthur won the war in the Pacific and achieved Japan's surrender. A weak and vulnerable President like Truman, who didn't have a single medal and who had never fired a shot, said one day during the Korean War: "Stop the operations, I don't want to go further." Then MacArthur, an imposing man over six feet tall, famous and with 400 awards, the absolute boss of the Pacific, rebelled against him, and President Truman fired him. . . .

El Tiempo: Is it the case that the military forces are more civilian-like and less war-like?

Bonett: I am not a warmonger, because Colombian society doesn't like warmongers. Colombian society is bored with war, and when a warmonger shows up sweating and smelling of powder, that is not what this population wants. I speak for that population.

El Tiempo: One gets the impression from your words that the time has come to retire the warmongers.

Bonett: Yes. There are no more warmongers in the Army. . . . I am an anti-hero. . . . The truly dangerous warmongers, who not only need to be retired but guarded against, are the civilian warmongers. One can't even go out, or attend a reception, without these types showing up to incite. . . .

El Tiempo: Isn't your honor stained by this negotiation [with the FARC]?

Bonett: No, no. I don't believe in principles. I don't speak for principles. Never believe in men who act on principles. Those of us who lead some sector of society must act on the interests of society, and I cannot sacrifice the interests of society for my principles. . . .

Extradition back on the agenda of continental War on Drugs

by Valerie Rush

The May 23 decision by the Venezuelan Supreme Court to extradite multibillionaire Colombian druglord Justo Pastor Perafán to the United States, could have major consequences for the national security of the Western Hemisphere, and beyond. The only Cali Cartel chieftain who had not either surrendered under protected conditions to the Colombian authorities, or been killed, Perafán possesses court-admissible evidence that could put scores of bankers, politicians, even heads of state, behind bars, should he choose to cooperate with U.S. authorities.

Perafán was arrested by Venezuelan National Guardsmen on April 17, in the Venezuelan border state of Táchira, where he had been hiding incognito for over a year. U.S. authorities immediately submitted a petition for his extradition to New York City, where he faces eight counts of drug-trafficking and conspiracy charges. The Cartel's legal machinery simultaneously went into action, seeking to have him returned to Colombia, where he would have faced slap-on-the-wrist "illicit enrichment" charges and a "five-star" prison cell; had that failed, they would have tried to concoct charges against him in Venezuela that would have undermined the U.S. extradition request.

Among the reasons given by the Supreme Court for ruling in favor of the U.S. extradition request were: 1) The United States submitted its petition two and a half hours earlier than Colombia did; 2) the U.S. charge of drug trafficking is also a crime in Venezuela, while Colombia's charge of "illicit enrichment" does not exist in the Venezuelan criminal code; 3) although the 1922 U.S.-Venezuela extradition treaty does not count drug trafficking as a crime, the UN's Vienna Convention against use of illegal drugs—to which Venezuela subscribes—does; 4) the Clinton administration pledged not to sentence Perafán to a term greater than the 30-year maximum contemplated by the Venezuelan penal code.

Most importantly, the Supreme Court ruling, giving precedence to the U.S. request, sent an unmistakable message that Venezuela would not allow itself to be turned into a haven of the drug cartels, as neighboring Colombia has already become.

Extradition battle

Perafán's extradition to the United States is the first such extradition of an important Colombian drug trafficker in a decade. In 1987, the late Colombian President Virgilio Barco put Medellín Cartel "transport czar" Carlos Lehder Rivas on a plane to the United States, where he was given a life sentence. The "Extraditables" of the Medellín and Cali cartels pledged that no Colombian President would dare to extradite one of them ever again, and to this date, through an ongoing campaign of terror and blackmail, that has been the case.

The battle over extradition dates back to at least 1984, when Colombia's then-Justice Minister Rodrigo Lara Bonilla fought to establish a "world pact" against drugs, and global extradition procedures against traffickers. He was assassinated by drug cartel hit men on April 30, 1984. In 1985, the cartels hired a commando squad of the M-19 guerrilla group to occupy the Bogotá Justice Palace, burn down its legal archives, and massacre the Supreme Court magistrates it took hostage. The Supreme Court was at the time deliberating on the viability of the U.S.-Colombia extradition treaty, and was expected to validate it.

Over the next several years, the country's most outspoken advocates of a serious War on Drugs were slain, including influential newspaper editor Alfonso Cano, Attorney General Carlos Mauro Hoyos, and front-running Presidential candidate Luis Carlos Galán. Colombia's extradition policy under President Barco was unofficially suspended, as a result.

With the nation terrorized into impotence, César Gaviria was brought into the Presidency in 1990, where he struck a deal with the Cali Cartel. In 1990, Gaviria illegally shut down the Colombian Congress and replaced it with a Constituent Assembly of 70 delegates, many of whom were later proven to have been bribed by the drug cartels. That Assembly, co-chaired by M-19 leader Antonio Navarro Wolf, formally banned the extradition of Colombian nationals, a ban that remains in force today.

It is precisely this degeneration of Colombia, from a sovereign nation into a fiefdom of the drug cartels, which has alerted many Venezuelans to the danger that they, too, face.

Venezuela has been targetted by the continent's drug cartels and financiers, and is today considered one of the premier money-laundering centers and transit countries for the drug trade.

Venezuela takes a stand

This threat to Venezuela was driven home by Francisco Santos Calderón, managing editor of the influential Colombian daily *El Tiempo*, who warned, during a mid-May visit to Caracas, that Venezuela must not allow itself to be turned into an "oasis" for drug traffickers. He insisted that a Supreme Court ruling in favor of Perafán's extradition to Colombia "would have immense repercussions on an international level," and concluded: "For the future interest of Venezuela, Perafán must be extradited to the United States."

In the *Documentation* that follows, we take a closer look at some of the political and business figures, in both Colombia and Venezuela, who stand to lose a great deal, should Perafán decide to talk about what he knows.

Documentation

Who is Pastor Perafán?

I. The Colombian connection

César Gaviria Trujillo, former Colombian President (1990-94) and currently secretary general of the Organization of American States (OAS). According to an April 20 report in the Colombian newspaper *El Tiempo*, the authorities investigating Perafán in Colombia "determined that Perafán attended the inauguration of President César Gaviria Trujillo." The same newspaper, in its April 21 edition, states that a future confession on Perafán's part would affect "officials of the previous [Gaviria] government, with whom Perafán maintained relations from the time he operated as a prosperous businessman."



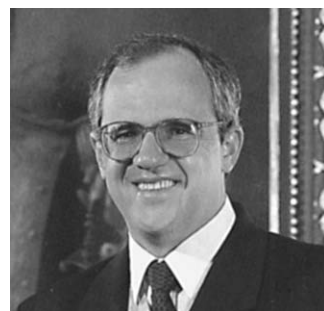
César Gaviria Trujillo

The now defunct newspaper *La Prensa*, in its March 31, 1996 edition, stated that "Perafán appears to be very close to nearly all of Liberal society [a reference to ruling Liberal Party, to which both Gaviria and current President Ernesto Samper belong — ed.], since the days of President César Gaviria Trujillo."

Judging from Perafán's guest appearance at Gaviria's in-

auguration, it would appear that the druglord in fact served as the Cali Cartel's liaison to the Colombian Presidency. Within weeks of taking office, Gaviria unveiled a legislative decree, jointly drafted by government and cartel lawyers, promising to end the threat of extradition, and offering substantially reduced prison sentences in exchange for the druglords' surrender to and cooperation with the authorities. At the time, an opposition daily editorialized that the decree represented "the abandonment of a state of law [for a] quietly agreed-upon reign of crime." The next year, Gaviria convoked a Constituent Assembly to rewrite the Colombian Constitution, and to ban extradition.

Ernesto Samper Pizano is the current President of Colombia. According to the March 31, 1996 edition of *La Prensa*, Perafán had participated in the fund-raising efforts organized by drug traffickers Gilberto and Miguel Rodríguez Orejuela, to assure sufficient funding for Samper's victory in the



Ernesto Samper Pizano

1994 Presidential elections. That same newspaper says that Perafán was "known by the leading political insiders of the Samper regime," and that in 1994, "he provided his luxury hotel, Chinauta Resort in Chinauta, Cundinamarca, to Ernesto Samper so that the President could hold a meeting just a few days after the Presidential election."

The March 31 *La Prensa* also says that it is known that Perafán provided generous donations to at least one of the members of the Accusations Committee of the Colombian Chamber of Representatives, which was responsible for investigating corruption charges against President Samper brought by the prosecutor general's office. Despite the evidence against Samper, the commission absolved him of the charges. The individual so identified is Congressman **Roberto Herrera**. The check is in the hands of investigators for the prosecutor general's office.

Horacio Serpa Uribe, who just resigned as Samper's interior minister, to run as a Presidential candidate in the 1998 elections. By both military circles and those linked to the FARC and ELN narco-terrorists, Serpa is known as "Commander Serpa," because of his close ties to the ELN. On March 27, 1996, Serpa was subpoenaed to testify before the prosecutor general's office on his relations with Justo Pastor Perafán. Upon leaving, journalists asked him about that relationship. A nervous Serpa replied that he had only met him once. One day later, Serpa issued a statement to the media, denying any such relationship.

However, both in his written testimony and in his statements to the radio, Serpa admitted that in 1992, he had participated, together with Perafán, in a meeting at the Orquidea Real Hotel with a group of individuals from Cauca Depart-

ment (from which Perafán comes), but that the discussion had been on the local situation there. Serpa's written statement says that "days later, I was informed by then-Defense Minister Rafael Pardo Rueda, that one of those who attended said meeting was Mr. Pastor Perafán, whom the authorities had been investigating for possible infractions of the penal code."

On March 31, 1996, *La Prensa* wrote that relations between Perafán and Serpa were not limited to that supposedly casual encounter. "The prosecutors' investigations tend to show that Serpa was the main contact between Samper Pizano and the Cali Cartel, because of his friendship with Perafán and with Victor Patiño Fomeque, alias 'The Chemist'. . . . Secret witnesses told the prosecutor general's office that Perafán, like Patiño Fomeque, visited Serpa in his office at the Government Ministry (today called the Interior Ministry)."

David Turbay, currently comptroller general of the Republic, admitted having received a check from Pastor Perafán. Turbay said the check had to do with the sale of a work of art, and he was exonerated by the prosecutor general's office. However, it is probable that Perafán could tell a different story. The prosecutor general's office always suspected that it was actually a contribution to Turbay's failed senatorial bid.

Juan Manuel Santos, currently a candidate for the 1998 Presidency, and a vice-president of the influential Washington-based Inter-American Dialogue. David Turbay, in publicly defending himself from claims that he maintained some kind of criminal association with Perafán, stated in a March 1996 radio interview that he knew Perafán, "because everyone in this country knows him; he is an industrialist who accompanied Dr. Juan Manuel Santos on a mission to the Pacific Basin," when Santos was foreign trade minister during the Gaviria Presidency.

Santos partially denied Turbay's assertion, stating that Perafán had not been part of the official government mission. Instead, Santos claimed that when the official delegation arrived, Perafán was already staying at the hotel where the government had made its reservations. If Santos's story is true, then he can minimally be accused of the crime of omission, since the Gaviria government already knew that Perafán was being sought by Interpol.

Gustavo De Greiff, former Colombian prosecutor general and currently Samper Pizano's ambassador to Mexico. In the only statements he made to the press following his arrest in Venezuela, Perafán said that officials of the Colombian prosecutor general's office had attempted to blackmail him, and had promised to suspend the investigation against him if he handed over a large sum of money. President Samper, thinking that the matter could be used to smear Prosecutor General Alfonso Valdivieso, demanded that Perafán's charges be pursued immediately. Valdivieso, who has headed up investigations into the corruption of Samper's government, replied that the blackmail attempt had indeed occurred, but that it was during De Greiff's reign as prosecutor general. The affair end up smearing Samper's already rather tainted ambassador to Mexico, instead.

Guillermo Alberto González Mosquera, Samper's former defense minister, who had to resign on March 16, 1997, because of the scandal surrounding his acceptance of a check from Perafán, as a contribution to his earlier congressional campaign.

Alberto Iragorri Hormaza, congressman from the department of Cauca, is another of those implicated. The prosecutor general's office has in its possession a check sent by Perafán to finance Iragorri's campaign.

Francisco José Jattín, in 1994 under the Gaviria Presidency, awarded Perafán a medal during a congressional ceremony. Jattín was president of the Colombian Senate at the time, and was carrying out Resolution 174 of April 7, 1994, which ordered him to give the drug trafficker the award. Jattín was reelected senator that same year.

It is said that at least 20 more congressmen received money from Perafán for their 1994 senatorial campaigns. There is in the possession of the prosecutor general's office, and possibly in the hands of the National Police as well, a lengthy list of individuals from Colombia's political elite who have had a relationship with Perafán. There are lists of cancelled checks; lists of guests who visited Perafán's luxury hotel, the Chinauta Resort, with all expenses paid; and lists of the various front men used by Perafán.

Perafán has business holdings in Russia, the Bahamas, and South Africa.

II. The Venezuelan connection

To more precisely understand Perafán's relations in Venezuela, it is necessary to look at who his protectors are, who his front men are, who hired his Venezuelan lawyer Hugo Moreno, who Moreno's contacts are, and, above all, who laundered his money. There are strong indications the money was laundered through a bank linked to Banco Latino, which in turn leads the investigator to the Cisneros Group and to former President **Carlos Andrés Pérez** (known as "CAP").



Carlos Andrés Pérez

A) Political links

During the period in which Perafán was detained at the Venezuelan Office of Military Intelligence, Lt. Col. Hugo Moreno (ret.), Perafán's Venezuelan lawyer, went before the Venezuelan Supreme Court to seek his client's extradition to Colombia. At the same time, as charged by Interior Minister José Guillermo Andueza, independent congressman **Walter Márquez**, from Táchira, did everything possible to block the Colombian's extradition to the United States, by trying to get Perafán held for trial in Venezuela on minor charges involving

false documents. Márquez is closely linked to former Venezuelan President Andrés Pérez. Hugo Moreno is a neighbor of Márquez in San Cristóbal, the capital of Táchira state; well-informed Venezuelan sources have told *EIR* that Moreno is not only Márquez's friend, but also a member of Fuerza Tachirense, Márquez's regional political party.

Walter Márquez is a founder in Venezuela of the Universal Christian Gnostic Church, together with a Colombian criminal by the name of Julio César Medina Vizcaíno. According to a thank-you letter sent by CAP's campaign committee, this sect participated in CAP's 1988 Presidential campaign. Further, CAP helped Márquez in past elections for governor of Táchira. Sources indicate that Márquez will be CAP's candidate for governor of Táchira in the 1998 elections, especially now that CAP no longer belongs to the Democratic Action party, from which he was expelled. CAP is a native of Rubio, in the state of Táchira, a town just a few minutes from Capacho where Perafán lived.

The Gnostic Church has well-documented connections with Colombia's narco-terrorists, specifically with the M-19. According to a late 1983 interview with then M-19 leader Jaime Bateman, he and his forces claimed to be "invisible" to the military, because the Gnostics "do a chain every Saturday to protect us, the organization. Their executive committee, or whatever it's called, sends us congratulations all the time." Bateman added that his mother was a Gnostic. "Look," he

said, "basically, I believe in my mother. . . . The old chain gives me a lot of cool, a lot of security. . . . Mystic or not, I'm persuaded that it works."

The Gnostic Church was also involved in the 1984 kidnapping and brainwashing of Patricia Londoño Paredes, at the time the editor of the Colombian magazine *War on Drugs*. Her husband, Maximiliano Londoño, was then head of the Colombian Anti-Drug Coalition, which had worked with Justice Minister Lara Bonilla in advancing the War on Drugs, until the minister's assassination in April 1984. The Londoños had been active proponents of reviving extradition as a potent tool in the war on drugs, and had devoted their energies especially to unveiling the political and financial supporters behind the drug cartels. Every individual connected to the Londoño kidnapping turned out to be a member of the Gnostic Church.

Alejandro Peña, an associate of Lyndon LaRouche who is also head of the Venezuelan Labor Party, has led a high-profile media campaign against the Gnostic Church for its criminal connections, and has demanded that the Rafael Caldera government investigate the role of Congressman Walter Márquez in attempting to sabotage the extradition of Perafán to the United States. Several years ago, Márquez achieved the dismantling of the José Antonio Paez Special Command (CEJAP), a special counterinsurgent unit of the Armed Forces and Police. Márquez claimed that the CEJAP assassinated several fishermen on the Colombian-Venezuelan border (El Amparo), although there exist clear indications that they were terrorists—not fishermen. Since then, the operations of the narco-terrorists on the border have notably increased.

Further, it is reported that Márquez participated in two meetings with drug traffickers in Barranquilla and Cartagena, Colombia. It is also said that Perafán financed Márquez's campaign for governor of Táchira.

Ana Celita de Márquez, Walter Márquez's wife, is the lawyer who registered the Moon sect with the Justice Ministry's Office of Justice and Religion. The Moonies, through their newspaper the *Washington Times*, have promoted the legalization of heroin.

B) Financial links

In 1993, the National Guard carried out Operation Sierra Carlos, which identified the illegal laundering of some \$2 billion along the Colombian-Venezuelan border, although Venezuelan intelligence sources insist the figure was actually \$20 billion. Every bank along the border—Banco de Maracaibo, Banco de Occidente, Sofitasa, and Banco Barinas—was at the time the property of Banco Latino, which was then owned by Gustavo and Ricardo Cisneros, along with several other businessmen closely linked to Carlos Andrés Pérez. On the board of Banco Latino was also one of Pérez's brothers. Reliable sources have told *EIR* that the drug dollars identified by Operation Sierra Carlos belonged to Perafán, and were laundered through Banco Latino's networks.

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Will Cárdenas be the Kabila of Mexico?

If Cárdenas wins the governorship of Mexico City, the whole country could go the way of Zaire.

Now that genocidal mercenary Laurent Kabila has seized power in Zaire, with the overt backing of the international bankers and great mining consortia, the danger that Cuauhtémoc Cárdenas could win the governorship of Mexico City has to be taken seriously, because he could easily become the Kabila of Mexico.

The comparison of Cárdenas to Kabila is no mere rhetoric, as is demonstrated by the fact that Cárdenas's close collaborator, Jorge G. Castañeda, has just endorsed Kabila, knowing full well who and what Kabila represents. The comparison also holds up in view of the old ties between Kabila and Fidel Castro's Cuba. Castro is the creator and controller of the narco-terrorist São Paulo Forum, of which Cárdenas is a leading member. Behind both Cárdenas and Kabila are the same British sponsors; not surprisingly, their programs are also the same.

Thus, those such as the Anglophile bankers' lobby, the Inter-American Dialogue, which backs Cárdenas by saying, explicitly, that what is most important is to defeat (and dismantle) the ruling PRI party, are in fact helping to install a Kabila in Mexico.

In mid-July, first-ever elections will be held to choose the next governor of Mexico City. The four main contenders are: Alfredo del Mazo (PRI), Cárdenas (PRD), Carlos Castillo Pereza (PAN), and Baltazar I. Valadez Montoya, of the Mexican Democratic Party (PDM). On April 30, Valadez Montoya sent U.S. President Bill Clinton an open letter, urging him to "convoke a world monetary conference, to create a new Bretton Woods agreement that would replace the cur-

rent bankrupt monetary system with a new one favoring the establishment of a fixed parity and trade agreements based on genuine economic development of the nations of the world."

According to the media and the polls, Cárdenas currently has the lead. If this is true, it is very serious indeed. In an article printed in several publications, among them the Peruvian magazine *Caretas* of April 10, Mexican "political analyst" and Cárdenas collaborator Castañeda lauded Kabila, saying that he "has spent more than three decades fighting the pro-Western and corrupt dictatorship of the man with the leopard cap," Mobutu Sese Seko.

Castañeda quoted extensively from the diary of Che Guevara during his 1965 stay in Africa, in which Guevara harshly criticized Kabila for his absence from the battle fronts, his political indecisiveness, his addiction to alcohol and women, his lack of revolutionary seriousness, and concluding that Guevara had "very serious doubts that he could overcome his defects."

Despite all this, Castañeda states, "But [Che] made no mistake in choosing the Congo as a beachhead in Africa, nor in choosing Kabila as a partner."

This is not the first time that Castañeda has supported terrorists. Recently, he attacked Peruvian President Alberto Fujimori for ordering a military rescue of the 72 hostages being held by the terrorist MRTA in Lima. And, in an article in the Mexican magazine *Proceso* of April 20, 1992, Castañeda defended Peru's Shining Path narco-terrorists, and attacked Fujimori for shutting down the Peruvian

Congress as part of his war plan against narco-terrorism.

Cárdenas's program is ultimately identical to that of Kabila: a) destroy the institutions of the nation-state; b) support the International Monetary Fund (IMF); and c) surrender the national patrimony.

First, Cárdenas supports "indigenous autonomies," that is, separatism, and, as such, is a formal ally of the Zapatistas, who are demanding that Zedillo resign and be replaced by a Federal provisional government, and that a Constituent Assembly be convoked. Ever since their Jan. 1, 1994 appearance on the scene, the Zapatistas have claimed that one of their goals is the *disappearance* of the Mexican Army. They have even ordered holding "summary trials against soldiers of the Mexican Federal Army and political police who have taken courses, who have been advised, trained, or paid by foreigners, whether within our nation or outside."

Second, on May 6, during a visit to New York, Cárdenas told a group of businessmen: "We believe in the free market; we don't want to control the economy or introduce government intervention into economic life. What the PRD is proposing is closer to the Chilean model than any other." As is well known, the Chilean model *is* the IMF model.

On Jan. 10, 1997, in presenting the PRD's economic platform, PRD president Andrés Manuel López Obrador stated, "The PRD program . . . assumes that globalization and trade blocs [are] a reality of our time, and [we will] participate in them in accordance with our reality." And, in statements on Jan. 16 to *El Sol de México*, López Obrador said that the PRD's proposal "doesn't mean radicalism on the foreign debt. . . . We aren't talking about putting the neo-liberal model aside."

Green light for pedophiles

Once again, the aptly named "Department of Foreign Affairs" has covered up for its pedophile brotherhood.

On May 15, Australian Foreign Minister Alexander Downer submitted a 296-page report to Parliament, the fruits of a year-long investigation into allegations of an official cover-up of pedophilia within his Department of Foreign Affairs and Trade (DFAT). Everyone and his grandmother acknowledges that pedophilia is rife within the DFAT; the extremely restricted mandate of the chief investigating official, Canberra lawyer Pamela O'Neil, was to determine whether such activities were systematically covered up by the hierarchy of DFAT itself. No, she said, they were not.

O'Neil cited much that would apparently indicate otherwise, including identifying 15 separate allegations of pedophilia involving 11 officers of DFAT, and one notorious "bargain" which DFAT had struck with one pedophile officer, whereby he would resign if DFAT agreed not to investigate the issue; not only did he not resign, he was promoted and sent back overseas!

Despite all this (and much more), O'Neil found only that "there was a corporate unwillingness to take any action which might result in publicity which would impair the reputation of the department." One intelligence source who read the report as it was being submitted, noted, "The report is unbelievable, like a bad movie. In what would appear to be open and shut cases, again and again some reason was found not to take action, either through a lack of evidence, failing memories, breakdown in official communication, error at law, discredited witnesses, lost or destroyed files, you

name it, no action was taken—not by DFAT, nor by Ms. O'Neil."

The investigation had been forced by a series of revelations in the federal Parliament on June 5, 1995 by Victorian Liberal Party backbencher Ken Aldred. Aldred charged that at least 20 top DFAT officers were pedophiles. "Not only are known pedophiles tolerated by the senior management of DFAT, but they are actively promoted," he said, identifying several by name or by description. In the same revelations, Aldred also charged that DFAT's top permanent official, Michael Costello, had been the recipient of some \$640,000 in apparent drug money from an official of the South American nation of Surinam, a payment allegedly couriered by Melbourne Zionist lobby figure and hot-shot tax lawyer Mark Leibler.

Pandemonium erupted after Aldred's charges; then-Foreign Affairs Minister Gareth Evans and shadow Foreign Affairs spokesman Alexander Downer savagely attacked Aldred, and the Liberal Party later purged him from his seat. Despite this, Australian journalists who traveled to Asia turned up bucketloads of evidence, enough to force Downer, who became foreign affairs minister after the federal election of March 1996, to initiate the inquiry.

The present cover-up had been widely expected. Two previous investigations of the matter, in 1988 and 1993, had gone nowhere, and, as an article in the April 21, 1996 *Sun-Herald* observed, "Australian Federal Police officers have confirmed that they felt powerless to act during some inquiries. One officer involved in cur-

rent investigations claimed pedophile diplomats seemed to be a 'protected species.'" Former DFAT official Shane Carroll told the *Sun-Herald* that pedophilia was "so tolerated within sections of the department that there seemed no point in making objections," while the daily press reported story after story, such as the group of youth who approached some Australian tourists in one Southeast Asian capital and said, excitedly, "You Australians? We f*** your ambassador."

The ramifications of all this for Australian national security are ominous: All overseas DFAT postings are given the "Top Secret" security clearance.

Downer no doubt had his own reasons for the cover-up. He entered DFAT on the same day in January 1976 as one of the notorious pedophiles, for whom he had later written a recommendation (as had Gareth Evans). More importantly, Downer is from an old landed gentry family in South Australia, and was educated at boarding schools in Britain, notorious hotbeds of sodomy. When asked his clothing preference, shortly after becoming leader of the Liberal Party in 1994, Downer replied, "Stockings and plastic bags," in reference to the series of autoerotic deaths among British members of parliament at the time. Downer later became infamous for appearing in black mesh stockings and high heels in a newspaper ad.

In addition to the extremely restricted terms of O'Neil's "investigation," the police in charge of the DFAT probe raided the house of the chief whistleblower against pedophilia, Alastair Gaisford, who was soon thereafter fired from the department. Downer set the tone for the investigation by threatening that anyone found to be making "vexatious allegations" about pedophilia in the inquiry would be severely punished.

Labor needs new ideas, new leaders

After the wave of political labor turmoil in March, German labor unions went back to sleep.

In recent days, representatives of the German labor unions have often referred to the new government in Britain, as supposedly improving the prospects for protecting labor interests in Europe and in Germany. Britain's Labour Prime Minister Tony Blair is viewed as "more socially minded" than his Tory predecessors, so it is widely expected that all those economic policy problems that have resulted from 18 years of Thatcherism in London, will now be overcome.

The labor movement's expectation is dangerous: First of all, it is no secret—least of all in Britain—that Blair will stray little from the path of Thatcher and Major, as far as essentials of austerity policy, monetarism, and strategies of "streamlining" (i.e., slashing) the social welfare system, are concerned. And, second, the labor unions would do well to have an alternative economic program of their own, to confront the German government's—rather than relying on Labourite Blair to tell Chancellor Helmut Kohl what to do. And, third, this new hero of the German labor movement is but a substitute for the betrayed hopes in their longtime political partner, the Social Democratic Party (SPD), which lost all interest in industrial labor.

The SPD's "innovation congress" in Düsseldorf, on May 21, was a frantic love affair with the "information age" and service sector. Ernst Ulrich von Weizsäcker, whose Wuppertal Clima Research Institute plays a crucial role in promoting the ozone hole hoax, proclaimed: "Innovation in the past 200 years has served the increase of productivity of labor, now the em-

phasis must be on the increase of productivity of nature."

The remarks at the congress by Gerhard Schröder, from northern Germany, who has ambitions to become SPD chancellor candidate for the 1998 elections, that what impressed him most during his recent U.S. tour, were Bill Gates and Albert Gore, are revealing. The SPD leaders have already entered their personal "21st century" of virtual reality, forgetting entirely that there are still millions of industrial workers, right here, in the 20th century.

The lesson of the SPD's sell-out for German labor? There should be a strict return to classic interests of industrial labor, not nostalgic repeats of past struggles, but under late-20th-century conditions of building up a new industry with high-technology products in transportation, energy, aerospace, and construction.

The labor movement has a big problem within its own ranks: The leadership is mostly made up of ecologists, or those who at least believe that the future is the "clean" information age, while industrial production is a thing of the "dirty" past. Union leaders widely believe that millions of new jobs in so-called "ecology technology" could replace those sacrificed in industry.

Broader industrial strikes, such as those that took place among mining, construction, and steel workers in March, are disliked by the labor 'crats, because these strikes put an industrial policy back on the political agenda, which they think should no longer be there. The workers are still there, though, and they are real. The three

successive strike waves, in March, of mining, construction, and steel workers, forced the labor 'crats out of their offices and back into the streets—for a few hours.

After the strike wave, and with the help of some government concessions, German labor was put to sleep. In their effort to look "modern," prominent labor 'crats have even begun to borrow ideas from the arsenals of the neo-liberals. For example, Dieter Schulte, chairman of the German Labor Federation (DGB), surprised many unionists in mid-May, by proposing first, that the pensions for retired workers should be reduced from the present 70% to only 64% by the year 2010. Then, he joined Chancellor Kohl for an initiative entitled "Alliance for Jobs in the East," an economic smorgasbord—but not a program—which is touted as having the potential to create 100,000 new jobs per year (although the program's authors admit that even that is far from certain). Third, Schulte said that the national industrial wage rates should be deregulated, becoming regionally or even more locally set, to create "more flexibility" for employers, which he said would also create more jobs.

He sounded so much like a hardcore neo-liberal, that many unionists, even officials over at DGB headquarters, were embarrassed by Schulte's pronouncements. Many recall that Schulte was the first labor leader to keynote a convention of the ecologist Green Party, at the end of last November. Granted, more union members are enraged at what Schulte said in the last few days. But the time has come now, to look for a new leadership for an awakened labor movement. German labor has arrived at the point where the AFL-CIO stood, when it elected a new leadership two years ago. It seems German labor must do the same, to be reactivated.

International Intelligence

'Czech model' austerity regime crumbling

The parliament of the Czech Republic on May 22 voted down a draft resolution by the opposition Social Democrats (CSSD) asking the government of Prime Minister Vaclav Klaus to recall Trade and Industry Minister Vladimir Dlouhy and Finance Minister Ivan Kocarnik. It also approved the government's harsh economic program. Meanwhile, an alternative economic program, presented the day before by the Social Democrats, was rejected by Prime Minister Vaclav Klaus—a former finance minister who put his country through the International Monetary Fund wringer.

On the same day, the Central Bank once again spent several hundred million dollars in an effort to prevent the devaluation of the Czech currency, the crown. Over May 15 and 16, the Central Bank had pumped \$2 billion into the crown, which still lost 4.2%, wreaking panic on the stock markets.

Leaders of the three coalition parties met on May 22 with President Vaclav Havel to discuss plans for government changes. Prime Minister Vaclav Klaus and his radical-liberal ODS party, whose government coalition is becoming more unstable by the day, could face the early desertion of the liberal KLD party, which would mean the final loss of a parliamentary majority, and very likely lead to a new governing coalition under the Social Democrats.

Thailand, Myanmar agree to extradite drug lord

The most spectacular result of Thai Prime Minister Chavalit Yongchaiyudh's May 16-17 state visit to Myanmar, was Myanmar's release into Thai custody of Li Yun-Chung, wanted in the United States on a 1991 indictment for the largest-ever seizure of heroin, 1,069 lbs. Li, who was caught in a joint arrest by Thailand and the U.S. Drug Enforcement Administration last July, was mysteriously released on bail in February, and promptly disappeared. Less than 48 hours after Li was turned over to Thai authorities over the May

17-18 weekend, the Criminal Court in Bangkok upheld his swift extradition to the U.S. The Li case is even more interesting in light of the oft-repeated attacks on Myanmar's State Law and Order Restoration Council for its alleged protection of heroin traffickers, in particular, its refusal to extradite Shan leader Khun Sa, who surrendered last year to SLORC. Thailand, too, has resisted U.S. extradition warrants, most recently for two members of parliament.

Chavalit's state visit also addressed the need to agree on border demarcation: The two countries share 2,400 km. of border, but only 58 km. along a northern stretch is marked. In addition, progress was made in establishing jurisdiction over the Thai-Burmese Friendship Bridge across the Moei River, which will open up a key link between China and the continental Southeast Asian heartland. Other issues discussed included 700,000 illegal Myanmar workers in Thailand, development of a deep seaport on the Kra Isthmus, and construction of a road linking Myanmar, Thailand, Laos, and Vietnam.

Turkey launches major operation against PKK

The terrorist Kurdish Workers Party (PKK) could be facing its final stand in northern Iraq as the Turkish Army has been carrying out its biggest operation ever, with the cooperation of the Iraqi Kurdish Democratic Party. The operation started on May 16, when the KDP, which controls most of northern Iraq that borders Turkey and Iran, called on the Turkish Army to help clear the area of the PKK. There are almost 50,000 Turkish troops in northern Iraq, supported by aircraft and tank battalions. Turkish Army officials said that "the operation could take the whole summer." It is very likely that the PKK could be eliminated in northern Iraq, where it has established many camps, thanks to the UN control mechanism introduced after the Gulf War by George Bush and Maggie Thatcher.

The Turkish Army first sealed the Iraqi-Syrian border in the north, making it impossible for the PKK to escape to the safety of its

regional protector, Syria's President Hafez Al-Assad. Second, the Iranian Army sealed its border with Iraq (the elimination of PKK bases in Iran was a point of agreement when Turkish Prime Minister Necmetting Erbakan visited Iran last year). The third and most important factor is the full cooperation of the PDK with the Turkish Army.

So far, only the British and Syrian foreign ministries have protested the Turkish-PDK counter-terror operation.

South Africa rushes to privatize prisons

Tender documents asking companies to bid for the financing, design, construction and operation of four new prisons, will be issued on May 21, a South African Correctional Services department spokesman said on May 19. Overseas prison and security groups such as Britain's Group Four and U.S. firms Correctional Services Corp and Wackenhut Corp., are expected to show interest in the project.

The government is looking for private firms to build two maximum-security jails, each for 1,500 prisoners, in Northern Province and the Free State, a similar-sized facility for prisoners awaiting trial in Gauteng, and a further unit for 800 youthful offenders in the Mpumalanga region.

Other private jails could follow, putting South Africa at the forefront of prison privatization, South African officials are quoted. "The whole idea is based on the assumption that government will not have the money to build the kind of [prison] facilities needed," said Correctional Services Minister Sipo Mzimela earlier this year.

Mongolian voters dump Sachs-maniac President

In national elections May 18, Mongolia's voters overwhelmingly voted against Jeffrey Sachs's and the International Republican Institute's hand-picked "democracy" rulers of President Pansulmaagiin Ochirbat and the ruling Democratic Union Coalition. The new President is Natsagiin Bagabandi,

Briefly

ROMAN HERZOG, Germany's President, who recently declared the nation-state a dead letter, was presented with Helga Zepp LaRouche's demand to debate on May 17, as he was leaving a luncheon in Pittsburgh, with Pennsylvania's Nazi-like Gov. Tom Ridge. Zepp LaRouche is running for chancellor on the Civil Rights Movement-Solidarity slate.

THE ISRAELI DAILY Haaretz has leaked a U.S. CIA study showing that Jewish settlements in the occupied territories have between a 25 and 50% vacancy rate, despite massive tax breaks and subsidized utilities, to get Jews to live there. The Netanyahu government has claimed the settlements were necessary to alleviate a housing shortage in Israel.

FIVE MILLION North Koreans are in immediate danger of starving to death, half of them children, the director of the World Food Program Germany, Volker Hausmann, stated in Bonn on May 23. He refuted earlier statements made by the spokesman for the German Development Ministry, Leo Kreuz, that the "stone-aged communist regime" is responsible for the disaster, rather than the huge floods that destroyed the last two harvests and the irrigation system.

NORTHERN IRELAND Unionists lost heavily in many races in the recent May 1 elections, including control of the Belfast government. The result, according to news accounts, "is a complete reversal of the municipal history since 1610, when Belfast was officially given town status by the British Crown."

FORMER BBC BEIJING correspondent James Miles has added to the "yellow peril from China" genre of literature with *The Legacy of Tiananmen: China in Disarray*. According to *Far Eastern Economic Review*, Miles asserts that China is "disunited, weak, disillusioned and wretched," and predicts its early collapse. The BBC's current bureau chief has just released *Dragon Stroke*, a "China launches World War III" fantasy.

Soviet-educated leader of the formerly communist Mongolian People's Revolutionary Party (MPRP). Bagabandi won with 60.8% of the vote, against 29.8% for the DUC. The new President said on May 18, after casting his vote, that he would work with all parties, but his priority was to slow down the DUC government's radical reforms which have wreaked havoc on what was already one of the world's poorest countries.

EIR has demonstrated how the DUC was set up as a test-tube "free-trade democracy" directly by Jeffrey Sachs and the IRI, as a flank against China, and a complement to Sachs's dirty work in Russia. But London also basked in the glory of the "Mongolian Renaissance," hailing "Ulan Bator's Love Affair with Britain" (according to a London *Times* headline), following June 1996 parliamentary elections, in which the DUC won the majority.

Colombian court makes 'mercy killing' legal

The Colombian Constitutional Court, basing itself on the 1991 narco-constitution which guarantees "a free internal space in every human being where the state cannot interfere," voted to legalize the murder of terminal or grievously injured patients "who give their clear consent." The ruling was 6-3, with one dissenting justice telling the media that the majority operated under the "erroneous premise that each person is the owner of his own life." Actually, the operational premise of the vote was less philosophical than financial, as the chief magistrate of the Constitutional Court Antonio Barrera made clear in an interview on May 21: "There are a lot of people who believe that sustaining the life of the terminally ill is too costly from the economic point of view, and that applying a penalty [for committing euthanasia] is wrong."

The sentence for euthanasia was hardly stringent—three to six months for "mercy killing." However, when that was challenged by an attorney, who sought to bring the penalty for euthanasia into line with the sentences for murder, the Constitutional

Court overturned any criminal sanction against "mercy killing." This is the same court which in 1994 decriminalized possession of illegal drugs for "personal use."

On May 22, the *Miami Herald* said Colombia is "the only country in the Americas—and perhaps the world—to legalize euthanasia," and quotes Hemlock Society founder Derek Humphry saying, "It's fascinating that Colombia has made this step forward." According to the posthumously published report of Humphry's ex-wife Ann, Humphry killed his dying first wife, and his second wife's elderly (but otherwise healthy) parents.

Rifkind blocked probe of Milosevic's war crimes

Former British Foreign Secretary Malcolm Rifkind blocked an international war crimes investigation into Serb President Slobodan Milosevic during the past 12 months, according to a report in the London *Observer* of May 18. The paper reports that Rifkind "vetoed an American plan to hand over intelligence intercepts collected jointly by Britain and the United States, despite a personal plea by the president of the United Nations war crimes court at The Hague."

According to the daily, British intelligence had in its possession vital telecommunications intercepts from its Cyprus monitoring station, the only one able to intercept direct telephone conversations between Milosevic and Bosnian Serb butchers Ratko Mladic and Radovan Karadzic. Furthermore, "Rifkind also refused to change the orders of British peace-keeping troops to enable them to arrest the two wanted Bosnian Serb leaders."

The Labour Party-linked *Observer* also reports that "The Milosevic regime secretly paid £96,000 (about \$156,000) to British Conservative Party supporters via its lobbying firm, Ian Greer. Former [Tory] Foreign Secretary Douglas Hurd, who left government and joined the bankers NatWest Markets, also subsequently helped negotiate commercial deals with Milosevic to manage the Serbians' debt and privatize their telephone system."

CFR signals new British tactic toward Iran, Iraq

by Muriel Mirak Weissbach

When *Foreign Affairs*, the magazine of the New York Council on Foreign Relations (CFR), launches a new line, it is a good idea to sit up and take notice. This is the magazine which inaugurated the Cold War, in a celebrated 1947 piece on the containment of the Soviet Union, written by George Kennan; it hosted the first official policy statement on the doctrine of “dual containment” of Iran and Iraq; and, more recently, it introduced the world to Samuel Huntington’s “Clash of Civilizations” thesis. As developments were to bear out, none of these essays represented the mere elaboration of personal views, no matter how stridently the magazine’s editors will protest, that they are merely “accepting the responsibility for giving [the views expressed] a chance to appear.” In each case, the essays served to float a new policy line, churned out by the CFR’s mother think-tank in Great Britain, the Royal Institute for International Affairs, among readers in the policymaking circles of the United States. In a nutshell, *Foreign Affairs* serves up to an American audience, the latest recipes that strategic analysts of the British geopolitical school have cooked up. The ultimate address to which the magazine sends its views — it hopes, for implementation — is the White House.

Thus, when *Foreign Affairs* in its May/June 1997 issue, features articles on “Changing Course in the Persian Gulf,” something not insignificant is afoot. The feature includes contributions by well-known proponents of the British school of geopolitics, among them Zbigniew Brzezinski, (Sir) Brent Scowcroft, and Richard Murphy, as well as Rand Corporation senior political analysts Graham Fuller and Ian Lesser. The first three headed up a CFR Independent Task Force on Stability and Security in the Gulf, whose conclusions provided the basis for the articles in *Foreign Affairs*. Richard Murphy, who was the project director, also chaired a CFR Independent

Study Group on Gulf Stability and Security and Its Implications for American Foreign Policy, whose recommendations to the administration, were published together with those of the Task Force. The Task Force met four times over the past year, and the Study Group met seven times; Brzezinski and Scowcroft conducted a field trip to the region, in addition.

What is the gist of the reports issuing from such an extravagant effort? Quite simply: that the United States should take the “dual containment” doctrine, which the CFR has championed officially since 1992, and throw it overboard. A radically new strategy toward Iran and Iraq is called for, under the rubric of maintaining stability and security in the Persian Gulf region.

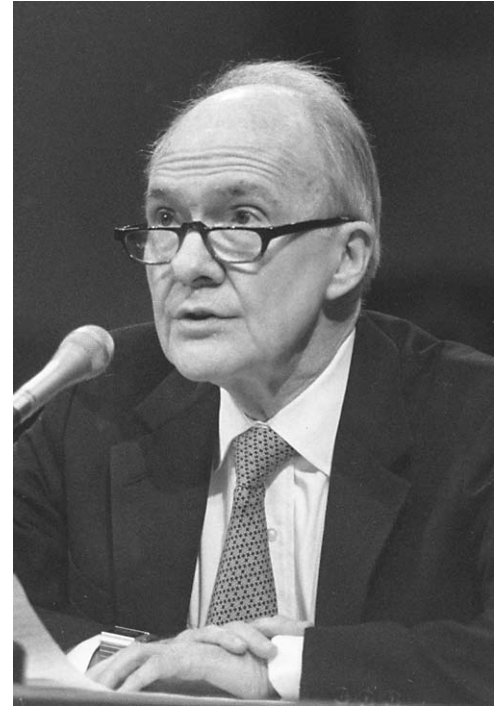
There are several different layers of reality dealt with in the CFR studies. The first, most superficial, is the cover story: what the geopolitical strategists say they are doing and why. The deeper level, which one can access by reading between the lines, is the real story: what the CFR crowd is seriously concerned about, and why. Finally, there is the question that the *Foreign Affairs* feature provokes, of any thoughtful reader: what a viable new Gulf policy would look like for the U.S. administration.

The cover story: Iraq

The starting point for all the studies, is the pragmatic statement of fact, that the dual containment policy does not work. It “is more a slogan than a strategy,” and “the policy may not be sustainable for much longer,” as is stated in “Differentiated Containment,” by Brzezinski. The dual containment policy, for the Study Group, is “at an impasse”; in the words of Graham E. Fuller and Ian O. Lesser, it is “unraveling,” and “a geopolitical dead end.”



CFR authors Zbigniew Brzezinski (left) and Brent Scowcroft (right) are scrambling to maintain British geopolitical control, conceding that their “dual containment” strategy toward Iraq and Iran has failed. Faced with the past year’s emergence of the Eurasian Land-Bridge, under the leadership of China, Iran, and Turkey, the British and their American cohorts are desperately trying to come up with a new gameplan.



The reason given for its growing obsolescence, is that the stated aims of the policy, when it was officially articulated by Anthony Lake in *Foreign Affairs*, have not been reached. Indeed, in part, the policy is said to have had a boomerang effect.

According to the CFR, dual containment was a policy of punitive actions, like economic sanctions and political isolation, aimed at “containing” both Iraq and Iran. Iraq was considered a threat to the region by virtue of its possessing weapons of mass destruction and its ability to affect the flow and price of oil on the international markets. Thus, through the military aggression of Operation Desert Storm against Iraq, and the continuing United Nations embargo policy, the nation was to be brought to its knees, and its “dictator” Saddam Hussein, overthrown by a democratic alliance of forces friendly to the West.

However, as the CFR concedes, “Saddam Hussein is still in power.” Moreover, the “international consensus on continuing the containment of Iraq is fraying,” writes Brzezinski. The Study Group document points out, “Some even charge that the United States and certain of its close Arab friends are responsible for inflicting unnecessary suffering on the Iraqi people.” Concern is expressed that a consensus for U.S. military presence, allegedly to protect the region from Iraqi aggression, is falling apart, among members of the Gulf Cooperation Council (GCC— Saudi Arabia, Kuwait, Bahrain, Qatar, the United Arab Emirates, and Oman). “U.S. policies towards Iraq, which were adopted in 1990-91, are causing friction with Turkey, the European allies, Japan, some of the GCC states and to a lesser degree the Iraqi Kurds. . . .” Fuller and

Lesser point out that, if the rationale behind Desert Storm was to secure “reasonable oil prices,” this is anti-economical in the least, since the cost of deployments, in the order of \$30-60 billion per year, far outweighs the \$30 billion worth of oil imported by the United States.

Therefore, Brzezinski, Scowcroft, and Murphy recommend “five corollaries to the basic containment policy,” which are reflected in all the other CFR essays. They are the following: 1) “The international community must credibly demonstrate its concern for the Iraqi people even if their own ruler does not.” So, the effect of the sanctions “on ordinary Iraqis” should be mitigated, and the oil-for-food allowances of the UN should be pursued. The sanctions, however, should not be totally lifted, rather suspended, “so that the international community can reimpose them should unacceptable Iraqi behavior resume.” 2) The United States should make clear its commitment to the integrity of the Iraqi state. 3) It should “consult more closely with Turkey . . . on how best to stabilize the situation in Iraqi Kurdistan,” and even consider rethinking Operation Northern Watch. 4) The United States should signal its readiness to “work with a post-Saddam Iraqi regime,” without demanding that it be “benign and democratic.” “American officials should state that they would be prepared to deal with any Iraqi regime—including one that emerged from within the military or the Baath Party—that is ready to fulfill Iraq’s basic international obligations.” Debt relief for Iraq would even be in order, as a gesture to promote the process. 5) However, Saddam’s regime should be thoroughly punished, if it “crosses clearly drawn lines of appropriate behavior.”

The cover story: Iran

A similar sleight-of-hand is developed to argue the case for altering policy toward Iran. Iran, it is said, merited containment by the West, due to its alleged sponsorship of international terrorism, its alleged pursuit of a nuclear weapons program, and its hostility to the Middle East peace process. Containment of Iran, Brzezinski et al. write, has taken the form of economic sanctions and, since 1995, the introduction of a secondary boycott. The Iran and Libya Sanctions Act, passed by Congress in 1996 and signed by President Clinton, “mandates U.S. sanctions against any foreign firm that invests more than \$40 million in a given year in the development of energy resources in Iran or Libya.” Yet, the authors are quick to note, the policy has not been successful; it has enraged many U.S. allies, but has not persuaded them to break off trade relations with Teheran.¹

The authors therefore propose that the hard-line stance toward Teheran be softened, and they rationalize the shift with the following arguments: Despite concern over Iran’s threat to regional security, “there is little reason to believe that Iran’s conventional military buildup will pose a direct challenge to U.S. regional supremacy.” Despite U.S. commitment to the Middle East peace process, “opposition to that process by another country should not be grounds for international excommunication.” Although Iran has been accused of fostering “Islamic fundamentalist terrorism,” the United States “must be careful not to demonize Islam.” The CFR leading group specifies that the “single most worrisome aspect of Iran’s behavior is its apparent quest for nuclear weapons capability.” Here, it proposes that Washington respond by “pushing the controls and inspection provisions of the existing nuclear nonproliferation regime to their limits and continuing to make counterproliferation efforts a top priority.” The United States should consider a “tradeoff,” using the carrot rather than the stick, “in return for Iran’s acceptance of restrictions on its civilian nuclear program. . . .”

The same approach is presented by members of the Study Group, who propose that, while maintaining its military containment of Iran, the United States should offer some “positive incentives,” to wit: “Reduce the intensity of the rhetorical war. . . . Reduce the economic embargo to a narrow range of specific items. . . . Encourage the International Atomic Energy Agency to carry out a more aggressive program of inspections”; and “Explore the potential of dialogue through track-two [unofficial] channels to Iran.”

While it is certainly true, that the embargo policy has failed in fact, one must ask: Why the turnabout now? What

1. Virtually no major deals have been prevented by this clause. In fact, the Turks and Iranians got around it, in their \$23 billion pipeline deal, by specifying that Turkey would build and finance its part of the pipeline itself, and that the part of the pipeline going through Iran, would not benefit from outside investments. In May, the Iranians announced a \$4 billion deal with the French company Total and others, for oil exploration and development.

has prompted the CFR in early 1997 (just as hard-liner John Major was vacating the Prime Ministry in London to the softer Tony Blair) to float the balloon of a complete turnaround in policy toward the Persian Gulf? Could they not have realized earlier, that containment was not achieving its stated aims?

The real story

In reality, the entire argument as formulated by the CFR is a fraud. First, “dual containment” did not originate with the Clinton administration, nor was it designed exclusively against the two Persian Gulf giants (see *EIR*, Aug. 23, 1996). The dual containment idea actually originated in the 1970s, under Henry Kissinger, who outlined the policy in a National Security Council memorandum, NSSM 200, which was held classified for 19 years. In that document, Kissinger outlined the Malthusian policy which represented the heart of British geopolitical thinking toward the entire developing sector: The policy was to prevent nations in the developing sector—especially those with strategic raw materials—from achieving economic independence through industrialization. Strategies were mapped out, to force back demographic growth in fast-growing countries, and to engineer wars, if necessary, to reduce population.

The Iran-Iraq War from 1980-88 was one expression of that British geopolitical thrust: to pit the two leading economies of the region against one another, even to support the one or the other militarily, albeit through proxies, to the end of letting them destroy each other, as Kissinger was quoted saying. No sooner had the bloodletting subsided, than the British took up the crusade against Iraq with Operation Desert Storm, to annihilate its capacity for industrialization. As James Baker III put it, the idea was to “bomb Iraq back to the Stone Age.”

What was dubbed “dual containment” during the Clinton administration, therefore, is nothing but the continuation under a different guise, of a Kissinger policy. It is no coincidence that those credited with having authored the policy, Martin Indyk and Tony Lake, are both dyed-in-the-blood Kissingerians.

Now, looking at the targetted nations objectively today, one must acknowledge the following: Iraq, since the 1990-91 Desert Storm and continuing embargo, has been placed in a position, whereby it has no choice but to play by the rules. The country is de facto partitioned in areas under international control, known as the no-fly zone in southern Iraq, and the area of “Operation Provide Comfort” in northern Iraq. Its exports of oil are controlled, according to the UN resolution allowing \$4 billion worth per year, and specifying that the revenues be allocated first for UN agencies’ costs, then for reparations to Kuwait, before they can be spent on urgently needed food and medical imports.

Thus, Iraq does not constitute any military threat, regionally or otherwise, in the terms defined by the CFR. It does constitute a “threat” to CFR thinking, to the extent that, having

rebuilt much of its destroyed infrastructure, it could, if allowed, complete its industrialization process. This would be a threat to the Malthusians, *particularly if this were done in concert with Iran, within the larger context.*

The real threat in the eyes of the CFR, is Iran, for reasons which have nothing to do with alleged support for terrorism, nuclear weapons capabilities, or hostility to the Arab-Israeli peace process. Iran is considered a threat for reasons that the authors acknowledge half-way, and between the lines.

Brzezinski, Scowcroft, and Murphy write: "In Iran, the United States confronts a country with potentially considerable military and economic capabilities and an imperial tradition,² which occupies a crucial position both for the Gulf and for future relations between the West and Central Asia. If Iraq poses a clear and relatively simple immediate threat, Iran represents a geopolitical challenge of far greater magnitude and complexity." Again: "Iran's geopolitical importance is greater than Iraq's, and the challenge it represents is more complex." Although it "does not currently pose a threat of military aggression, . . . its long-term policies could destabilize the region."

Here we come to the crux of the matter: Iran's "crucial position . . . between the West and Central Asia" and its "long-term policies."

Iran has always held a crucial geographic position, as the natural bridge between Asia and Europe. The development of the historic Silk Road is the most immediate embodiment of that fact. Since the 1991 collapse of the Soviet Union, Iran's geographical function has been radically redefined and enhanced, as prospects for revival of the Silk Road have gained feasibility. The emergence of the Central Asian Republics (CAR) as independent, sovereign states, meant that the Chinese plan, known as the Continental Land-Bridge, for extending a vast rail network westwards, to integrate Eurasia again, could be realized. In June 1992, rail connections were opened from China to Kazakhstan, which gave that landlocked country access to Chinese ports. In May 1996, the rail link was completed between Iran's Mashhad and Turkmenistan's Tadjan through Sarakhs, which meant that the entire rail network through the CAR was hooked up with that of Iran. This constituted a breakthrough of geopolitical significance, as it opened up access to the Persian Gulf for all the CAR. At the same time, a series of far-reaching agreements made by Iran with the CAR, and with Turkey, led to the creation of a network of pipelines, capable of transporting the immense oil and natural gas reserves from the CAR, through Iran, to international markets, and through Iran and Turkey into Europe. The most spectacular of these was the deal signed by the new Turkish prime minister, Necmettin Erbakan, in August 1996, between Turkey and Iran, for \$23 billion, providing for

2. The rather astonishing formulation, "imperial tradition," does tend to undermine the credibility of the standard designation of Iran as an "Islamic fundamentalist" state, since 1979.

Iranian gas to be supplied to Turkey, through a new pipeline constructed by both. The new transportation links eastwards across Central Asia, meant that the same oil and gas supplies could be made available cheaply to China and other countries of Asia.

At the same time, Iran has pursued a policy of diversification, so as to decrease its dependency on oil exports; furthermore, since Iran will be exporting more oil, including to Asian markets, it plans to shift its own energy production to the nuclear realm. An important deal with Russia, for completing the Bushehr nuclear plant, is part of this.

These are the *facts* that explain why the CFR is so concerned about Iran's "crucial position . . . between the West and Central Asia," and its "long-term policies."

Back to the drawing board

In short, the CFR series is a hysterical response to the facts that have been shaping global strategic realities over the past year: that the Chinese and the Iranians, together with Turkey, have initiated a dynamic of economic growth, by reconstructing the Silk Road, through the Eurasian Land-Bridge. In the process, economic and political relations among the key nations of the continent — China, Russia, India, Pakistan, Iran, Turkey, and the CAR — have broken out of the geopolitical straitjacket in which British manipulation over centuries had confined them. It is not the "dual containment" of two Persian Gulf nations which has failed, but the whole kit and kaboodle of geopolitics, as a mode of political strategy.

This places the CFR and its cothinkers in the somewhat uncomfortable position, of having to think of something new. Precisely, the dilemma posed to them is of the following nature: If the nations of the Eurasian continent pursue their "long-term" policies and develop the continent, they will ultimately elude all outside control. The CFR boys are faced with the nightmare of the British school at the turn of this century: As geopolitician Halford Mackinder liked to put it, he who controls the "Eurasian heartland," controls the world. Now, it appears the nations of the Eurasian heartland have found the economic policy means through which to exert that sovereign control.

In somewhat predictable fashion, the CFR has responded by trying to counter the threat by subtle subversion, rather than take it head on. This is the significance of the outright admission of failure which characterizes the CFR series: The old policy of confrontation, threats, sanctions, and other punishment "does not work," so let us find another policy that does.

The policy of 'dual penetration'

Without ever identifying the Eurasian Land-Bridge program or economic policy orientation explicitly as the enemy, the CFR analysts touch, almost *en passant*, on two major factors in the Eurasian economic conception: the rail infrastructure works and the oil and gas pipelines. The actual sub-

ject of their concern, in dealing with both, is the vast raw materials reserves, not only, or even primarily, in Iran and Iraq, but rather, in the Central Asian Republics. One strategic question the CFR is asking itself is: How can we lay our hands on these rich natural treasures, without looking like thieves in the night?

The most sophisticated approach in the *Foreign Affairs* issue is made by Jahangir Amuzegar, in an article entitled "Adjusting to Sanctions." Whatever his political leanings, the author, who was minister of finance in Iran before the 1979 revolution, does have some knowledge of the economic reality of the country and presents a more honest picture of the Iranian economy under sanctions, than his CFR colleagues.

Stating that the sanctions have not "inflicted irreparable damage" to the Iranian economy, Amuzegar says, on the contrary, "the economic indicators are healthier than at any time since the early 1990s." Crude oil production, oil export revenues, and domestic investment have risen, while foreign debt has been reduced. Furthermore, psychologically, the sanctions have had a counterproductive effect, as the "determination to become self-sufficient in most of their needs heralded a shift to other sources of equipment for exporting oil and stronger ties with Asia, Africa and Latin America." And politically, he notes, whereas Iran was a pariah state in the mid-1980s, now, only the United States and Israel are declared enemies, and "Tehran now has close ties to Russia, China, India, Indonesia and Brazil." He dedicates a footnote to the opening of the Sarakhs-Tajan railway link, which was attended by representatives from 40 countries.

After reviewing the various options open to Washington, including military action and maintaining or strengthening sanctions, Amuzegar opts for seeking a "prudent modus vivendi with the rogue state." His approach is informed by his notion that, although the U.S. and Iranian governments may be at odds, there are interests which the two *countries* share. Among these, he lists: avoiding chaos in the region, and maintaining the free flow of oil. But the thinking behind Amuzegar's approach is exquisitely geopolitical. He states: "Both need each other geopolitically, as the twin pillars of a regional counterbalance to Russia's potentially expansionist aspirations within the Commonwealth of Independent States and toward the warm waters of the Persian Gulf. And, finally, both countries can fruitfully cooperate in developing and transporting the energy resources of the Central Asian states and the Caucasus, reducing those nations' dependence on Russia." In other words, perhaps the CFR can convince Iran to play ball, if the offer is presented as a partnership, including the resource-rich CAR, again, against Russia.

The author recognizes Iran's importance geographically, as "the Middle East's most populous and second-largest country, surrounded by 15 neighbors with which it shares land borders or bodies of water, a major global energy source with 10% of the world's oil and 15% of its natural gas, a pivotal player both in the region and within OPEC, and a gateway to

central Asia." To the end of bringing about a new orientation, he proposes that a dialogue with Iran be promoted by handsome incentives, such as the release of Iranian frozen assets or new World Bank loans.

What Amuzegar is offering is a kind of lurid partnership with Iran. Seeing what Iran has achieved and the central economic role it now plays in the region, this rather sophisticated proposal says, let us make friends with Teheran, and see if we can steal a piece of the pie. Specifically, the author eyes the vast riches in Central Asia, including the Caspian Sea. Since the economic and political conditions do not exist for predatory firms to loot them outright (as, for example, is being done in the Great Lakes region of Africa), the author seems to want to propose that Iran be convinced to accord looting rights to Western oil concerns. His suggestion that the World Bank be brought in more prominently is of central significance; as the tragic experience of the Middle East since September 1993 has shown, one of the most effective ways of wrecking any project for economic cooperative development, is to give the World Bank and the International Monetary Fund control over the purse-strings. This is something which the Iranian leadership fully understands; in its recent agreements within the context of the Economic Cooperation Organization (ECO), great stress was placed on independent sovereign control over financing of infrastructure projects (see *EIR*, May 30, 1997, p. 4).

Amuzegar's basic thrust is made more bluntly by Brzezinski et al., who write: "One negative consequence of current policy is the damage inflicted on America's interest in gaining greater access to the energy sources of Central Asia. An independent and *economically accessible* Central Asia is in the interests of both the United States and Iran. The United States should do nothing to preclude Central Asia's eventual emergence, nor stand in the way of deals that might facilitate it. The United States should therefore refrain from automatically opposing the construction of gas and oil pipelines across Iran. Here, as with policy toward Iraq, the United States must consult more often with its Turkish ally and fashion a regional policy that makes sense on the ground."³

Fuller and Lesser are quite frank in admitting the same. Asserting that Washington has erred in its hostile posture, they write: "The United States has excluded any option that could involve Iranian strategic participation, even where it might coincide with American goals: on policy toward Iraq and the

3. The reference to Turkey here, as in virtually all the essays featured in *Foreign Affairs*, betrays another major concern underlying the policy rethinking on the part of the CFR. Since Refah Party leader Erbakan became prime minister in Turkey, vast agreements with Iran have been signed. In addition, it was on Erbakan's initiative, that the D-8 grouping came into being, which, together with the expanded ECO, has become a vehicle for implementing economic cooperation in the context of the Eurasian Land-Bridge. "Consultations with Turkey," which are recommended on every other page in the *Foreign Affairs* articles, should be understood, as "exerting pressure on NATO partner Turkey" to try to develop a handle on Iranian policy.

weakening Saddam, and above all on Central Asian, Caspian, and Caucasian pipelines. Flat rejection of pipelines through Iranian territory — which, for practical reasons, most of the region's states and many oil companies would prefer — opens the way to Russian monopoly. New east-west routes for oil, gas, railroads, and trucking along the old Silk Road are on hold until Iran, with its central position, can be included." (This latter statement is false, but the point made is clear.)

Institutional control

One of the obstacles placed in the way of the CFR's proposed looting scheme, is that, as a part of the multiple agreements on rail and pipeline infrastructure made by participating nations across Eurasia, new institutions have come into being, as vehicles for coordinating and promoting further such cooperation. The CFR boys are understandably upset.

The Study Group paper identifies shifting relationships, as a result of new energy flows: "East Asian demand for energy will have an increasing impact on the future of the world market. Economic development in India and China alone is likely to affect Asian oil demands significantly. Asia's demand for oil will dramatically increase. Average annual growth of oil consumption for the Pacific Rim for 1994-2015 is 4.6% . . . [and] for China . . . 2.6%. Today coal is the primary energy provider in East Asia, but dramatic economic growth, industrialization, investment and environmental concerns will certainly enlarge the demands for energy." This means, greater demand for energy resources from the Persian Gulf and the CAR.

Further on, in its chapter on "International Challenges facing U.S. Policy in the Gulf," the Study Group writes: "India, Pakistan, Russia and Central Asian countries are becoming more active in trade and investment in the Gulf region. This may eventually bring about new *regional coalitions*. The construction of an important railway between Iran and Central Asia in 1996 [i.e., the Mashhad-Tajan link] may significantly increase economic links with Central Asia. The strategy of isolating Iraq and Iran has pushed both states toward Russia, which seeks repayment on Baghdad's substantial debt and which, despite U.S. objections, has moved to conclude financially lucrative nuclear reactor deals with Iran."

In point of fact, the "new regional coalitions" have been coming into being, in institutional form, over the past two years. Not only has the Economic Cooperation Organization, originally made up of Turkey, Iran, and Pakistan, expanded to include all CAR, and Afghanistan and Azerbaijan, but a new grouping, the Developing 8 (D-8), of Muslim countries in Asia, the Gulf, and Africa, was created on Turkish initiative in 1997, also as a means to enhance economic cooperation. In addition, Iran has started to associate with the subcontinent's trade and economic cooperation institutions. Iranian Foreign Minister Dr. Ali Akbar Velayati spelled out in a Crans Montana Forum address in Switzerland in June 1996, that Iran would aggressively seek greater coordination with regional

groupings, such as ECO, the Caspian Sea Cooperation Council, the Association for Regional Cooperation, and others.

Thus, the CFR Study Group's worry that disagreement among the United States and its allies on Iran policy, "provides opportunities for others such as China and Russia to expand relations with Iran," is no paranoid fantasy. Both countries have finalized important agreements with Iran — and Iraq — for energy development and supply. The CFR authors even moot the possibility of "strategic cooperation" between Iran and Iraq, which might find "common cause" in facing hostility toward them. The same fear is expressed by Fuller and Lesser, who say continued containment "might even pull off the extraordinary trick of driving archrivals Iran and Iraq into a tactical alliance." In the light of recent steps taken by Baghdad and Teheran over the last 12 months, to relax tensions, and lay the groundwork for eventual rapprochement, the idea of such a tactical alliance is anything but absurd.

The CFR's response to the new institutions among regional coalitions is to propose its own counterinstitutions, as if to say, "You want a club? Fine. We'll start a club, and you can join." Fuller and Lesser assert, "Sooner or later, U.S. policy will have to acknowledge that Iran and Iraq are the two biggest players in regional security issues and take steps to anticipate their eventual integration into a security architecture." What the authors lay out, concretely, is a new security institution, through which to control the area: "The international community, working through the United Nations or by other agreement, should consider according the region *special international status*. Violation of a country's borders, unacceptable anywhere, should be viewed as particularly reprehensible here. Such international status would help deter adventurism by Iraq, Iran, or even Saudi Arabia against their small neighbors." The United States, they continue, should consult with its allies, to reach agreement on a "regional security forum" modelled on the Organization for Security and Cooperation in Europe. "The effect of a coordinated transatlantic or G-7 approach on the behavior of Iran or Iraq could be formidable." The regional security forum they propose can emerge as soon as the "status of Iran and Iraq is normalized."

Further details on how this regional security arrangement should work, are not provided. However, the mere reference to according "special international status" there should raise goose pimples. It is important to note that one of the authors, Fuller, travelled to London last year and reportedly met with members of the British defense establishment, including Defense Minister Malcolm Rifkind. Rifkind took the idea of a "regional security forum" to the Middle East on his trip there later. This would be a security arrangement controlled by the British, who have vastly upgraded their military cooperation with the United Arab Emirates and others. Presumably, what Fuller and Lesser are talking about, is a British-policed regional order, in which Iran and Iraq are forced to become complicit partners.

One of the features of the security arrangement would definitely be a control over the members' access to nuclear technology. Not out of any military consideration that Iran or Iraq would seek to develop and use atomic weapons against others in the region, but out of concern that development of nuclear energy for either, or both, would signify for them crossing the threshold into full industrialization. And that, according to the parameters laid out in Kissinger's 1974 NSSM 200 document, is what must be prevented, from their Malthusian standpoint.

Thus, in all the CFR pieces, it is highly "recommended" that Iran, and also Iraq, be kept far away from this technology. The emphasis is less on Iraq, because that country's nuclear research facilities, including its scientists, have been subjected to consistent harassment and dismantling since Operation Desert Shield. Iran is a different kettle of fish.

Brzezinski and Scowcroft write: "There seems little justification for the treatment the United States currently accords Iran because of its nuclear program. Instead of simply punishing the country, the United States should consider whether a tradeoff might be feasible in return for Iran's acceptance of restrictions on its *civilian nuclear program* or intrusive inspections by the International Atomic Energy Agency of its nuclear facilities." The authors offer this extraordinary explanation: "Since the rationale for nuclear power has diminished in recent years, it may be possible to get Iran to limit its civilian nuclear energy program enough to give outsiders reasonable confidence that further military progress is not being made." They add, significantly: "Such an outcome, possibly arranged with Chinese or Russian support, would leave both the United States and Iran better off and significantly ease tensions in the region." In other words, this would kill Iran's civilian nuclear program and end cooperation on it with Russia and China.

A sane foreign policy approach

The mere fact that the CFR has gone to such great lengths, to launch a grand debate within policymaking circles in the United States, demonstrates that the British geopolitical strategists are up a tree. On the one hand, they acknowledge that their "dual containment" policy based on punitive actions has been inconsequential, if not outright counterproductive; on the other, they see, with growing alarm, the emergence of a coalition which threatens to include all those nations and economies which they had targetted for containment or destruction.

They see, most importantly, a U.S. President who is moving, not to thwart, but rather to encourage such developments. For example, not only has President Clinton continued to resist the China-bashing campaign, which aimed at breaking Washington's dialogue with Beijing, but he has gone forward to prolong Most Favored Nation status for China, for another year. Not only did Clinton elude the trap laid for him by British press outlets, which sought to present the Chinese-Russian summit talks as "anti-United States," but he wisely

endorsed the groundbreaking agreements made by President Jiang Zemin and President Boris Yeltsin in Moscow.

Regarding Iran and Iraq, the President has not yet made any major policy statements in his second term. It is, however, widely reported that persons inside the administration have been commissioned to review policy for the region. The CFR, knowing this, has therefore decided to jump the gun, and throw *its* policy recommendations onto the floor of the debate.

One very significant intervention has been made by a former member of the Clinton administration, urging a serious approach to dialogue with Iran. Former Assistant Secretary of State Robert H. Pelletreau, Jr., who had lamented in a speech to the CFR in May 1996, that Iran seemed not willing to enter dialogue with Washington, presented a very bold proposal, to encourage progress on this front, in a speech to the International Petroleum Forum, on April 8, 1997.

In it, Pelletreau outlined a "utopian" vision, for the year 2010, in which the Persian Gulf region would be characterized by stability and peaceful relations, including the full rehabilitation of Iran and Iraq. He said, "We would like to see a secure and stable Gulf peacefully pumping more oil to meet growing world energy demand, and we would like to see U.S. companies participating fully in this process with no country limitations or restrictions" (i.e., no embargoes). He continued: "We would like to see market economies developing freely in the region and participating in global trade as members of the World Trade Organization and we would like to see the central Asian states growing and prospering with multiple export routes available for their oil and gas resources. We would like to see governments in the region responsive to the aspirations of their citizens and resolving their differences across the conference table rather than by force of arms."

Reviewing the effects of containment on Iran, Pelletreau made the following observation: "It has also had the effect, some would argue, of stifling the central Asian states and hindering their development, and in terms of long-term global energy security, prevented investments in the Iranian oil and gas sector *which should be being made now* to meet the foreseeable increases in demand early in the next century." He continued with the rather startling proposal: "The United States, has, from time to time, expressed willingness to hold an authorized dialogue with the government of Iran in which the policies about which it complains could be discussed face to face. This has been put forward in a rather passive and dismissive way, and it is not surprising that there has been no serious reaction or response from the Iranian side. The door should be opened wider. The United States should not shrink from a full agenda dialogue with Iran. It should welcome it."

Pelletreau filled out his idea as follows: "The United States should make clear that it recognizes the fact of the Iranian revolution and is not trying to overthrow the existing Iranian government. It should not hesitate to deny rumors and unfounded reports to the contrary." Furthermore, "existing informal or Track II contacts" should be broadened, to "attract

prominent members of both societies to participate in this dialogue and thicken its agenda,” as similar talks helped improve U.S.-U.S.S.R. relations in the 1980s. Pelletreau proposes the Iranians do likewise, specifically that “Iranian leaders should make clear repeatedly and publicly what individual Iranians have said or hinted from time to time,” renouncing support for terrorism, nuclear weapons proliferation, and aggression in the region. He added, Iran should recognize that the “Arabs and the Israelis are the primary parties” to the Middle East peace process, and simply stay out of it.

Although Pelletreau ended his remarks with a caveat, that the United States should respond otherwise, if Iran were found responsible for terrorist acts, nonetheless, the approach he has outlined is laudable. Although the audience Pelletreau was addressing, of petroleum executives, has its vested interests in improving relations with oil-producing countries of the region, it does not appear in his remarks, that sheer exploitation of those countries were at the top of his agenda. What is particularly worthy of merit in Pelletreau’s speech is his offer of an open-ended dialogue, with no stringent preconditions, and his declared respect for the sovereignty of Iran.

The question Pelletreau does not address, is: What would such a full agenda include? In other words, what should a sane foreign policy approach look like, toward the area of Eurasia, of which Iran has become such an important economic and political component?

LaRouche’s policy for the region

The answer to this question has been provided by the American economist Lyndon LaRouche. In December 1996, LaRouche was interviewed, while in Germany, by the Islamic Republic of Iran Broadcasting (see *EIR*, April 25, 1997, p. 32). During the televised interview, portions of which were later broadcast on the first channel of Iranian national television, LaRouche was asked: “What would you decide if you were the President of the United States, for instance, . . . in the case of Iran?” In his reply, LaRouche sketched the broad outlines of a policy for the region: “Well, very simply, that Iran is a nation-state; it has its own internal problems, it has its own interests. That the United States must, particularly because of its power, must look to the long-term interests of each of the states with which it deals, and must try to slide over short-term difficulties . . . for the sake of long-term interests.”

The long-term interest of Iran, he continued, “is obvious: that it is the link from Central Asia and China to the ocean, and to the Caspian Sea. It is the link, through the Caspian Sea, to Teheran. It is the link into Turkey, provided they don’t have a Kurdistan destabilization of the Transcaucasus going on to stop that. It is the link into the Middle East. It is the link into Europe. So, therefore, Iran plays a vital strategic role in creating peace—and that’s the interest of Iran. Because if Iran wishes to exist, it must have some important function in respect to each of its neighbors, which is China, South Asia, Middle East, Europe, and Turkey.” In this light, he noted the

“very good signs” including “the attempt of Prime Minister Erbakan in Turkey to open up discussions with Teheran on a new level, to try to bring about stabilization in the Transcaucasia area. . . .”

The policy implications of this conceptual approach, he identified, are the following: “We should, in my view (and of course this is my known policy), take what we proposed as the ‘Productive Triangle,’ and what in China is called the ‘Silk Road,’ in which Iran is already cooperating, and say: *The basis of our policy toward this region must be to bring together South Asia, Southeast Asia, China, the Middle East, together with Europe, and with outside U.S. support for the whole operation, into large-scale railway-centered development projects for economic cooperation, and thus, to permit the nations of the region to cooperate, not only for the benefits, but to create a second benefit: stability.*”

“So,” he concluded, “our object should be long-term, stable relations among states in the region, and that economic projects, which are in the interests and security interests of these states, should be the basis of the United States’ policy. Our interest in this area is to have global peace. And, we have to build it.”

Later, just prior to President Clinton’s inauguration for his second term, LaRouche gave a radio interview, on Jan. 15, to “EIR Talks,” in which he completed his outline of what U.S. foreign policy should achieve. LaRouche called upon President Clinton to initiate a “New Bretton Woods Conference,” which would tackle a reorganization of the present, global financial system, to restart the world economy through the Eurasian Land-Bridge development. Referencing the series of “earthquakes” which had been hitting the financial markets with varying degrees of intensity, LaRouche said: “Probably early in his term, the President is going to be faced with the most fundamental decision on economic and financial policy that any [U.S.] President has been confronted by, during this century to date.” LaRouche said this meant, that President Clinton would have to use his authority to place the U.S. financial system under government-supervised bankruptcy reorganization, after which a “recovery program” for the physical economy would be started. Existing monetary-financial, trade, and tariff agreements would be revoked, “pending new ones established through the new Bretton Woods arrangement.” Nationally, and internationally, he said, there would be a return to “heavy emphasis on infrastructure building and reconstruction,” which would reactivate “the entrepreneurial sector of the economy, very much in the same way that the war economy has been used in this century, repeatedly, to get the United States out of a depression.”

This economic recovery program would define America’s relationship to the rest of the world, in LaRouche’s view. “We [in the United States] are going to have to get other nations, or at least some of them, to go along with us. The big issue is going to be: How well can we deal with the greatest opportunity we have for America’s global interests? That is, to join

with China, with India, with Russia, with Iran, with Turkey, and with other countries, such as Germany, for example, which will be a keystone nation in this, and bring Japan into it, in developing . . . the Eurasian Land-Bridge program? That's going to be the greatest economic opportunity of the 21st Century. And, the United States should support it, should be part of it. And, together with countries in western Europe, such as Germany, should be in full partnership with that. And, this should be extended, of course, to be the basis for our Africa policy, that is, the extension of the Land-Bridge through the Middle East, into Egypt, and then through all of Africa. So, that's the kind of thing he should talk about."

The program LaRouche is campaigning for represents the historic means for annihilating the practice of geopolitics as a method of foreign policy, replacing it with a policy based on a community of principle among sovereign nation-states. The analysts at the CFR are fully aware of the historical dimensions of the matter, as well as of LaRouche's special role in the process. Therefore they have been scrambling, to come up with a policy alternative, ostensibly not hostile to these developments. The CFR cannot stop the Eurasian Land-Bridge, but it hopes it can subvert it from within.

Documentation

A chronology of Iran's diplomatic initiatives

The following are some of the most important economic and foreign policy initiatives undertaken by Iran over the last year, in the context of its Eurasian Land-Bridge policy.

1996

May 13: The Mashhad-Sarakhs-Tajan railway, connecting northeastern Iran with Turkmenistan, is inaugurated, establishing a Eurasian rail line linking China's Pacific coast via Sinkiang and Central Asia to Iran and Turkey, and thence, to Europe.

August: Turkish Prime Minister Necmettin Erbakan meets with Iranian President Rafsanjani. An economic agreement for a \$23 billion project, for construction of a natural gas pipeline from northern Iran to Turkey, is signed, along with agreements on coordinated security measures along the Turkish-Iranian border.

- Iranian Health Minister Ali Reza Marandi visits Iraq, the second visit of an Iranian minister there in the last six years.

- Azerbaijani Foreign Minister Hassan Hassanov visits Teheran, for discussions on cooperation in transportation, in-

dustry, postal matters, and construction of an international airport. Iran declares its readiness to build a gas pipeline to transport Iranian gas from Choi to Nachitshevan and to establish transportation facilities.

- The Iranian ambassador in Moscow announces that Russia will make available to Iran technology for production of satellites, in three phases.

September: President Rafsanjani tours East Africa, signing economic cooperation agreements with Kenya, Uganda, Sudan, Tanzania, Zimbabwe, and South Africa. Rafsanjani also mediates a peace accord between Sudan and Uganda, to disarm rebel groups operating on the other's territories.

October: Romania and Iran reach agreements on oil deliveries and joint industrial projects. Romania expresses interest in participating in a gas pipeline project from Iran to Europe.

- Iran launches a proposal for a regional conference on Afghanistan, to reach a political solution to the civil war. A conference takes place in Teheran at the end of October.

November: Iran agrees with Russian proposal for an alternative trade route from India to Europe. Russia Rail Minister Saitsev discusses the proposal with Indian Prime Minister H.D. Deve Gowda in New Delhi. The idea is to create a trade route by ship from Port Mumbay in Bombay to Bandar Abbas (Iran), thence overland by rail through Iran, Azerbaijan, and Armenia to Moscow, and thence to Berlin.

- Italy and Iran sign an agreement for development of Iran's steel industry, which includes construction of two factories.

December: Iran urges Armenia and Azerbaijan to overcome their conflict, and offers mediation.

- Work on a rail line is begun, to link Mashhad to Bafq, near Kerman in southern Iran, which will reduce the distance between Central Asia and the Persian Gulf by half. The link is also important for Russia and China, and will provide a link between the Central Asian Republics and the Indian subcontinent.

- Iranian Permanent Representative to the United Nations Kamal Kharrazi announces Iran's readiness to sign a non-aggression pact with the Arab states of the Gulf Cooperation Council (GCC). It is also announced that Iran and Iraq will reopen their border, closed since 1980.

- Iranian Minister for Economic and Financial Affairs Morteza Mohammad-Khan visits Moscow and conducts talks with Russian Prime Minister Viktor Chernomyrdin. A new trade corridor is to be opened connecting Russian Caspian Sea ports to Persian Gulf ports, through the Iranian rail network. A Russian-Iranian Caspian Sea shipping company is to be formed, and Iran will participate in building the new Volga port of Olia. Discussions are held on the "prospects of Chinese-Indian-Iranian-Russian quadrilateral regional economic cooperation." Russia declares its intention to complete the construction of the Bushehr nuclear power plant in Iran, and to deliver the necessary reactors to Iran.

- Iran offers to mediate between Turkey and Syria, as well as between Turkey and Greece.
- Iran and Armenia sign 12 agreements in cultural, economic, and trade areas, in Yerevan.
- China and Iran sign an agreement for construction of four Chinese hydroelectric turbines, for four big dams in Iran, and the delivery of facilities for a 1,300 megawatt power plant in Arak.

Dec. 19-22: President Rafsanjani visits Turkey. Seven agreements are signed on industrial cooperation, trade, marine and surface transport, border trade, and joint investment.

1997

Jan. 4-5: A meeting of foreign ministers takes place in Turkey, to prepare a summit of the Developing 8 countries (D-8, including Turkey, Iran, Indonesia, Malaysia, Nigeria, Bangladesh, Pakistan, and Egypt, representing a population of 800 million). The new organization, launched on the initiative of the Turkish prime minister, is to establish an Islamic association capable of resisting Western G-7 dictates on prices of raw materials and industrial goods.

January: Iran hosts talks between the Tajik government and opposition, to put an end to the conflict there. After two weeks of talks, the two sides draft an agreement on the main issues of dispute.

- Foreign Minister Velayati visits Rome, in preparation of the meeting of the Italian-Iranian joint economic commission, which will draft a series of economic cooperation agreements.

- A regional conference on Afghanistan takes place in Teheran, in further pursuit of a negotiated political solution to the conflict.

February: Iran declares readiness to construct a bridge over the Oxus River, and to build terminals for passenger and cargo transport between Iran and Uzbekistan.

- Iranian Foreign Minister Velayati announces that Iran will invite all members of the Organization of Islamic Conference (OIC) to attend a December 1997 summit, to be held in Teheran.

- Iran and Kazakhstan reach agreements on trade, economic cooperation, and culture, which include joint projects in telecommunications.

- Iran and Turkmenistan reach an agreement on customs procedures, to facilitate cargo transport through Sarakhs, and increase capacity by five times.

Feb. 22: The foreign ministers of Iran, Turkmenistan, and India sign an agreement in Teheran on increasing the volume of transit transport. They also discuss a plan for a natural gas pipeline from Turkmenistan to Iran, to provide India with fuel. At the same time, Kazakh Transport Minister Yuri Lavrinenko discusses increasing trade with President Rafsanjani, in the expectation of joining the Iran-Turkmenistan-India agreement.

March: In the context of the third seminar on Italian-

Iranian economic relations, in Rome, agreements are made by government representatives of the two sides, for enhanced cooperation. This includes Italian participation in Iran's economic and industrial projects. Italy hopes to gain access to Central Asian markets through Iran. The Italian government authorizes credit guarantees for exports to Iran.

- Iranian Deputy Foreign Minister Morteza Sarmadi visits Pakistan, and proposes a regional association, made up of Pakistan, Iran, India, and China, to discourage hegemonic ambitions of forces from outside the region.

- Iranian Foreign Minister Velayati visits Saudi Arabia, meets with King Fahd, which signals progress in the rapprochement between the two countries.

- Iranian Deputy Minister of Industry Seyed Mohammad Ali Seyed announces a "strategic plan" for Iran to become a major vehicle producer, during its second five-year plan.

April: Iran welcomes declaration of the Gulf Cooperation Council, expressing its readiness to improve relations with Iran.

- Iran and Iraq hold talks on exchange of prisoners.
- Iran, Armenia, and Turkmenistan sign a trilateral agreement to increase trade.

- Turkmen Energy Minister Gotshmurad Nazdshanov announces in Ashkhabad that his country will begin pumping gas to Iran on Sept. 1, for further export to Turkey and Europe. The gas will be pumped through a 140 kilometer pipeline, which is being completed in record time. The pipeline is the first to export gas from the Caspian Sea region without traversing Russia.

April 10: Iranian press announce the formation of the Assembly for Determining the Expediency of the Islamic System, which will be chaired by President Rafsanjani.

April 10-14: Iranian Speaker of the Parliament Nateq Nouri visits Moscow, and proposes a plan for a regional cooperation group, including Russia, China, Iran, and the Central Asian Republics, which President Boris Yeltsin reportedly welcomes. Wide-ranging agreements in oil and gas are drafted. In parallel, Iranian Deputy Foreign Minister for Asia-Pacific Affairs Allaedin Boroujerdi visits Beijing, where further economic cooperation is discussed, including construction of the Teheran subway, industrial projects, and power plants.

April 22-23: President Rafsanjani addresses the Second International Conference on the Silk Road, in Teheran, and stresses that the "Indian subcontinent will be connected to the north, west, and south, via Iran," through completion of the new Silk Road.

May: The ninth Iranian-Chinese economic commission meets in Teheran.

- Seventh conference of the Economic Cooperation Organization takes place in Iran, where a series of pipeline and other projects are agreed upon.

- Tajik government and opposition representatives sign an agreement in Teheran, where the talks are being hosted.

Bush, 'Lords of Loudoun' caught pushing genocide

by Jeffrey Steinberg

Just as George Bush and Oliver North were celebrating a recent “apology” by the editor-in-chief of the *San Jose Mercury News*, over last August’s “Dark Alliance” story linking the U.S. government-backed Nicaraguan Contras to the launching of the crack cocaine epidemic in Los Angeles, dramatic new evidence has surfaced, not only confirming the direct role of the former vice president and President in the drug trafficking. The evidence further links Bush to a network of Virginia Hunt Country barons, centered in Loudoun County, Virginia, who were in on the ground floor of the operations that have led to the recent years’ mass genocide in the Great Lakes region of Africa.

Through his involvement with the Canada-based Barrick Gold Corp., Bush has already been deeply implicated in the genocide in Zaire, which has been conducted on behalf of the rapacious London strategic raw material cartels, whose stated policy is to “de-Africanize” the Great Lakes region, while grabbing up the raw materials wealth of the African continent.

Among the “Lords of Loudoun” linked to Bush in the drugs and genocide scandals, are Sir Paul Mellon, Arthur Arundel, Magalen Ohrstrom Bryant, her step-son, Herbert Bryant, and their man on Capitol Hill, Rep. Frank Wolf (R-Va.). Most of these individuals, in addition to being intimates of the Bush clan, are on similarly close terms with the current members of the House of Windsor, including Sir Paul Mellon’s occasional house guest, Queen Elizabeth II. Rev. “Diamond” Pat Robertson, a real-life Elmer Gantry, is yet another Bush-tamed creature who has gleefully jumped into the Africa raw materials grab, and the resulting genocide.

Some of these same individuals were involved, with Bush, in the 1984-89 judicial frame-up and aborted assassination attempt against Lyndon LaRouche. In particular, those Hunt Country networks were deeply involved through an illegal

paramilitary group, “Armed Response Group, U.S.” (Argus), in the Oct. 6, 1986 Waco-style government armed military assault on the publishing offices and residence of LaRouche and his associates in Leesburg, Virginia, and the subsequent railroad prosecutions of a dozen LaRouche associates in the Commonwealth Court of Virginia. Five of those LaRouche associates—Michael Billington, Paul Gallagher, Anita Gallagher, Laurence Hecht, and Donald Phau—are still behind bars, serving outrageous sentences, ranging from 25-77 years in jail, for alleged “securities” violations which never happened.

New Bush ties to guns-for-drugs revealed

The new revelations emerge from material published in the May 23-29 issue of the *Los Angeles Weekly*, in an article by investigative reporter Nick Schou. Relying on previously unavailable documents and eyewitness accounts, Schou detailed the role of former Laguna Beach, California police officer Ronald Lister in the Norwin Meneses, Danilo Blandón, and “Freeway” Ricky Ross cocaine-trafficking organization, and showed that Lister was, at the same time, involved in supplying arms to the Contras, through clandestine arms manufacturing plants in El Salvador. While he was in the center of a Contra cocaine-for-arms pipeline that stretched from southern California to Central America, Lister was reporting to former Navy SEAL David Scott Weekly, according to his own testimony to Los Angeles County sheriffs, who raided his home in 1986 as part of a crackdown on the Ross-Blandón crack cocaine distribution ring.

Weekly, in turn, was working for Tom Harvey, *in the office of Vice President Bush*. Former Vietnam War hero Col. Bo Gritz, who worked closely with Weekly and Harvey at this time, described Harvey as Bush’s “Ollie North look-alike.”



Former U.S. Drug Enforcement Administration agent Celerino Castillo (left) with George Bush. Castillo told EIR about his meeting with Bush in 1986: "I told him that there was something funny going on with the Contras at Ilopango airport. As soon as I said that, he shook my hand, he smiled for the cameraman, and then he just walked away from me without saying a word. I knew then that he knew what I was talking about, about the Contras."

The tying of Harvey to the West Coast cocaine- and gun-smuggling ring is the crucial new piece of "closure" provided by the Schou story. At the same time that he was part of the Bush liaison team to the Contra crew on the West Coast, via Weekly, Harvey was functioning as one of the Bush office liaisons to the Loudoun County oligarchical families. To this day, in fact, Harvey is on the payroll of the Ohrstrom Bryant family, through an Annandale, Virginia outfit called Global Environmental Technology Foundation.

Back in the mid-1980s, on behalf of the vice president, Harvey was involved in the creation of Argus, a private paramilitary group, linked to a crew of rabidly Anglophilic Hunt Country families. Through Harvey's Pentagon ties, Argus obtained used military equipment, including armed personnel carriers, and stored the equipment at the U.S. Army storage facility at Cameron Station, Virginia. Ultimately, the equipment was transferred to facilities of the Loudoun County Sheriff's Department, and was used during the anti-LaRouche Leesburg raid. Some of the leading Hunt Country families involved in Argus, including the Hanes family and the Ohrstrom Bryant family, were simultaneously pouring money into Bush and North's cocaine-Contras.

Cover-up of George Bush's role

The *Los Angeles Weekly* exposé also tears a big hole in the desperate effort by friends of George Bush in the major media, to bury the *San Jose Mercury News* revelations. When *Mercury News* editor Jerry Ceppos published a signed editorial on May 11, criticizing reporter Gary Webb's August 1996 three-part series, "Dark Alliance," which exposed the Meneses-Blandón-Ross crack cocaine ring and its ties to the Con-

tras, the *New York Times*, the *Los Angeles Times*, and the *Washington Post* all gave prominent, distorted coverage to the Ceppos statements, falsely portraying them as a repudiation of the Contra cocaine story. All three papers had published lengthy stories themselves, attempting to refute the original Webb stories.

In fact, the *only* error in the Webb "Dark Alliance" series was his failure to identify George Bush as the kingpin of the operation, focusing, instead, on the CIA.

As *EIR* documented in a September 1996 *Special Report*, "Would a President Bob Dole Prosecute Drug Super-Kingpin George Bush?" Vice President Bush—not the CIA!—was fully in charge of the secret war in Central America. Bush's authority derived from a series of Executive Orders and Presidential Decision Directives, now declassified, that were signed by President Reagan, beginning in December 1981. Bush personnel, including Donald Gregg, the vice president's chief national security aide, and former CIA officer Felix Rodriguez, maintained hands-on control over the cocaine-for-guns pipeline running from Colombia, to Central America, and to cities all across the United States, according to qualified eyewitness sources, including former El Salvador-based Drug Enforcement Administration agent Celerino Castillo.

With Sir George Bush now aggressively pushing his son, Texas Gov. George W. Bush, to become the leading candidate for the Republican Party Presidential nomination in the year 2000, it became a matter of great urgency for the former President to bury the Contra cocaine scandal once and for all. The efforts of the *New York Times*, the *Washington Post*, and the *Los Angeles Times* to assist in the Bush cover-up have now gone up in smoke, as you will read in the articles that follow.

New evidence links George Bush to Los Angeles drug operation

by Edward Spannaus

On Oct. 27, 1986, federal and local law enforcement officials executed search warrants on more than a dozen locations connected to a major cocaine-trafficking ring in southern California centered around Danilo Blandón. One of the locations raided was the home of a former Laguna Beach police officer by the name of Ronald Lister.

Los Angeles Sheriff's Department detectives reported that when they raided Lister's house, they found "films of military operations in Central America, technical manuals, information on assorted military hardware and communications, and numerous documents indicating that drug money was being used to purchase military equipment for Central America." Documents were also found which diagrammed "the route of drug money out of the United States, back into the United States purchasing weaponry for the Contras."

An official report by one of the detectives from the 1986 raid stated: "Mr. Lister . . . told me he had dealings in South America and worked with the CIA and added that his friends in Washington weren't going to like what was going on. I told Mr. Lister that we were not interested in his business in South America. Mr. Lister replied that he would call Mr. Weekly of the CIA and report me."

New evidence has now surfaced showing who some of Lister's "friends in Washington" were, and we shall see that these "friends" ran all the way up to the Office of the Vice President, at that time George Bush.

Mark Richard's tell-tale notes

Around the same time as the October 1986 drug raid, "Mr. Weekly," whose full name is David Scott Weekly, became the subject of a federal investigation opened for the purpose of prosecuting him on federal explosives charges. According to later testimony, this investigation was under way for some time before Weekly himself first learned about it, which was on Dec. 21-22, 1986.

But ten days before Weekly learned that he was being targeted, Bill Price, the U.S. Attorney in Oklahoma City handling Weekly's case, had a telephone conversation with a top official at Justice Department headquarters about some of the stickier aspects of the investigation. The official to whom

Price talked was Mark Richard, a Deputy Assistant Attorney General in the Criminal Division, and the career Justice Department official who served as the Department's liaison to the intelligence agencies.

The question arises: What might have triggered this conversation between Mark Richard—the DOJ's point of contact for the NSC, CIA, and military intelligence agencies—and the Oklahoma prosecutor?

First of all, on Oct. 5, 1986, a C-123 cargo plane, flying from El Salvador's Ilopango military air base, had been shot down over Nicaragua. Three crewmen were killed, and the fourth, Eugene Hasenfus, was captured by the Nicaraguan Sandinistas. This was the beginning of the public unravelling of what became known as the "Iran-Contra" affair.

Then came the Oct. 27 raid in Los Angeles, after which the Los Angeles FBI office communicated to FBI headquarters what had transpired, including Lister's claims of involvement in arming the Contras, and his citation of "Mr. Weekly" as being "CIA" and a "DIA subcontractor"—referring to the Defense Intelligence Agency. (The FBI had already interviewed a businessman to whom Lister had bragged, on Aug. 1, that he was involved in arming the Contras, and that his arms deals were "CIA approved.")

On Nov. 10, 1986, the FBI sent a teletype to various sections of the CIA, inquiring about Lister, Blandón, Weekly, and some others. The inquiry, over the name of the FBI Director, asked diplomatically if any of these individuals were "of operational interest" to the CIA.

FBI documents also show that a teletype was sent to FBI headquarters on Dec. 9, followed up by a phone conversation with an FBI supervisor on Dec. 11—the same day that Mark Richard spoke to the prosecutor in Oklahoma City—who was at the time secretly preparing his case against Scott Weekly.

In August 1987—less than a year later—Mark Richard was required to give testimony in the Congressional Iran-Contra investigation. While being interrogated about various matters in which there were allegations of Justice Department interference in Contra-related cases, Richard was specifically questioned about handwritten notes he had made during his Dec. 11 conversation with prosecutor Bill Price. Richard said

that Bill Hendricks of the DOJ's Public Integrity Section, which was dealing with a lot of the Iran-Contra matters, had previously been in touch with Price. After examining his own notes, Richard said that the conversation pertained to "an individual who had been arrested and his possible involvement in some CIA/Contra-related activities." (In fact, Scott Weekly was out of the country on Dec. 11, and had not yet been arrested.)

Richard was asked about the portion of the notes which read: "Weekly posts on tape that he's tied into CIA and Hasenfus. Said he reports to people reporting to Bush." Richard disclaimed any knowledge of what this meant, and said that the matter had been referred to the Independent Counsel. He said that in his notes, "There is a suggestion of a relationship to the CIA and the exportation of explosives to the — countries."

Richard was then asked: "And he's alleging or indicating to someone that he's connected with the CIA and he is reporting to people who report to Bush?" Richard answers: "That's what he's asserting."

Richard's notes, printed in Appendix B, Volume 23 of the Congressional Iran-Contra Report, also reference Weekly's toll calls to "Col. Nestor Pino, Spec Asst to Undersecretary for Security Assistance," apparently made in September-October 1986, and also "Phone calls from Weekly to Alex, Va.—Tom Harvey of NSC," apparently on Oct. 30, 1986.

Richard's reference to Tom Harvey is most significant. *EIR's* investigations have shown that Harvey was operating out of George Bush's office, and was definitely one of the "people who report to Bush." Nestor Pino was likewise deeply involved in the drug-ridden Contra supply operation, which was being run out of Bush's office though Felix Rodriguez, as well as by Oliver North, under the direct supervision of Bush's national security adviser Donald Gregg.

What has misled many investigators — and has continued to confuse the issue — is that many of these operatives, even Bush himself, at one point or another worked for the CIA. But the Contra-drug operation was not a "CIA" operation: It was run at a level *higher* than the CIA, primarily through military and private networks deployed out of the National Security Council, which in turn was operating in these matters under the direction of Vice President Bush.¹ The case at hand — of Ron Lister, Scott Weekly, and Tom Harvey — is a very good example of how such things actually worked, in contrast to popular fairy tales about the "CIA."

Who is Ronald Lister?

Before discussing Lister's "friends," a few salient facts about Lister himself.

1. For a more thorough description and documentation of this structure, which operated under the authority of Executive Order 12333 and various National Security Decision Directives, see the two *EIR Special Reports*: "Would a President Bob Dole Prosecute Drug Super-Kingpin George Bush?" September

The investigation of the Blandón drug ring — the Contra-linked cocaine-smuggling operation featured in the controversial *San Jose Mercury News* series last Fall — appears to have begun in late 1984, with a probe into a Colombian money-laundering operation in the city of Bell, California, near southeast Los Angeles. The police officer who initiated the investigation, which was done at the request of agents from the U.S. Internal Revenue Service and Customs Service, identified former Laguna Beach police officer Ronald Lister as transporting large amounts of cocaine and "millions of dollars" for Danilo Blandón.

During interviews with the Los Angeles Sheriff's Department last year, as part of their internal investigation of the *San Jose Mercury News* series, Lister acknowledged that he and Blandón were in the drug business, and he told Sheriff's investigators that "he had moved \$50-60 million for Blandón." Lister also admitted that he himself had been a user of cocaine from 1985 to 1989.

In a well-researched article in the May 22 issue of the *Los Angeles Weekly*, investigative reporter Nick Schou has documented some of Lister's ties to former CIA officials. A San Diego weapons dealer, Timothy LaFrance (mentioned in Mark Richard's notes), told Schou that Lister's company, Pyramid International Security Consultants, was a "private vendor that the CIA used" to do things that the agency itself couldn't do. LaFrance said he had made a number of trips to Central America with Lister, providing weapons to the Contras. Another employee of Pyramid was Paul Wilker, a former CIA officer who, after leaving the CIA, had worked for a company called "Intersect" in Orange County, California. One of the founders of Intersect was still another former CIA officer, John Vandewerker. Vanderwerker told reporter Schou that he had met Lister through Wilker, his former employee. Vanderwerker also said that either Lister or Wilker had helped him apply for a job at Fluor Corporation, the large construction firm, with Bill Nelson, then Fluor's vice president for security and administration. Nelson was a well-known figure, having been the CIA Deputy Director for Operations in the 1973-76 period. According to Schou, Nelson, Wilker, and Vanderwerker all retired from the agency around 1976, when they set up Intersect. (This was prior to the late 1970s purge of the CIA's Operations Directorate under Adm. Stansfield Turner; the Turner housecleaning spun off many of the privatized "asteroid" operations, which then played such an important role during the 1980s.)

To round out the picture of Lister's associates, we note that in ten pages of notes seized from Lister's house in the 1986 raid, is a list of six names, which starts with Bill Nelson, and ends with Roberto D'Aubuisson, the military strongman of El Salvador in that period.

ber 1996; and "George Bush and the 12333 Serial Murder Ring," October 1996.

Also in the list is Scott Weekly. Elsewhere in Lister's ten pages of notes, he had written: "I had regular meeting with DIA Subcontractor Scott Weekly. Scott had worked in El Salvador for us. Meeting concerned my relationship with the Contra grp. in Cent. Am."

Lister's 'friends in Washington'

Recall, that among the names mentioned in Mark Richard's notes were those of Nestor Pino and Tom Harvey.

Nestor Pino, an Army colonel, worked with one William Bode; both Pino and Bode were designated as special assistants to the Undersecretary of State for Security Assistance. Pino was posted to the State Department from the Pentagon's Defense Security Assistance Agency. Both Bode and Pino were deeply involved in the then-secret program supplying arms and supplies to the Contras. This program is often described as "guns down, drugs back." It is not surprising, therefore, that Pino and Bode were also both closely tied to Felix Rodriguez, one of the top drug-runners in the Contra operation, who was directly deployed out of Bush's office through Bush's national security adviser Donald Gregg — another former CIA official.

It was William Bode who introduced Felix Rodriguez to Oliver North in December 1984, as Rodriguez was on his way to meet with Gregg. (A few weeks after this, Gregg introduced Rodriguez personally to Bush, in the Vice Presidents' office.)

In his book *Shadow Warrior*, Rodriguez describes Pino as a close buddy of his from the days of the Bay of Pigs "2506 Brigade." Rodriguez says that at the "2506" training camp in Guatemala, he became friends with both Nestor Pino, and with Jose Basulto — more recently known for his provocative actions as part of the "Brothers to the Rescue" operation.

Scott Weekly's involvement with Bode and Pino came about in the following way. In August 1986, Bode contacted Col. James "Bo" Gritz, the retired, highly decorated special forces commander, and asked him to come to Washington to discuss a training program for Afghanistan mujahideen general-staff officers — another of the clandestine operations being run by the intelligence community simultaneously with the Contra operation. Gritz met with Bode and Pino at the State Department twice in early August, and then, with his longtime associate Scott Weekly, launched a training program in unconventional warfare for the Afghans, conducted on federal land in Nevada.

The training program, as Gritz later testified, was financed by \$50,000, paid through Albert Hakim's Stanford Technology Group — one of the companies used by Oliver North, Richard Secord, et al. for shipping arms to Iran and to the Contras. The Stanford group was found by Iran-Contra Independent Counsel prosecutor Lawrence Walsh to have been at the heart of what he called "The Enterprise."

Now, there is no evidence whatsoever that Gritz had any knowledge of Weekly's ties to the drug-dealer and money-launderer Ron Lister, much less any involvement in it. Indeed, Gritz is well-known for his opposition to drug trafficking; he was prosecuted by the federal government in the late 1980s after exposing the role of certain Reagan-Bush government officials in drug smuggling in Southeast Asia — as we shall see below.

Scott Weekly was a weapons specialist, working as part of a team created by Gritz, after Gritz had been requested in 1979 by the deputy director of the Defense Intelligence Agency to officially resign from the U.S. Army, and carry out a private intelligence operation in Southeast Asia. Gritz's team carried out a number of U.S. government-backed missions into Thailand, Laos, and Burma between 1982 and 1986, to determine whether America POWs were still alive in Southeast Asia.

In his 1991 book *Called To Serve*, Gritz described how he formed a "private" team with the assistance of the DIA, CIA, and the Army's Intelligence Support Activity (ISA). The ISA was a secret Army special operations unit, involved in counter-terrorist activity, and also in support for the Nicaraguan Contras in Central America. Sworn evidence exists showing that, during most of the 1980s, Gritz was reporting to military intelligence officials through an intermediary known as a "cut-out."

To return to our narrative: In late October 1986, as the first round of the Afghan training program was being completed, and just before the Los Angeles Sheriff's raid on the Blandón drug ring, Gritz was contacted by an NSC staff officer, Lt. Col. Thomas Harvey. (The misnamed "NSC staff" is not a staff for the National Security Council, but it serves the President — and in this case the vice president — on national security matters.)

Colonel Harvey told Gritz that information had recently been given to Vice President Bush indicating that Burmese drug lord Khun Sa had information on U.S. prisoners of war still being detained in Southeast Asia. Harvey asked Gritz if he could go to the Golden Triangle area of Southeast Asia to attempt to verify this report. He could, Gritz said, but he told Harvey that he would need special documents for such a mission.

A few days later, Harvey told Gritz to come to Washington. On Oct. 29, 1986, Gritz and Scott Weekly flew there, and met Harvey near the White House. Harvey provided them with two letters, one for Gritz on White House letterhead, and one for Weekly on National Security Council letterhead, stating that Gritz and Weekly were cooperating with the U.S. government.

The letter given to Weekly states:

"The bearer and undersigned of the only original of this document is David Scott Weekly. Mr. Weekly is cooperating in determining the authenticity of reported U.S. prisoner of

war sightings. . . .

“Mr. Weekly is an operational agent cooperating with this office. . . .”

This was Oct. 29. Mark Richard’s notes also indicate a toll call by Weekly to Tom Harvey the next day.

‘CIA’ was the cover story

As to the claims by Lister, Weekly, and others that Weekly was working for the CIA, Gritz has more recently had a number of highly pertinent things to say.

In his *Center for Action* newsletter, Dec. 5, 1996, while discussing the FBI’s confusion over whom Weekly worked for when he was working for Gritz, Gritz wrote: “The FBI never knew exactly who I was working for.” Gritz indicates that he was working for ISA—the Army’s Intelligence Support Activity, and explains: “The truth is that the initials ‘ISA’ were above Top Secret to the point where CIA was our cover. ISA worked directly for the National Security Council.”

Gritz then says that he initially worked for DIA, and was then transferred to J-5 (Strategic Plans and Policy) of the Joint Chiefs of Staff, when his POW operations went into the field. “Toward the end it was ISA that picked up the effort.” He describes how he was called into the White House by Adm. Bobby Inman, then deputy director of the CIA, just before the POW mission was taken away from ISA and given back to DIA.

Gritz continues: “It is no wonder the FBI had no idea who was actually carrying the ball! Scott Weekly never worked for DIA—he worked for me.”

When Gritz was reached by *EIR*, he confirmed and elaborated what he had written in his newsletter. Gritz disavowed any knowledge of a link between Weekly and Ron Lister, and said that Weekly only had a few contacts with the CIA, and that those were through Gritz. Gritz confirmed that he himself was actually working for the ISA. “It was identified, incorrectly, as a low-level Army intelligence effort,” Gritz explained, “but it really worked directly for the National Security Council. Otherwise, how in the hell could we have been doing all the weird things we were doing? And we used the CIA as a cover, when you had to get messages, and this kind of stuff.”

“When I came on board,” Gritz continued, “I was carefully briefed: ‘We are not under the CIA, we are not under Defense Intelligence; we work for the National Security Council.’” He also said that ISA coordinated with the Joint Chiefs of Staff, which provided the “muscle” for ISA, using Delta Force special operations forces.

Tom Harvey, Bush, and ‘the families’

Now, to the matter of Col. Thomas Harvey.

Thomas Nelson Harvey graduated from West Point in the early 1970s, and was posted to a SHAPE (Supreme Headquar-

ters Allied Powers Europe) support group position. In 1975, he trained as a Foreign Area Specialist in Yugoslav studies. Harvey was later assigned to the headquarters of the Ninth Army Division (which has responsibilities throughout the Pacific), and in 1983 attended the Command and General Staff College, thus becoming eligible to serve with the Joint Chiefs of Staff.

Informed sources indicate that Harvey is a protégé of Richard Armitage, who was Assistant Secretary of State for International Affairs. Armitage is a notorious intelligence community “Asia hand” whose career has been colored with allegations of gun running, drug smuggling, and privateering on a grand scale. During Gritz’s mission to Khun Sa in 1986, Khun Sa identified Armitage as playing a central role in “Golden Triangle” drug trafficking—which has some bearing on Harvey’s behavior after Gritz returned from his 1986 mission.

From 1983 until his retirement in 1991, Harvey was usually listed in Pentagon directories as located in the office of the Deputy Chief of Staff of the Army; he was, among other things, a speechwriter responsible for space, arms control, and low-intensity operations. According to his own testimony, he held numerous sensitive intelligence positions during that time. Among these, were his serving as a military assistant to the Senate Armed Services Committee, where he worked closely with Senators Strom Thurmond (R-S.C.) and John Warner (R-Va.).

Asked about Tom Harvey, Gritz told this reporter that Harvey was actually working out of George Bush’s office. “Harvey was the military adviser to Sen. John Warner, and he was also, of course, in the NSC, working in the Vice President’s Office—George Bush at the time,” Gritz said. “Harvey was the Ollie North look-alike for George Bush.”

It was apparently while Harvey was at the NSC in 1985-86, that he was instrumental in the creation of a bizarre “private” paramilitary unit in Loudoun County, Virginia, called “ARGUS” (Armored Response Group U.S.). ARGUS’s ostensible purpose was to provide surplus armored military equipment for use in “anti-terrorist” and other crisis situations by local law enforcement agencies in the mid-Atlantic region. Among its acquisitions were a C-130 military aircraft, an armored personnel carrier, and an armored forklift.

One of the few times that ARGUS equipment was actually deployed, to be on standby, was during the Oct. 6-7, 1986 raid, by federal, state, and local agents, on the offices of organizations associated with Lyndon LaRouche in Leesburg, Virginia. That raid was officially run by the FBI, but it was later learned that planning for the raid included the “focal point” office of the J-3 Special Operations Division of the Pentagon’s Joint Chiefs of Staff. Two truckloads of seized documents were taken to highly secure U.S. Marine Corps facilities at Henderson Hall in Arlington, Virginia,

where they were presumably culled over by intelligence specialists, before being reviewed by state and federal prosecutors.

ARGUS was a project of the oligarchal families based in the Loudoun County “Hunt Country” (see article, p. 64). Magalen Ohrstrom Bryant and John W. Hanes were both officials and funders of ARGUS; at the same time, Bryant and Hanes were both funding Oliver North’s secret Contra operations as well.

In 1988, by which time Harvey was posted to Senator Warner’s staff, he was able to set up ARGUS’s training base at the Army’s Cameron Station base in Alexandria, Virginia. ARGUS also housed some of its specialized armored vehicles at Cameron Station. Given that ARGUS was supposedly a completely private operation, this was rather extraordinary—except that ARGUS was obviously *not* “private”; it was rather part of the *privatized* military-intelligence operations which flourished under the authority of Executive Order 12333 and Bush’s “secret government” apparatus.

After his retirement from active military service in 1991, Harvey continued to work for these same intelligence-related “family” networks. He became the chairman and CEO of the Global Environmental and Technology Foundation. On Global’s Board of Directors, naturally, is Maggie Bryant, also listed as chairperson of the National Fish and Wildlife Foundation. It is reported that Harvey was personally selected for this role by Maggie Bryant, who has called him one of her most trusted operatives. Among Global’s projects is what is called the “Defense and Environmental Initiative,” which, in their words, involves “integrating environmental considerations into America’s national and international security mission.”

‘Erase and forget’

Now, back to Gritz’s dealings with Tom Harvey in 1986-87.

Gritz and his team, including Scott Weekly, did go to Burma, where they met with Khun Sa. Khun Sa told Gritz that he did not have any American POWs, but he proposed a deal with the United States: that he would stop all drug flows out of the Golden Triangle, in return for recognition of his Shan State. He would guarantee the eradication of opium production in the Golden Triangle, which was the major source of heroin coming into the United States—although it was rapidly being supplanted by drugs from the “Golden Crescent” of Afghanistan and Pakistan as a by-product of the arms and money flowing into the Afghan War. The parallels between the Bush “secret government” clandestine operations in Central American and those in Afghanistan are striking: The net result of both was a massive increase in drugs coming from those areas into the United States. Guns and drugs, like love and marriage, go together like the proverbial horse and carriage. (The Afghan operation gave us something else: the worldwide British-controlled terrorist network

known today as the “Afghansi.”)

The other thing which Khun Sa offered—even more explosive—was that he would name the names of U.S. government officials involved in illegal arms and drug trafficking.

Gritz and his team returned just before Christmas 1986. In his book, Gritz reports that he submitted his after-action report to Harvey; a few days later, Harvey called. When Gritz asked Harvey about the reaction to Khun Sa’s proposal to stop the drug trade, Harvey told Gritz: “Bo, there’s no one around here who supports that.” Gritz’s account continues:

“I reminded him that Vice President George H.W. Bush was appointed by his boss, the President of the United States, as the ‘Number-One Cop’ for stopping drugs before they got to the United States. Reagan had declared war on drugs, and Bush was his so-called ‘Czar.’

“Harvey reiterated, this time in a more forcible tone, ‘Bo, what can I tell you? There’s no interest in doing that.’

“I knew then that we were treading on some very sensitive toes,” Gritz writes, “but I didn’t know whose.” Almost immediately, Scott Weekly was charged with illegal shipments of explosives (the C4 used in the Afghani training program) and he was induced to plead guilty without a trial, and even without a lawyer.

In May 1987, Gritz was told in no uncertain terms to cease and desist all of his activities related to the Golden Triangle and drugs. He was contacted by Joseph Felter, his close friend and the former head of Wedtech, the scandalized defense contractor. Felter told Gritz that he was conveying a message from Tom Harvey and a State Department official named William Davis: that Gritz was to “erase and forget” everything about his trip to the Golden Triangle. Felter told Gritz that Harvey and Davis said that “if you don’t stop everything you’re doing . . . you’re gonna serve 15 years in prison as a felon!” (Felter later confirmed the thrust of his remarks, and that he was acting on behalf of Harvey, in a sworn affidavit.)

Gritz was at the time about to be charged with using a false passport, for travelling to Southeast Asia on a passport in a different name which had in fact been provided to him by the U.S. government, through the NSC-run ISA. Gritz was also threatened with charges for neutrality violations, for the Afghan training operation. Gritz says that when he was finally indicted in 1989, Tom Harvey showed up, and told him privately: “Bo, we’re so angry with you! Your focus is supposed to be prisoners of war. Why do you insist on getting involved in this government drug operation?”

The coverup continues to this day. The attacks on Bo Gritz to prevent exposure of the U.S. government complicity in the Golden Triangle drug trade, and the frantic efforts in late 1986-87 to suppress any exposure of the Contra drugs-for-guns dealings—as shows up in the Lister-Weekly case—were clearly one and the same.

And in both cases, we see that the trail leads directly to the same place: George Bush.

'Lords of Loudoun' assist British genocide in Africa

by L. Wolfe

Loudoun County, Virginia's oligarchy, whose families are notorious racists and supporters of Malthusian population policy, have been involved for decades in the British looting and murdering of Africa. This is as true today, as London moves to impose its "final solution" on the African population of the Great Lakes region of Central Africa, as it was in the 1960s, when the Arundel family helped launch the African Wildlife Leadership Foundation, allied with Prince Philip's World Wildlife Fund (WWF).

Families residing in Loudoun County, such as the Harrimans, the Mellons, the Orhstroms, the Hanes, etc., have, for years, been major supporters of organizations that seek the reduction of non-white, non-Anglo-Saxon populations, by any means necessary. It was, for example, the Harriman family, that sponsored the Eugenics Conference in 1932 at New York's Museum of Natural History that elected Hitler's race adviser Ernst Rudin its head; the Harrimans, as well as the Mellons and Morgans, openly backed these policies of racially inspired population control and reduction as "bold initiatives."

In more recent times, the "Lords of Loudoun" have mobilized resources to savage Africa. Paul Mellon, and members of the Arundel, Ohrstrom, and Hanes families, are all supporters of the U.S. organization of Prince Philip's World Wide Fund for Nature (formerly the World Wildlife Fund), the key agency coordinating programs for the British royal family in these areas. The support of these families for a system of neo-colonial rule and exploitation, against the best interests of the United States, has meant, in some cases, personal profit for them.

Rep. Frank Wolf (R-Va.), at one time a low-level bureaucrat in the Nixon-Ford administrations, was handpicked by the Hunt Country establishment to represent the 10th Congressional District, beginning in 1981. To the extent that he has a passion for anything, it is for supporting British genocide in Africa, and attacking sovereign nation-states, such as Sudan and China. Several years ago, Wolf was steered by the Mellon-led oligarchy into the networks of Baroness Caroline Cox's Christian Solidarity International, for which he serves as a pointman in Congress. CSI is today the leading

agency of the British oligarchy pushing for the "de-Africanization" of the Great Lakes region, by encouraging a string of religious and ethnic wars, and backing such mass-murderers as Uganda's Hitler-praising dictator, Yoweri Museveni. In exchange for such loyal service, Mellon and Arthur "Nicky" Arundel have arranged for Wolf to have a virtual electoral "free ride"; in the last few elections, the Democrats have offered only token opposition, and the Arundel press has served as publicity agents for the incumbent, whom an editor of the *Loudoun Times-Mirror* once said could die in office, if he so chose.

Arundel's connections

Arundel and his family have, for decades, been at the center of this British-linked Africa policy establishment.

The family's involvement with Africa policy dates back to the 1930s, when Nicky Arundel's father, Russell, became involved with a British-linked network of intelligence specialists who established the National Wildlife Management Institute (NWMI), at the instigation of Harold Coolidge; this organization was directly linked to the International Nature Office, which was already running projects nominally involved with the tracking and cataloguing of various wildlife species in Africa.

A London-based intelligence specialist in these matters reports that such projects were used by the British Secret Intelligence Service (SIS) as "covers" for the placement of agents and for spying on various nationalist and other insurgencies.

After the war, the NWMI played a role in asserting the "need" for large game preserves. *EIR's* Oct. 28, 1994 *Special Report*, "The Coming Fall of the House of Windsor," documents how these preserves are used as bases of subversive activity, and a means to "lock up" vast mineral reserves in Africa, under British control.

In 1956, Russell Arundel, as director of the NWMI, sponsored one of the first "invasions" of Africa by American zoologists. The mission was led by Lee Tolbert, who was later to become a top consultant for the WWF, the director of the British royal family-created International Union for the Con-

ervation of Nature, and a top assistant to Russell Train at the Environmental Protection Agency. The mission was focused on the “white rhino” and “mountain gorilla” populations.

During this period, Nicky Arundel went on several safaris to Africa on behalf of the National Zoo, including some with his father. It is not known whether he went on the 1956 mission.

The African Wildlife Leadership Foundation

In 1961, Nicky Arundel was tapped by Harold Coolidge, CIA operative Kermit Roosevelt, and Russell Train (reported to be a protégé of Coolidge) to found the African Wildlife Leadership Foundation, now known as the African Wildlife Foundation (AWF). This is an “off-line,” privatized intelligence operation, which recruits and trains operatives to run the game parks. All its members can be described as highly trained Anglo-American intelligence assets.

The AWF, which Arundel formerly headed, has been directly implicated in the genocide in Rwanda, through its sponsorship of a mountain gorilla protection project in the Virunga game park on the Uganda-Rwanda border; this area, under the virtual supervision of AWF operatives, is the key transmission belt for British-backed forces that instigated the Rwandan “civil war.”

According to one well-placed London source, the AWF and Nicky Arundel play a continuing important role in British Africa policy, through the mountain gorilla and other projects. Arundel’s family foundation, as well Arundel personally, provide funding for these projects, as do the WWF and the Ohrstrom family foundations.

The ‘Lords of Loudoun’ revisited

by L. Wolfe

On Dec. 15, 1995, *EIR* published a profile of a network of oligarchical families and their operatives, nesting some 40 miles from the nation’s capital, in Northern Virginia’s Hunt Country. These families, dubbed “the Lords of Loudoun,” share a single, anti-human outlook, with, and are, in effect, extensions of the British oligarchy, headed by the royal family; together with allied networks in New York, Boston, and other locations, they form a single, transatlantic oligarchy. Back then, Lyndon LaRouche stated that these treasonous families represent a grave national security threat to the interests of the American republic.

In this section of our report, we revisit the Lords of

Loudoun, whose spores and operatives, played the crucial role in operations leading to the political persecution of the LaRouche movement. We focus here on an overview of the network that ran the local anti-LaRouche operation, while highlighting the fact that this same cluster of families is deeply involved in the genocidal operations in Africa.

Sir Paul Mellon: the overlord

The Loudoun-based oligarchy has a distinct pecking order, based primarily on bloodlines, and direct relation to the British Crown. In that regard, the overlord of the operation is Sir Paul Mellon, the spore of the former U.S. Treasury Secretary and international banker, whose close associate, the Bank of England’s Montagu Norman, helped put Hitler into power.

A former intelligence officer, Mellon, who has had members of the royal family visit his horse farms in Virginia’s Hunt Country and in Kentucky, is closely allied with William Stamps Farish III, who handles the Queen’s horse breeding in this country. Farish’s grandfather, as a top official of Standard Oil, was prosecuted for trading with the Nazis, and was personally involved with the IG Farben cartel, which ran the Nazi death camp factories. The young Farish, like Mellon, is also closely associated with the family of George Bush; the relationship between the families dates back to the tenure of George’s father, Prescott Bush, as a partner in Brown Brothers Harriman. Later, when George Bush was vice president and President, Farish handled Bush’s private trust.

Octogenarian Mellon serves as the titular head of this oligarchical “Lords of Loudoun” establishment. Sources report that while he is not involved in its day-to-day operations, major decisions and operations pass across his desk.

Nicky Arundel: propaganda minister

Mellon has a number of covert operations specialists to run his “dirty tricks.” The minister of propaganda for the Hunt Country is Arthur W. Arundel, a raving Anglophile, and publisher of most the Hunt Country’s media, including the *Loudoun Times-Mirror* and *Fauquier Democrat*. Arundel, whose media empire was accumulated with monies his father generated through connections working for the sugar cartel and Pepsi-Cola, is himself a former military intelligence officer, with experience in running “black propaganda” from a stint in Southeast Asia in the 1950s. Arundel, whose diminutive stature has earned him the nicknames “Little Nicky” and “the Mighty Midget,” played a key role in directing the black propaganda operations against the LaRouche movement, personally overseeing the work of his scribes, such as Bryan Chitwood, in retailing slanders in the pages of his *Times-Mirror*.

In the 1980s, with Mellon’s approval, and under Arundel’s supervision and assistance, Loudoun County became a key base for a covert operations capability involving several

government agencies and allied operations. This network, part of the national "Focal Point" system, was started in the 1950s, and was, from the outset, dependent on private "off-line" funding conduits; over the years, it has become so privatized, that while some people brand its operations as "CIA," it has little to do with what is left of that agency or the "formal" intelligence community. Instead, as with its Loudoun County operations, it can be best identified with the type of "off-line" "asteroids" associated with the various fronts run through former National Security Council staffer and Loudoun resident, Lt. Col. Oliver North (ret.). Today, its command center is located within Support Activities Branch of the J-3 Special Operations Division of the Joint Chiefs of Staff.

With the Mellon-led oligarchy and its henchmen such as Arundel in top-down control of the political establishment and media, as well as with the density of Anglo-American intelligence operatives living within its environs, Loudoun County became a logical choice in which to base Focal Point operations. In the mid-1980s, a portion of that capability was directed, through the Bush networks, to launch operations against the LaRouche movement, which had moved its headquarters to the Loudoun area in the spring of 1985, culminating in what was intended to be the physical elimination of Lyndon LaRouche and others in the Oct. 6, 1986 raid by 400 armed federal and state law enforcement personnel, with military backup, on LaRouche associates' offices in the county seat of Leesburg.

ARGUS: the families' own militia

A year earlier, the local "Sheriff of Nottingham," John Isom, was recruited to cover for the formation of a private paramilitary operation known as the Armored Response Group U.S. (ARGUS). The man placed in operational control of what is clearly a Focal Point project, was Col. Tom Harvey, who used funding from the family of Magalen Ohrstrom Bryant to finance the project.

Ohrstrom Bryant, a reputed money-bags for financing Bush "asteroid" operations, including Oliver North's, has a long-standing relationship to the Bush family, dating back to when her father was bailed out of tough legal and financial problems by Prescott Bush; her family businesses have on their boards of directors, several prominent figures of the British oligarchical establishment. Her bizarre step-son, J.C. Herbert Bryant, a law enforcement "groupie," through family connections, developed contacts with the U.S. Marshals Service, and was placed as the up-front "pointman" for ARGUS, although several sources have speculated that his position was really "designated fall guy." More recently, J.C. Bryant, who festooned himself with phony law enforcement titles and positions, was convicted on charges of impersonating a Federal officer, stemming from a 1992 arrest for weapons violations in the District of Columbia.

Tom Harvey, the national security aide to Vice President

Bush, who sponsored ARGUS, testified for the defense at Bryant's trial as a character witness. He currently is employed by Magalen Ohrstrom Bryant.

Also brought into ARGUS was John W. Hanes, Jr. of the North Carolina textile empire. His fortune is originally linked to British interests: In the 1930s, Hanes's father, close to the Dulles family, became a spokesman for the Morgan interests in the Republican Party, organizing against Franklin Roosevelt. Deployed by the Morgans into the Olin Corporation, a manufacturer of small arms and munitions, the Hanes family interests helped to create and run the Olin Foundation, to this day a major source of funding for British subversion of the United States, and a major promoter of British "free market" economics and policies. Hanes, Jr., through family connections, became a ranking official of John Foster Dulles's State Department in the 1950s, helping to coordinate with the CIA, then run by Dulles's brother Allen. From there, he became one of the small group of people responsible for covert activities; still later, he rose to the "public" post of being given responsibility for all security operations for the State Department, before being ousted in the early days of the Kennedy administration.

Hanes shows up in the mid-1970s, in another "asteroid" operation known as the "Nuclear Club of Wall Street," where, together with anti-LaRouche banking and intelligence operative John Train, they worked against LaRouche's influence in the nuclear industry, while helping to conduit nuclear secrets to Israel.

Hanes shows up in Loudoun's Hunt Country as the head of ARGUS's parent foundation, the Law Enforcement Assistance Foundation (LEAF).

Under Harvey's direction, and with the obvious assistance and connivance of certain military authorities, ARGUS began accumulating a stockpile of used military equipment, including armored personnel carriers and even a C-130 transport aircraft; they stored some of this equipment in Loudoun County, keeping other items at nearby military bases, to which ARGUS personnel, despite their civilian status, were somehow provided access. The full intent, or even the full extent of ARGUS operations remains unknown, except that its equipment, nominally to assist local police against "terrorist operations," has always appeared redundant and unnecessary. On the day of the Leesburg "LaRouche raid," Oct. 6, 1986, an ARGUS vehicle was at the ready for use in what was intended to be an assault on LaRouche's home, to end in his elimination. That assault was only called off after President Reagan was apprised that such an operation was in progress.

ARGUS was subsequently dismantled, after a scandal erupted in 1992, revealing that Sheriff Isom had had the county government foot some of the bill for its operations, without authorization. Its equipment was supposedly disposed of; but there is no proof that this ever took place.

Clinton undertakes to revamp NATO

by William Jones

Speaking at the celebrations of the 50th anniversary of the Marshall Plan in The Hague, the Netherlands on May 28, President William Clinton reiterated the commitment of the United States to an undivided Europe. "We must summon the spirit of the Marshall Plan for the next 50 years and beyond," the President said, "to build a Europe that is democratic, at peace, and undivided for the first time in history; a Europe that does not repeat the darkest moments of the 20th century, but instead fulfills the brightest promise of the 21st."

President Clinton had broached the subject earlier in the week at his annual Memorial Day speech at the Tomb of the Unknown Soldier in Arlington National Cemetery on May 26. "Now, at the end of the Cold War," he said, "when there appears to be no looming threat on the horizon, we must rise to Marshall's challenge in our day. We must remember the lessons of those who gave their lives in World War II and those who worked so hard to make sure that we would prevail in the Cold War and not have to go back to war again. . . . We must create the institutions and the understandings that will advance the security and prosperity of the American people for the next 50 years."

The President continued, "At the end of World War II, General Marshall could make that case to America. . . . We fought a bloody war because we did not assume that responsibility at the end of World War I," referring to the catastrophic Versailles Treaty, imposed on Germany by the British after World War I with the blessing of a sympathizer of the Confederacy, President Woodrow Wilson, which laid the seeds for a new war 20 years later.

During his trip to Europe, President Clinton also witnessed the signing of the Founding Act on Mutual Relations, Cooperation and Security between NATO and the Russian Federation. This was the agreement which allowed Russian President Boris Yeltsin to accept the enlargement of NATO, scheduled to occur at the upcoming NATO summit in Madrid in July.

President Clinton agreed to go along with an enlargement of NATO when the countries of eastern Europe, which view NATO membership primarily as a form of security against possible Russian aggression, began agitating to be allowed to join. Russia, for its part, viewed NATO enlargement as a military threat and issued strong warnings against it.

However, President Clinton's idea of what NATO should

become in the 21st century involves a transformation from its traditional role as a bulwark against Soviet aggression. While preferring to maintain the organization of NATO in the new "security architecture" of the 21st century, Clinton intended to "pour new wine into old bottles." The internal changes in NATO, the new NATO-Russia relationship, as well as an enhanced role for the Partnership for Peace and the Organization for Security and Cooperation in Europe (OSCE), both of which include Russia, are all meant to comprise this new "security architecture" for Europe.

A departure from geopolitics

Speaking to the London *Guardian's* Martin Walker prior to leaving for Europe, Clinton explained his vision. "It is a fundamental departure from the way geopolitics have been practiced by nation-states," he said. "We are trying to write a future for Europe that will be different from its past. . . . I have always felt that there are ways to preserve national sovereignty and national identity, and still draw closer economically, and still have closer political cooperation and strategic partnership. History is on our side in this."

It was largely due to President Clinton's close personal relationship with President Yeltsin, as well as the promise of increased Western aid and a major role for Russia in the Group of Eight, that convinced Yeltsin to agree to the Founding Act—but only after a lot of hard negotiating. Earlier in the year, in an attempt to convince the Russians that the NATO alliance no longer was aimed against them, NATO made clear assertions that it had "no reason, no plan, and no intention" to change current deployments of nuclear weapons or of new nuclear storage facilities. Nor would old nuclear storage facilities from the Warsaw Pact days be revived for that purpose. These statements were incorporated into the Founding Act. The Founding Act also expresses NATO's intention to "carry out its collective defense and other missions by ensuring the necessary interoperability, integration, and capability for reinforcement rather than by additional permanent stationing of substantial combat forces"—also a demand that the Russians had been urging on NATO. As administration officials are quick to point out, the assurances in the Founding Act do not have the form of obligations, but express clearly the intent of the NATO leadership. In addition, NATO has assured the Russians that it is interested in pursuing the Conventional Forces in Europe agreement with Russia in order to achieve further reductions in military personnel.

More importantly, the Founding Act also calls for the creation of a Russia-NATO Permanent Joint Council aimed at "increasing levels of trust, unity of purpose, and habits of consultation and cooperation between Russia and NATO." The council will also serve as a forum to discuss differences which may arise between Russia and NATO.

Russia will also establish a mission to NATO headed by a representative with the rank of ambassador. A senior military representative and his staff will be part of this mission for

the purposes of military cooperation. Clinton referenced the general goals of this new relationship at the Founding Act signing ceremony in Paris on May 27. "The fate of this continent, Europe, is far from easy," he said. "It is very easy to account of all the wars and skirmishes it has undergone. And each century brought with it new tests and new challenges, new wars to the soil of this continent. Several times attempts to stem this tragic chain of events have been made, but now our efforts can and should bear fruit."

Military cooperation

Administration officials have continually emphasized the need to engage Russia in ever-greater military cooperation. Russia's engagement in Bosnia has generally been the paradigm when administration officials describe the type of ongoing cooperation they hope to achieve with Russia. The Partnership for Peace, in which Russia also participates, will be expanded. As Assistant Secretary of Defense Franklin Kramer explained to the World Affairs Council on May 29, "The new security architecture of Europe includes NATO, but also PFP [Partnership for Peace] and the OSCE. . . . You can't take one without the other, or you're only seeing part of the elephant."

Speaking to the Atlantic Council in Washington on May 20, Deputy Secretary of State Strobe Talbott, one of the architects of the policy and a key figure in the negotiations with the Russians, characterized the new NATO as "a catalyst for strengthening the values and institutions that the allies have in common—democracy, rule of law, respect for civil and human rights, tolerance of ethnic and religious differences, and civilian control of the military." Talbott underlined that "the enlargement of the alliance should enhance not only the security of its own members, current and new, but that it should also enhance the security of Europe as a whole, members and non-members alike."

Talbott also pointed to administration concerns that the Central and East European countries not "scramble to jury-rig security arrangements, no doubt often at each other's expense and to the detriment of the continent as a whole." Talbott noted that while NATO membership remains open to all who qualify, it's important that "no new lines" be drawn on the map. "That would be to betray the President's vision of an undivided, increasingly integrated Europe," he said.

Speaking to the press on May 27, Yeltsin reiterated Russian objections to NATO enlargement. "We have fully retained our negative attitude to the plans of NATO expansion," he said. At the same time the Russian President underlined that, because of the NATO-Russia agreement, "the negative consequences of NATO expansion will be minimized. . . . A mechanism of consultations and cooperation between Russia and the alliance is being created. . . . It will make it possible to discuss and solve European security issues on an equal basis."

Economic policy must be changed

Some of the basic problems, however, remain unresolved. U.S. acceptance of International Monetary Fund (IMF) conditionalities for the former Soviet countries has undermined any enthusiasm that may have existed for "economic reform" in eastern Europe and, in Russia, they have created an ever more vociferous opposition to President Yeltsin and a growing anti-Western mood. Unless there is a change in this policy—in the concomitant growing suspicion that the West is determined to destroy Russia by means of the IMF policy—no amount of new "security architecture" is going to be of much help.

Clinton indicated an understanding of this situation, when he greeted Russian acceptance of the NATO-Russia agreement. It is, he said, "an agreement that proves that the relationship between NATO and Russia is not a zero-sum game, and that the 21st century does not have to be trapped in the same assessments of advantage and loss that brought death and destruction and heartbreak to so many for so long in the 20th century."

Ironically, the most obvious practical lessons of the Marshall Plan were drawn by Dutch Prime Minister Wim Kok. Speaking at the celebrations in The Hague, Kok noted, "Assistance to these [East European] economies is needed on a massive scale. If we are prepared to shoulder this responsibility, we will all reap the benefits, as was the case in the Marshall Plan. The focus must be on infrastructure as the key to linking the peoples of Europe." Perhaps reflecting some of the discussion earlier of the Delors Plan for transportation infrastructure, and the "Productive Triangle" proposal put forward by physical economist and statesman Lyndon LaRouche, Kok used the occasion to float this "trial balloon."

Whatever the motives, the economic aspect of the policy of the West toward eastern Europe and Russia remains fundamental. Continued support for the IMF austerity policies can only serve to undermine whatever confidence may be created by the new "security architecture." As underlined by LaRouche (*EIR*, May 9, "Miniver Cheevy on NATO"), one of the key threats that nations face today is that of economic collapse.

Eastern European nations in particular, having been subject to IMF "shock therapy" since the Berlin Wall fell, have seen their industrial infrastructure destroyed. Russia, once a major industrial power, has been reduced to the productive levels of a Third World country. This, more than any outmoded Cold War thinking, has fostered in eastern Europe and Russia an "enemy image" of those countries in the West that support those conditionalities. The contrast between Versailles and the Marshall Plan, alluded to by President Clinton in his Memorial Day speech, lies in the area of economics—an area which most clearly distinguishes between the devastation caused by Versailles and the prosperity sparked by the economic policy underlying the post-World War II revival of Europe.

Budget resolution passes House, Senate

On May 20, the House passed its version of the Fiscal Year 1998 budget resolution, based on the budget agreement reached between President Clinton and Congressional Republicans on May 2, which will supposedly balance the budget by 2002, by a vote of 333-99. Along the way, four Democratic alternatives, all of which would have decreased defense spending and delayed tax cuts to increase funding for education, health care, and other areas of the budget, were easily defeated. The biggest threat to the resolution came from an alternative sponsored by Transportation and Infrastructure Committee Chairman Bud Shuster (R-Pa.), which was defeated by only two votes.

Shuster's amendment called for an across-the-board 0.39% cut in spending, in order to increase transportation funding by \$12 billion over five years. Shuster justified the increased funding by pointing out the condition of highway infrastructure in the United States. "All across America, our infrastructure is crumbling," he said. "Thirty percent of our interstate system needs to be rebuilt; 25% of our bridges are structurally deficient." To maintain even these levels, Shuster said, \$16 billion a year more in highway funding is required.

Shuster complained that under the budget resolution, "the \$33 billion balances in the four transportation trust funds will increase to \$65 billion in the next five years." Shuster has consistently argued that these funds should be spent on transportation needs rather than being used to mask the actual amount of the budget deficit. He added that while the supporters of the resolution say it increases transportation funding by \$8 billion over five years, the effective increase is

only about \$1-2 billion.

Shuster's amendment was supported by a broad coalition of moderate Republicans and Democrats, and opposed by an equally broad coalition of budget cutters from both parties, led by House Budget Committee Chairman John Kasich (R-Ohio) and John Spratt (D-S.C.). While Spratt expressed concern over the effects Shuster's amendment might have on other parts of the budget, Kasich defended the "integrity" of the budget agreement upon which the resolution was based. Yet, the figures on which the budget projections are based are dubious at best, and the cuts in the budget accelerate the economic depression.

On May 23, the Senate followed suit. In the debate, transportation, children's health insurance, and school construction funding were contentious issues. The resolution now heads to a conference committee to iron out the differences between the two versions.

Religious persecution bill is introduced

On May 19, Rep. Frank Wolf (R-Va.) and Sen. Arlen Specter (R-Pa.) introduced "The Freedom from Religious Persecution Act," a bill authored by Christian Solidarity International, which represents an escalation in the British monarchy's campaign to insert a human rights gestapo into the U.S. government. Accompanying Wolf and Specter were House Foreign Relations Committee Chairman Ben Gilman (R-N.Y.), Sens. Paul Coverdell (R-Ga.) and Tim Hutchinson (R-Ark.), and Rep. Tony Hall (D-Ohio), a board member of CSI.

The bill would create a new White House position, "Director of Religious

Persecution Monitoring," which would issue an annual report assessing whether Category I or Category II religious persecution exists in a country. Category I is government-sponsored persecution, and Category II is where the government fails to make a "serious and sustained effort" to eliminate persecution. Sanctions would be automatic upon a positive finding by the director, but could be waived by the President, subject to a written explanation to Congress and a 45-day notice of intent to waive. Sanctions include the banning of exports to foreign government entities that "directly carry out acts of religious persecution," and the mandate of U.S. opposition to international loans.

The bill would impose immediate sanctions against Sudan. Wolf said, "The sanctions prescribed in this bill are virtually identical to those imposed on South Africa in the anti-apartheid act of the 1980s, such as a ban on flights, a ban on investment, and a ban on imports." He claimed that the persecution in Sudan is "some of the worst" he had ever seen, and described his bill as a "Jackson-Vanik for the 1990s."

A group of independent U.S. legislators who visited Sudan last year, under the auspices of the Schiller Institute, found no evidence of slavery and the other violations that Wolf and his British sponsors are claiming (see *EIR*, Oct. 10, 1996).

China MFN trade status debate heats up

The battle over most favored nation trading status for China is now shaping up into three camps: those who support President Clinton's decision to renew MFN for China, those who would link

permanent MFN with China's entry into the World Trade Organization (WTO), and those who are absolutely opposed to any extension of MFN.

On May 27, Sen. Joseph Lieberman (D-Conn.) and Rep. Robert Matsui (D-Calif.) announced their support for Clinton's decision. Lieberman called trade with China a "desirable fact of life" that means "jobs and prosperity for workers in the U.S. and continued pressure for democratic reform in China."

On human rights issues, Lieberman said, "The one thing we know is that there are actually local elections going in the villages, and secondly, when we think about human rights, we have to think about the human rights that come with the rising standard of living that is being enjoyed there from the open economy policy they have been following there since 1978."

Lieberman reported that when he and Sen. Connie Mack (R-Fla.) visited China earlier this year, they found a "much more complicated situation" regarding religious freedom. "The churches were open," he said, "people were worshipping regularly. Are there some clergy in jail there because they have been organizing? Apparently so." But the question, he said, is "how do we move them in the right direction?"

Rep. Doug Bereuter (R-Neb.) and Senate Finance Committee Chairman William Roth (R-Del.) are leading the effort to link the granting of permanent MFN status with China's entry into the WTO. Bereuter is co-sponsoring a bill in the House that would do that; John Chafee (R-R.I.) and Max Baucus (D-Mont.) have introduced a similar bill in the Senate. Bereuter testified to the Senate Foreign Relations Committee on May 23 that threats to revoke MFN are not credible because the Chinese know it won't happen. He said that us-

ing permanent MFN as leverage to get China to conform to WTO standards as a precondition for entry would be more effective.

A vote is expected in July on a bill to overturn President Clinton's decision. Reps. Nancy Pelosi (D-Calif.) and Frank Wolf (R-Va.) are the lead sponsors of that effort.

Lautenberg targets Yugoslav war criminals

On May 23, Sen. Frank Lautenberg (D-N.J.), with eight co-sponsors, introduced a bill that would impose sanctions on nations that provide refuge to any indicted war criminals sought by the International Criminal Tribunal for former Yugoslavia. The bill would require the President to certify that the signatories to the Dayton Peace Agreement are cooperating in the apprehension and transfer of war criminals to the tribunal. If, after a six-month waiver provided in the bill, a country is certified as not cooperating, then all U.S. assistance to that country, with the exception of humanitarian assistance, is withheld until "all indicted war criminals have been arrested and turned over" to the Hague.

Lautenberg said that the purpose of his bill is to "create incentives for the parties to the Dayton Peace Agreement to arrest indicted war criminals and transfer them" to the Hague. He said that the lack of willingness to use force to apprehend indicted war criminals means another approach is necessary. "If indicted war criminals remain at-large when SFOR's mission ends, our prestige and credibility will be severely undermined. America may be able to protect NATO troops by not involving them in a mission to arrest indicted war criminals, but we cannot

protect our reputation and that of NATO as a defender of democracy and human rights if indicted war criminals roam the region with impunity when our troops withdraw."

Disaster aid bill still at an impasse

The Congress recessed on May 23 for the Memorial Day weekend without coming to an agreement with President Clinton on disaster aid for the flood-stricken Plains states in the supplemental appropriations bill. The sticking point remains the permanent continuing resolution (CR) which the Republicans attached to the bill.

House Speaker Newt Gingrich (R-Ga.), after a meeting with Clinton, reported on May 20, "We had a very good conversation on not closing the government. . . . [Clinton] was very positive in a broad way in trying to find a common ground to enable us to do that."

The next day, Senate Majority Leader Trent Lott (R-Miss.) would only say to reporters that "they" were working on it, referring to a meeting the night before involving White House officials and Sens. John McCain (R-Ariz.) and Kay Bailey Hutchison (R-Tex.), the two co-authors of the permanent CR.

By May 22, Senate Minority Leader Tom Daschle was saying that "there are many consequential problems in terms of negotiations," one of which is the CR, but another is a law-enforcement provision which Attorney General Janet Reno has recommended be vetoed. Daschle added that he was becoming "increasingly pessimistic that we're not going to be able to finish our work, which would be a travesty."

Clinton hits 'fashion's' glorification of death

President Clinton blasted the so-called "fashion industry" on May 21 for glamorizing heroin, after having seen a May 20 *New York Times* feature about fashion photos portraying models in a drug stupor, or even in an overdosed position.

Clinton noted that most people in his generation had grown up thinking that heroin was the worst thing in the world; but that now, heroin is increasingly becoming the drug of choice in college campuses and neighborhoods.

"And we know that part of this has to do with the images that are finding their way to our young people," the President said. "In the press in recent days, we've seen reports that many of our fashion leaders are now admitting . . . they're admitting flat-out that images projected in fashion photos in the last few years have made heroin addiction seem glamorous and sexy and cool. And if some of the people in those images start to die now, it's become obvious that is not true. You do not need to glamorize addiction to sell clothes. . . ."

"The glorification of heroin is not creative, it's destructive. It's not beautiful, it is ugly. And this is not about art, it's about life and death. And glorifying death is not good for any society."

Sweeney says labor fell asleep during the 1980s

AFL-CIO President John Sweeney, addressing the Economic Policy Institute conference on "Restoring Broadly Shared Prosperity" in Washington on May 23, declared that labor unions are the vehicle for bringing that about.

"Further, we don't think it's happenstance," Sweeney said, "that what Lester Thurow has called the greatest redistribution of wealth in history without a revolution, coincided with the greatest decline in member-

ship and corresponding political power in the history of the American labor movement. For the last 20 years, when family incomes were going down 12% on average, union membership declined from 27% of the workforce to 15%."

Sweeney reported that this decline was accompanied by an internal shift in the membership of the AFL-CIO, from private sector workers to larger proportions of public sector workers, as hundreds of thousands of industrial workers lost their jobs. "In other words," he said, "while working families were under attack like never before, America's unions went to sleep." Sweeney proceeded to describe the organizing drive which the AFL-CIO has undertaken, to make up for the losses of the 1970s and 1980s.

U.S. utilities project summer power shortages

According to the annual "Summer Assessment" of electricity supply, soon to be released by the North American Electric Reliability Council (NERC), New England and parts of Illinois and Wisconsin are likely to experience "difficulty serving expected customer needs during peak use periods this summer." In a May 19 press release, the association of private and public utilities projected that shortages will result from the unavailability of between 4,700 to 6,500 MW of nuclear capacity, and "limited transmission import capability."

In New England, more than 3,400 MW of nuclear-power generation remains shut down, due to ongoing repairs compounded by arbitrary regulations. The situation is complicated by the fact that major power companies, such as Northeast Utilities, are considering closing down some nuclear plants for good. Besieged by cutthroat deregulation on the one hand, and the absurd costs of environmentalist regulation on the other, nuclear power plants are no longer considered "competitive"—despite having provided the most efficient source of electricity for half a century.

Constraints on the power grid's trans-

mission system have also become common over the past few years. Without investment in expanded capacity, a system designed to deliver electricity from producer to consumer, has been turned into a scavengers' hunt for bulk transfers of power from coast to coast. The current power transmission network has already proven deficient to meet increased demands, for any region that is in short supply.

NERC President Michehl Ghent, referring to lost capacity in the Northeast and parts of the Midwest, declared in the press release that, "although utilities in these states have made extensive preparations to mitigate these problems, such shortages could require controlled interruptions (rotating blackouts) of electric service to customers."

NASA contracts for Imax film on space station

The National Aeronautics and Space Administration announced on May 20 that it has signed a contract with the Imax Corporation, to produce a documentary film of the on-orbit assembly of the international space station—scheduled to begin next year and be completed by 2002. NASA Administrator Dan Goldin declared, "Our astronauts have said that previous Imax films are the closest thing to actually being in space. Capturing the assembly of the International Space Station in this realistic and compelling format will help NASA share this experience with the public."

The announcement coincided with the premiere at the National Air and Space Museum of "Mission to Mir," the fourth Imax film made so far about the space program. Combining historical footage with film taken by the astronauts, "Mission to Mir" tells the story of the relationship between the American and Russian space program—from the beginning of the space age during the "Cold War," through the ongoing, joint missions of the U.S. Space Shuttle and the Russian Mir space station.

"Mission to Mir," also on view in other American cities and in Perth, Australia, will appear in 150 Imax theaters in 22 countries

PAT ROBERTSON'S profiteering in Africa is under scrutiny in Virginia. State Senator Janet Howell declared May 6, "I was disgusted to read the [press] reports on the blatant misuse of charitable contributions by the Rev. Pat Robertson. Virginians giving money to help poor children in Africa should not have their money diverted by the Reverend Robertson for his personal diamond-mining operations." She called for an investigation by the state's Attorney General.

MONEY-LAUNDERING operations face a U.S. Treasury crackdown, effective May 21. The new regulations stem from a task force investigation into drug money-laundering in the New York City area, targeting local check-cashing services and wire-order firms. Now any such transaction of \$750 or more, sent outside of the United States, must be reported to the Treasury Department.

U.S. CORPORATIONS are not in the market for welfare recipients. According to an Associated Press survey of the nation's 100 largest firms, 75% have no plans to employ them, claiming they lack the "high skill levels" required. Even companies which hire large numbers of low-skilled workers—such as Safeway, J.C. Penney, Taco Bell, and KFC—have no programs designed for welfare placement.

GOV. GEORGE ALLEN boasts he has slashed Virginia's welfare rolls by 23% since 1995. But the state "is not yet measuring what happens to working mothers and children who leave the rolls," the *Washington Post* claimed May 26. In Northern Virginia, appeals for emergency assistance are up 25% from last year—mostly from applicants about to lose their benefits.

TINA BROWN, British subject and New Age editor of the *New Yorker* magazine, could be an "imaginative appointment" by Prime Minister Tony Blair, as the Empire's next ambassador to the United States, according to the May 28 London *Times*.

this fall. The previous Imax films on space exploration ("The Dream is Alive," "Blue Planet," and "Destiny in Space") have been viewed by more than 60 million people around the world.

That is far too many for the cultural pessimists at the *Washington Post*. The *Post's* May 21 review of "Mission to Mir" attacks the film for not being a documentary "in any authentic meaning of that word: It has no spirit of skepticism, no sense of objectivity nor does it provide contending viewpoints." Admitting that "actual astronauts operated the cameras," and that the film provides "incredible visual splendor," the *Post* nevertheless attacks the narration for declaring, "We are building a bridge to the future."

Soros and JDL in bed for 'medical use' marijuana

Rupert Murdoch's *New York Post* devoted a full page on May 25 to puffing George Soros's latest push to legalize medical prescriptions for marijuana. One story highlights an initiative by State Assemblymen Dick Gottfried, Deborah Glick, and Dov Hikind—co-sponsors of a state bill to legalize pot for medical use in New York. Hikind was a founding member of the terrorist thugs known as the Jewish Defense League (JDL), and a longtime backer of Rabbi Meir Kahane.

The bill has the enthusiastic backing of George Soros's Lindesmith Center. Its director, veteran dope lobbyist Ethan Nadelman, ejaculated to the *Post*, "It's hard to find a real negative about this bill. No one disagrees that marijuana works for sick people." An accompanying feature touts Brooklyn Rabbi Isaac Fried, who goes around his community delivering joints of marijuana to people with AIDS and glaucoma. Fried is a local supplier for the Medical Marijuana Buyers Club, an underground organization that peddles pot to people claiming to need the drug as a "medicine."

The JDL joined forces with the Yuppies, and other pro-dope dregs like Chip Berlet and Dennis King, in attacks on the LaRouche movement during the late 1970s and early

1980s. In Los Angeles, JDL members have been busted for peddling cocaine, and were linked by local police to the Russian Jewish mafia.

So far, there are no Senate co-sponsors of the New York bill, and Gov. George Pataki has stated he will oppose it.

New York workfare ruling will 'recast' the issue

The attorney who won the case on May 12, in which Manhattan's Supreme Court ruled that workfare recipients must be paid the prevailing wage, told *EIR* on May 23 that the decision would "force the country to engage in a debate of a different form, about what to do with the fact that there are millions and millions of unemployed people in the United States."

Marc Cohan, senior attorney for the New York Welfare Law Center, said the ruling—combined with the Clinton administration's determination to apply the Fair Labor Standards Act to workfare—will transform the image of welfare recipients in most Americans' minds. "It's recasting them not as people who are looking to rip off the government, but people who are being treated as workers. It seems to me that once you start to treat poor people as workers, you have created a set of tensions or contradictions that have to be resolved," Cohan said.

"On the one hand, it is no longer easy to victimize or stigmatize welfare recipients because they're no longer 'them.' They now become 'us'; they become people who are working, albeit for an awfully low wage. So, Americans are going to have to look for a different scapegoat, rather than the welfare recipients, because, as I'm sure you know, even if you eliminated welfare tomorrow, it wouldn't balance the budget."

He also warmly greeted the Clinton decision. "I think the White House's determination is really quite exciting. I've very thrilled with it. It's a very far-reaching view to be taking. Frankly, I would have liked to see them take the view earlier. I have some concern about how Congress is going to deal with this."

Japan crisis, or global blowout?

The air of unreality concerning the world's financial markets is very thick. But, behind closed doors, there is intense discussion about the possibility of a "Mexico-style" disaster occurring in Asia, or some developing-sector market. There is also heated debate about how to avoid a dramatic banking crisis in Japan. This discussion is a cover story, however. It is the entire world financial system, bloated beyond what any sane person from the 1950s or earlier might have imagined, that is on the edge of a blowout.

One of the most visible Cassandras on the scene is Klaus Engelen, the chief editor of the German economic daily *Handelsblatt*. Engelen has periodically raised the alarm. In early May, Engelen reported on the discussion at the joint conference of the Asian Development Bank and the Washington Institute of International Finance in Fukuoka, Japan. Engelen noted, "A high-ranking official of the U.S. Treasury, who doesn't want to be named, shocked the gathering of bankers in Fukuoka with a quite alarming scenario. His main thesis: Banks and investors should not have any illusion about their emerging market operations, that thanks to the Basel supervision [by the Bank for International Settlements] and the IMF [International Monetary Fund] security net, a new global financial stability is now in the making."

Engelen said that, to the contrary, the U.S. Treasury official, whom he later identified as Timothy F. Geither, head of the U.S. delegation in Fukuoka, was pointing to the rapid globalization and technological change in financial markets, which will result in "completely new dimensions of instabilities and susceptibilities" for bankers and investors. "He explicitly warned about overestimating the impact of the initiatives, that were started since the Mexico financial crisis at G-7 summits, including the recent 25 Basel core principles, concerning the emerging markets." In light of the huge capital flows into Asia, Engelen quoted the U.S. Treasury official, "the smallest causes, for example, *bad press reports* which are spreading doubts among investors, could have ever bigger consequences due to ever more gigantic capital flows."

Perhaps this explains why there have been so few of those "bad press reports."

Engelen, however, has not shut up. On May 22, his paper, *Handelsblatt*, published an interview he conducted with the new head of the Bank for International Settlements, Tom de Swaan. Once again, the warning was stark: "The globalization of financial markets, in particular the banking systems, and the increasing role of the emerging markets in Asia and Latin America, have increased the vulnerability of the world financial system and the corresponding risks," de Swaan told *Handelsblatt*.

Of a similar mind is Norbert Walter, the chief economist for Germany's Deutsche Bank. Walter addressed a meeting of Christian Democratic youth in Frankfurt, Germany on May 23, and responded to a question about the danger of a systemic financial blowout. In a case of fairly obvious hysteria, Walter proceeded to itemize the vulnerable areas of the world financial bubble—Thailand, Malaysia, Indonesia, the Czech Republic, Russia, and Japan, among others—and concluded that "all this does not pose a systemic risk, neither for the financial system, nor for the euro [the common European currency]."

Which underscores the reason why economist Lyndon LaRouche is the only forecaster you can trust on financial matters. LaRouche, *EIR*'s founder, is a physical economist who not only understands why financial crises occur, but who also has developed a competent approach toward putting the world financial and economic system back together.

In his radio interview with "EIR Talks" on May 27, LaRouche again issued a "financial health alert," warning that the June period is likely to see the evaporation of the stock markets' "dead-cat bounce" recovery, with a "lollapalooza" of a new collapse coming. Those who stay in the market for that extra margin of earnings are likely to get slaughtered.

It probably won't be the last round, but, if LaRouche's New Bretton Woods proposal is not put into effect soon, it will only be a precursor of even more devastating shake-outs to come.

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- SOUTH BEND—Ch. 31
Thursdays—10 p.m.

KANSAS

- SALINA—CATV Ch. 6*

LOUISIANA

- NEW ORLEANS—Cox Ch. 8
Mondays—11 p.m.

MARYLAND

- BALTIMORE—BCAC Ch. 42
Wednesdays—8 p.m.
- BALTIMORE COUNTY—Ch. 2
2nd Tues., monthly—9 p.m.
- MONTGOMERY—MCTV Ch. 49
Fridays—7 p.m.
- P.G. COUNTY—Ch. 15
Thursdays—9:30 p.m.
- W. HOWARD COUNTY—Ch. 6
Daily—10:30 a.m. & 4:30 p.m.

MASSACHUSETTS

- BOSTON—BNN Ch. 3
Saturdays—12 Noon

MICHIGAN

- TRENTON—TCI Ch. 44
Wednesdays—2:30 p.m.

MINNESOTA

- MINNEAPOLIS—MTN Ch. 32
Fridays—7:30 p.m.
- ST. LOUIS PARK—Ch. 33
Friday through Monday
3 p.m., 11 p.m., 7 a.m.
- ST. PAUL—Ch. 33
Mondays—8 p.m.
- ST. PAUL (NE Suburbs)
Suburban Community—Ch. 15
Wednesdays—12 Midnight

MISSOURI

- ST. LOUIS—Ch. 22
Wednesdays—5 p.m.

NEVADA

- RENO/SPARKS
Continental—Ch. 30
TCI—Ch. 16; Wed.—5 p.m.

NEW JERSEY

- STATEWIDE—CTN; Sat.—5 a.m.

NEW YORK

- ALBANY—Ch. 18
Tuesdays—5 p.m.
- BRONX—BronxNet Ch. 70
Saturdays—6 p.m.
- BROOKHAVEN (E. Suffolk)
TCI—Ch. 1 or Ch. 99
Wednesdays—5 p.m.

BROOKLYN*

- Cablevision (BCAT)—Ch. 67
Time-Warner B/Q—Ch. 34
- BUFFALO—BCAM Ch. 18
Tuesdays—11 p.m.
- HUDSON VALLEY—Ch. 6
2nd Sun. monthly—1:30 p.m.
- ILION—T/W Ch. 10
Fridays—3 p.m. & 9 p.m.
- ITHACA—Pegasys—Ch. 57
Mon. & Weds.—8:05 p.m.
Saturdays—4:35 p.m.
- JOHNSTOWN—Empire Ch. 7
Tuesdays—4 p.m.
- MANHATTAN—MNN Ch. 34*
Sun., Jun 8 & 22—9 a.m.
- MONTVALE/MAHWAH—Ch. 14
Wednesdays—5:30 p.m.
- NASSAU—Ch. 25
Last Fri., monthly—4 p.m.
- OSSINING—Ch. 19-S
Wednesdays—3 p.m.
- POUGHKEEPSIE—Ch. 28
1st & 2nd Fridays—4 p.m.
- QUEENS—QPTV Ch. 57
Wednesdays—10 p.m.
- RIVERHEAD
Peconic Bay TV—Ch. 27
Thursdays—12 Midnight
1st & 2nd Fridays—4 p.m.
- ROCHESTER—GRC Ch. 15
Fri.—11 p.m.; Sun.—11 a.m.
- ROCKLAND—PA Ch. 27
Wednesdays—5:30 p.m.
- SCHENECTADY—PA Ch. 16
Wed.—11 p.m.; Thu.—4:30 a.m.
Saturdays—8 a.m.
- SUFFOLK, L.I.—Ch. 25
2nd & 4th Mondays—10 p.m.
- SYRACUSE—Adelphia Ch. 3
Fridays—4 p.m.
- SYRACUSE (Suburbs)
Time-Warner Cable—Ch. 12
Saturdays—9 p.m.
- UTICA—Harron Ch. 3
Thursdays—6:30 p.m.
- WEBSTER—GRC Ch. 12
Wednesdays—9:30 p.m.

YONKERS—Ch. 37

- Fridays—4 p.m.
- YORKTOWN—Ch. 34
Thursdays—3 p.m.

OREGON

- CORVALLIS/ALBANY
Tuesdays—1 p.m.
- PORTLAND—Access
Tuesdays—6 p.m. (Ch. 27)
Thursdays—3 p.m. (Ch. 33)

TEXAS

- EL PASO—Paragon Ch. 15
Thursdays—10:30 p.m.
- HOUSTON—Access Houston
Mondays—5 p.m.

VIRGINIA

- ARLINGTON—ACT Ch. 33
Sun.—1 pm; Mon.—6:30 pm
Tue.—12 Midnight; Wed.—12 Noon
- CHESTERFIELD COUNTY—
Comcast—Ch. 6
Tuesdays—5 p.m.
- FAIRFAX—FCAC Ch. 10
Tuesdays—12 Noon
Thurs.—7 p.m.; Sat.—10 a.m.
- LOUDOUN COUNTY—Ch. 59
Thursdays—10:30 a.m.;
12:30 p.m.; 2:30 p.m.;
4:30 p.m.; 7:30 p.m.; 10:30 p.m.
- MANASSAS—Jones Ch. 64
Saturdays—6 p.m.
- RICHMOND—Conti Ch. 38*
- ROANOKE—Cox Ch. 9
Wednesdays—2 p.m.
- WOODBRIDGE—Ch. 3
Saturdays—6 p.m.
- YORKTOWN—Cox Ch. 38
Mondays—4 p.m.

WASHINGTON

- KING COUNTY—Ch. 29
Wednesdays—11 a.m.
- SPOKANE—Cox Ch. 25
Tuesdays—6 p.m.
- TRI-CITIES—TCI Ch. 13
Mon.—12 Noon; Weds.—6 pm
Thursdays—8:30 pm

WISCONSIN

- WAUSAU—Ch. 10*

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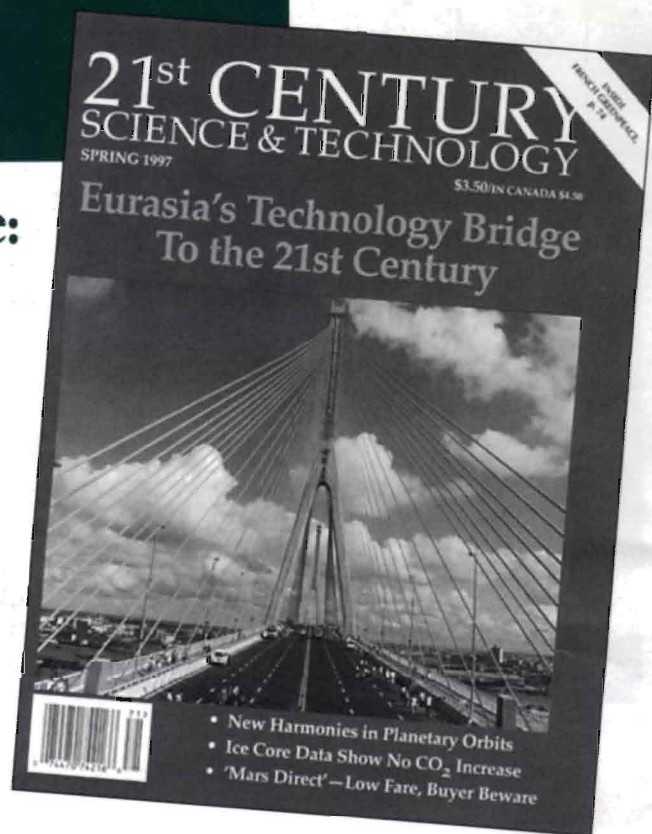
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