

# EIR

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## From the Associate Editor

All around the world, in the aftermath of the Black Monday stock market crash, people are telling *EIR*, “LaRouche was right!” “He’s a prophet,” many have said. Actually, as Lyndon LaRouche said in an interview on Oct. 28, “I’m not a prophet. . . . I’m just a scientist, and I can tell you what the laws of the universe indicate will happen as a result of what’s going on, or policies we have, and what the approximate timing might be of these consequences, depending on which branch of the road we take.”

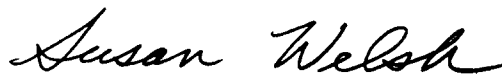
What everybody wants to know now, is 1) How did LaRouche know what was going to happen? and 2) What do we do now? How do we prevent a *vaporization* of the world financial and monetary system, which would cause untold human suffering?

To find out the answers to these questions, you have come to the right place.

Start with LaRouche’s article in the *Economics* section, “Alan Greenspan Fairy-Tale Fails to Lull Markets.” Here you will find a concise statement of LaRouche’s scientific conclusions respecting the economic crisis, and marching orders on what action must be taken by world leaders — notably the President of the United States — when the time is right.

A counterpoint to this, is our *Feature* on the historic Clinton-Jiang summit meeting. The fact that Black Monday occurred on the eve of President Jiang’s arrival in Washington, underlines the strategic importance of his visit. LaRouche stresses that a partnership between the United States and China, against British imperial interests, is indispensable, if the world is to find its way out of the rapidly deepening crisis.

In a recent issue, *EIR* reported the assessment of Helga Zepp LaRouche, upon her return from a visit to China and India, that the most important thing that *had* to occur at the Clinton-Jiang summit, was that a positive relationship be established between the two men, as “the absolutely necessary stepping-stone” to the Eurasian Land-Bridge and a New Bretton Woods system. With the events of the end of October, and thanks to the mobilization of the LaRouche movement internationally, we can say that this first step has been achieved.



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## Alan Greenspan fairy-tale fails to lull markets

by Lyndon H. LaRouche, Jr.

October 30, 1997

Today, if he has any sense, Federal Reserve Chairman Alan Greenspan is as disappointed as the Tom Dewey who awoke one Wednesday morning, to discover that he had not been elected President of the United States, after all. It happened in the following way.

On a gloomy Monday morning, Oct. 27, the previous week's catastrophic sell-off in east Asia and European markets hit the United States stock-market with hurricane force. The stock market was shut down twice, in a futile effort to halt the collapse.

However, during late afternoon, and evening, Oct. 27, following the biggest wipe-out of stock-values in the history of the New York Stock Exchange (NYSE), panic-stricken "Big Blue"—International Business Machines (IBM)—led off the organizing of the biggest dog-and-pony show in U.S. stock-market history, to occur the following day, Tuesday.

During that Monday's evening hours, brokerage phone-banks around the country were calling through their customer lists, promising the biggest and best bargains in recent history, for those who could be lured into a stock-buying panic, next day. Meanwhile, the hysterical Federal Reserve System, ripped the faucets from the money-pipelines off for the day, flooding markets with tens of billions of dollars of credit from U.S. and western European financial sources, in addition to the sucker-money, in the biggest rigging of financial markets in history. By the end of Tuesday's wild trading, the NYSE index had recovered about two-thirds of what it had lost on Monday.

On Wednesday, Greenspan delivered a prepared, lulling, fairy-tale, as his testimony to the U.S. Congress. That day, however, Greenspan's "dead cat" would not bounce a second

time. The NYSE barely eked out a cosmetic 8-point rise.

On Thursday morning, before the U.S. markets opened, the world markets plunged into a new round of collapse, more menacing than that which had panicked world markets on Monday. Whatever else may have happened on the New York Stock Exchange that day, the lesson was clear: the doomed

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### FEATURE

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international financial system was not inspired by the kind of pep-talk Alan Greenspan had spun to the U.S. Congress that day.

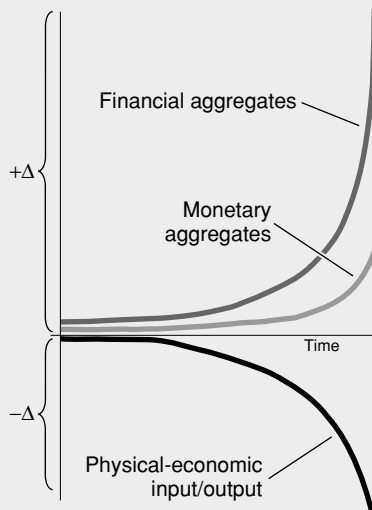
#### Who is rigging what?

In part, like the Tuesday upturn on the New York Stock exchange, some features of the past two weeks developments were pre-rigged.

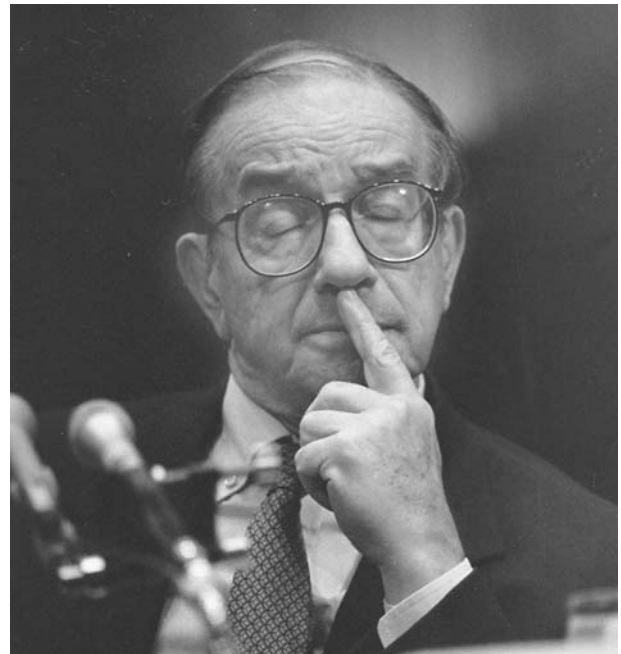
This does not mean that Alan Greenspan and his friends can prevent the international financial system from collapsing. One should think of the case of the expert swimmer who set out to swim across the Atlantic. If he starts from the Caribbean, he might be eaten by sharks; whereas, if he takes the northern route, he will probably die of exposure. In any case, he is not going to complete the journey. Similar things should be said of any schemes dreamed up by Alan Greenspan or people of his ilk.

The timing of the new shock-wave of collapse of the Hongkong market, which set off the chain-reaction hitting the U.S. stock-market on Monday, was also orchestrated. This shock-wave was also rigged, chiefly by European political and financier interests hostile to both China and the United

FIGURE 1  
**A typical collapse function**



*LaRouche's "Triple Curve" schematic shows why any effort to "save" the system by keeping the speculative bubble aloft, will only make things worse. To the far right: Federal Reserve Chairman Alan Greenspan.*



States. They used the occasion President Jiang Zemin was out of China, to test their ability to panic the government in China into a strategic blunder. China's leadership calmly held its ground; therefore, it was the speculators who suffered the pain that day.

Nonetheless, whether anyone succeeds temporarily in rigging markets up, or down, on some particular day upcoming, the Earth will not leave its orbit, nor will the present international financial system survive the continuing series of major crises which will continue to wrack it. This crisis will continue, until, either the governments put that system out of its misery (by bankruptcy reorganization), or the world-wide system as a whole is simply allowed to disintegrate of its own accord.

The only practical questions are three: What should governments do? What is the appropriate timing for those actions? Who has the proven scientific authority for suggesting what the answers to those two questions might be? Since I am the only economist, or leading political figure of international rank, who has accurately forecast the nature of the new financial earthquakes now in progress globally, the responsibility for answering the first two questions is chiefly mine.

The methods which the U.S.A.'s European adversaries used on Tuesday, in concert with Alan Greenspan's Wall Street gang, can be compared fairly to the fireman who douses a fire with buckets of gasoline: they dampened the fire a bit, by greatly increasing its explosive potential.

As I have forecast the presently ongoing systemic crisis, repeatedly, since 1994: what is in progress, is the effect of the systematic destruction of the economy by waves of speculation based upon the principles of the gambling-house, "deriv-

atives." It is best described by aid of the now rather widely known "Triple Curve" [Figure 1], which I first presented in written documents and a public address, delivered to two European conferences, at the close of 1995.

To understand how a global seismic financial crisis has been spreading, since the Thailand crisis of July 1997, from Asia, through Europe, into North and South America, we must go back to fundamental changes in direction of policy-shaping dating from the middle of the 1960s, to policy-changes which have continued to accelerate since the August 1971 dollar-crisis and the establishment of the "floating exchange-rate monetary system."

My "Triple Curve" represents the pattern of changes in rate of change of relations among physical economy, monetary circulation, and financial circulation, since the time of downward, 1966-1967 policy-changes in the U.S.A. Since that point, there has been a repeatedly accelerated shift of the ratio of monetary and financial aggregates, to physical production, per capita. This is echoed by the radically downward trend, since 1971, in ratio of trade to foreign-exchange turnover. We passed into the mid-1970s "petrodollar" scam, to the 1982-1988 "junk bond" scam, to the post-1987 "derivatives" scam. All the while, the production of monetary output supplied to support financial-bubble speculation, has been sustained by looting of past investments in maintaining infrastructure, agriculture, mining, manufacturing, and, especially, the machine-tool sector.

The mathematically modular nature of the functional relations depicted by that figure, is that the rate of rate of change in magnitudes is inherently of the form associated with hypergeometric curvature. For purposes of illustration, this is ap-

proximated by the indicated set of three interacting, hyperbolic curves (functions). This configuration defines a convergence of the entire, global economic-monetary-system, upon a boundary-layer condition. In this condition, any sort of “energy” supplied in the effort to sustain the continuation of that system, accelerates the self-induced rate of disintegration of underlying props of the system itself.

In the present situation, the magnitude of the short-term financial obligations attributable to the combined total of on-balance-sheet and off-balance-sheet “derivatives,” approximates \$100 trillions equivalent, of which about one-third sits

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*Sometimes, only a sufficiently great shock impels a society to rid itself of the influences which threaten its doom. At the most important turns in all known history, a shocking crisis is usually the only pathway to the possibility of practicable solution for a crisis.*

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on top of the U.S. financial system itself. In addition, there are tens of billions of short- to medium-term, speculative financial assets, such as grossly inflated, marginal gains in valuation of real-estate titles. The combined amount is several times larger than the entirety of the GDP of all world nations combined.

Since the maintenance of the speculative financial values, is immediately premised on financial leverage, rather than direct values of produced output, the entire system represents a kind of global financial “chain-letter,” all based upon a real economy which continues to be shrunk, and that at accelerating rates of austerity imposed to supply the looting upon which the maintenance of the “chain-letter” depends.

The result of such an arrangement, is inevitable. “Inevitable” is “about now.”

Perhaps, for those who live in northern latitudes, it may be said, that the season for toboggan-rides is rapidly approaching.

### **What must be done?**

What should be done about the collapse of the financial system? The answer is implicit in the celebrated utterance of one of those rare U.S. economists who is known for sanity. That senior U.S. economist once said: “It is only paper.” That, implicitly, sums it up.

Number one: The governments must not attempt to bail out any investors in the fictitious assets of derivatives holdings, stock prices, or speculatively inflated real-estate values.

Let the paper collapse to as low a price, and in as free a fall, as it may choose. The only necessary action of government on this account, is to provide state-controlled instrumentalities for ensuring that the process of writing off these fictitious financial values, functions in such a way as to protect people, productive enterprise, useful trade in hard commodities, and science-related services, from being injured by any of the falling debris from collapsing financial markets.

Number two: The credit and issued public Treasury debt of the national governments must be protected at all costs, otherwise the necessary, immediate launching of measures of economic recovery and growth would not be possible.

Number three: There must be no mass evictions, or breaks in continuity of operations of essential production and distribution of goods and essential services (merely because of even a catastrophic financial collapse). When the collapse, which Calvin Coolidge and Andrew Mellon had prepared, struck the Herbert Hoover administration, in the form of the 1929-1931 depression, terrible, mass-murderous blunders were imposed upon the Hoover administration by Andrew Mellon et al. This must not be repeated in any country.

Number four: The President of the United States—in this case, President Clinton, must act in concert with willing other governments, to put the existing, ruined, present international financial and monetary systems into bankruptcy, under terms of government receivership. At the same time, the same concert of nations of good will, must establish a new world monetary system among themselves as partners. With one principal exception, this must echo the highly successful, pre-1959 form of application of the Bretton Woods agreements. The exception, is the need to fill the vacuum created by the hopeless bankruptcy of the world’s presently existing central banking systems. The model of the U.S. Constitution’s provisions, and other relevant precedents, must be used to establish Hamilton-style national banking systems, to replace the hopelessly bankrupt central banking systems.

Number five: A global recovery program must be adopted, to foster immediate recovery in world hard-commodity trade, and to provide an urgently wanted general stimulant for the private economies of the participating nations.

Politically, of course, such measures require surefootedness and exceptional strength of nerve among the relevant world leaders. Waiting is the hardest part. Politically, heads of state can do what must be done, only in the circumstance that the crisis itself generates a popular demand for radical action by the executive branch of government. To introduce even needed radical actions of the type required, prematurely, could be politically fatal. Yet, to postpone such radical actions, because of Hamlet-like vacillation, at the critical juncture, would be assuredly fatal. One must hope that we find leaders with the intellectual and moral strength to act so, and, also, to prepare themselves and their collaborators to act appropriately with great pungency and force, at the moment the



people's desperate pleas supply the political authority for the needed actions.

### Who is making the mess?

Obviously, what must be done would not be tolerated by the majority among the relevant operating executives of financial institutions. One must not waste valuable efforts and time on the groundless presumption, that that portion of the financial establishment is capable of rational behavior.

There are four, closely interdependent reasons for the stupidity shown by the financial community in its transparently artficed "dog and pony show" on the U.S. financial markets this past Tuesday, and in Alan Greenspan's fairy-tale performance before the U.S. Congress this past Wednesday.

First, as in the case of the 1989 assassination of Germany's leading banker of the Hermann Abs tradition, Deutsche Bank's Alfred Herrhausen, the period since the middle of the 1980s has seen a chiefly disastrous change in the social composition of the top ranks of operating officers of leading financial and other relevant institutions of the private sector and government. The result, especially since the 1987 financial crisis, has been the takeover of the top and subordinate ranks of these institutions, by a younger generation of executives whose philosophy is that of a class which lacks the moral fitness to survive.

The second reason, is the ideological characteristics of the stratum which had come into these positions of power: "*Après nous, le déluge!*" This crisis brings us to the precipice, beyond which the world ends for what they represent. For them, the end of their way of life, creates a world in which there is no future for them: "*Après nous, le déluge!*"

What they have been taught, and otherwise conditioned to believe, represents a world which is about to cease to exist. Faced with the thought of such a future world, their minds go blank: "It could never happen!" they tell themselves, in utter hysteria. They will sacrifice anything, and almost everything, especially your pension, your children, in their increasingly desperate efforts to appease the Moloch whom they worship.

"You will see!" such pitiable wretches scream, shaking their fists, and putting a fiercely menacing expression on their faces. They add, "Very soon, the markets will come back, stronger than ever! You will see!"

Thirdly, this stratum has not the slightest idea how economies work. Those investors from the "Baby Boomer" and "X" generations simply never had adult experience of the kind of economic policy-thinking which ran the United States economy, on nearly every level, prior to the 1966-1972 brainwashing of the U.S. into accepting a "post-industrial" utopia in a world of "floating exchange-rates."

This is reenforced by a refusal to accept the plain evidence of an approximate halving of the per-capita levels of content of physical market-baskets of infrastructure, agriculture, manufacturing, municipalities and households, over the 1966-1996 interval. For them, the loss of vital industries,

is explained away cheerfully by the argument that products imported from cheap-labor markets are advantageous to the U.S. consumer downgraded from well-paid industrial employment to the cruelly reduced income of a household each of whose wage-earners work two or more low-paid service jobs per week.

Fourth, as reflected in the philosophy departments of universities and community colleges, in the streets, and among those administrators and political figures who have adopted the reading of opinion polls as a substitute for thinking and morality: among such strata, the prevailing ideology of today is twofold.

In one aspect of this philosophy, they are as the cult of "political correctness" suggests: symbol-minded, radical nominalists, living in a "virtual reality" of linear computer models, not the real world. Theirs is a system of induced belief, in which each has his, or her own "relative truth," not shared by those who have a differing choice of "relative truth."

In the second aspect of their delusion-ridden mind-set, radical nominalism is coupled with the kind of existentialism associated with names of such philosophical fascists as Friedrich Nietzsche, Nazi philosopher Martin Heidegger, Heidegger's acolyte Jean-Paul Sartre, Sartre's fascist acolyte Frantz Fanon, and so on. Their personal outlook converges upon that of fascist novelist Hermann Hesse's *Steppenwolf*, the feral individual in a society which he hates. He is a feral individual in Nazi philosopher Heidegger's sense of "thrownness:" a person for whom society is an alien thing, an enemy like a dangerous beast, whose nature the individual can not change, which one can only hope to outmaneuver, to outwit.

Such currently influential, predominantly existentialist social strata within the system, know only how to dissimulate in face of "relative truths" contrary to their own, and, otherwise, to claw, to lie, to cheat, as the so-called "objectivist" philosophy of Ayn Rand (like George Soros) implicitly proposed.

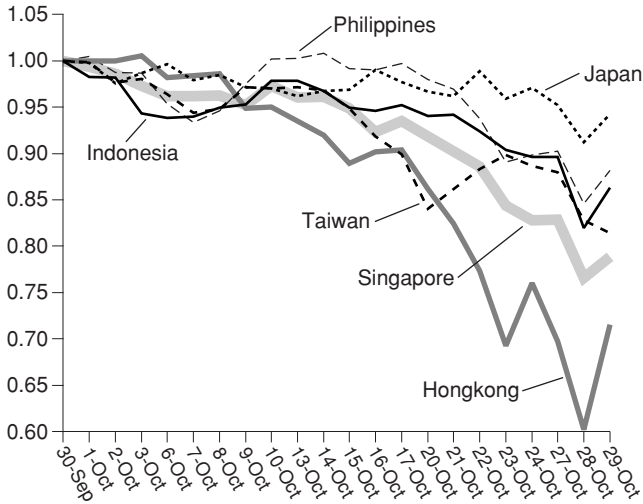
How, then, shall we be rid of the controlling role of those irredeemable types presently dominating the decision-making of financial institutions, and of all too many related functions of government? That is the question which presently occupies the attention of the most senior ranks in the board rooms of leading banking institutions.

When the crisis strikes with sufficient force, the new generation's existentialists will be thrown aside, in the manner Heidegger's philosophy begs for such results. They will become visible in new social roles, a pathetic display of newly unemployed "has beens," best qualified for selling apples in locations near Manhattan's Wall Street.

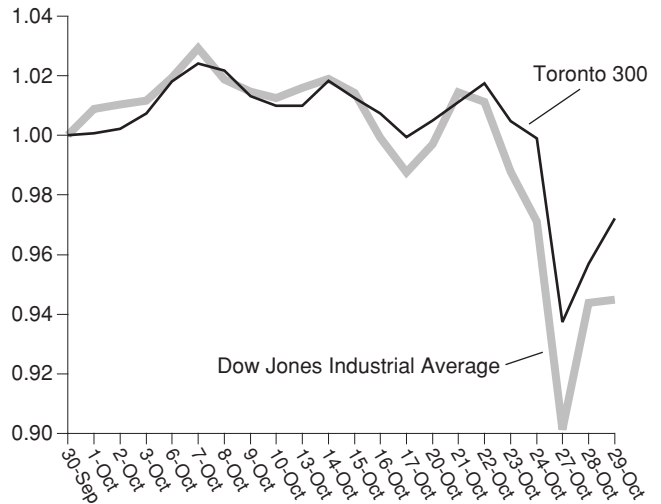
Sometimes, only a sufficiently great shock impels a society to rid itself of the influences which threaten its doom. At the most important turns in all known history, a shocking crisis is usually the only pathway to the possibility of practicable solution for a crisis.

# How Black Monday hit world financial markets

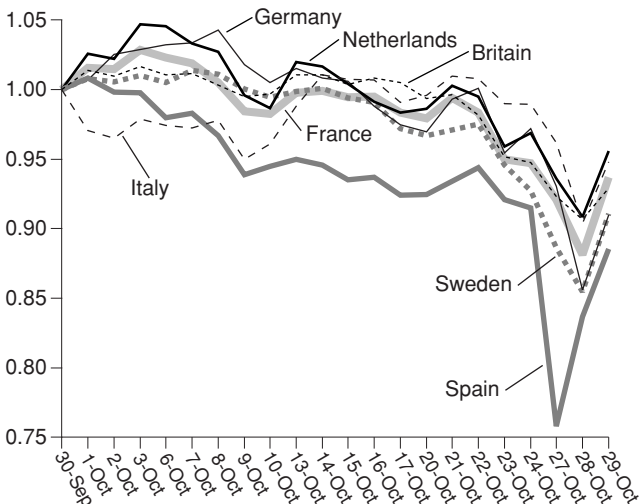
**FIGURE 1**  
**Asian stock markets**  
(indexed to Sept. 30, 1997 = 1.00)



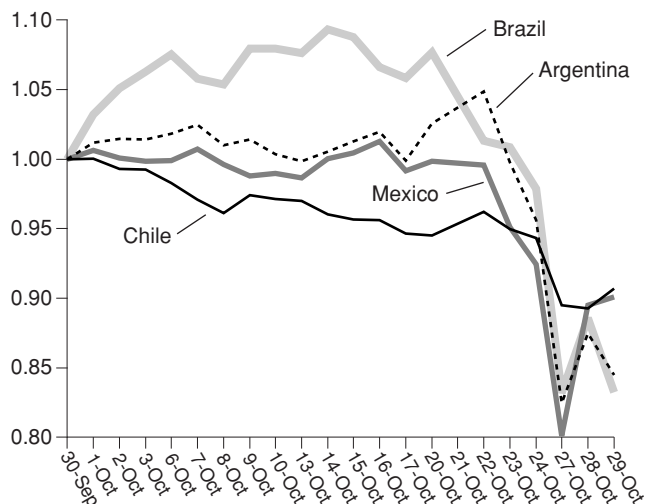
**FIGURE 2**  
**North American stock markets**  
(indexed to Sept. 30, 1997 = 1.00)



**FIGURE 3**  
**European stock markets**  
(indexed to Sept. 30, 1997 = 1.00)



**FIGURE 4**  
**Ibero-American stock markets**  
(indexed to Sept. 30, 1997 = 1.00)



# What LaRouche said, what the others said

by Marcia Merry Baker

*Throughout his public policy career-to-date, Lyndon LaRouche has issued nine forecasts, from 1956 to 1994, along with certain warnings about specific dates and conjunctures. We here summarize his published 1990s forecasts and analyses, and give a sampling of what others said.*

## 1991

**LaRouche:** Issues his “Eighth Forecast,” warning of an ongoing “mudslide” of economic collapse. “Many people have been looking for a definitive one-day, two-day, three-day financial crash, perhaps on the markets, with the Dow Jones, sometimes called Davey Jones, Index crashing 500 or 1,000 points or more. What they are seeing is . . . the great mudslide of 1991.” (Nov. 23)

## 1992

**LaRouche:** LaRouche’s campaign for the Democratic Party Presidential nomination runs ten full-page economic program ads in the *Washington Times*, including nationalizing the Federal Reserve; creation of 6 million jobs through a continental infrastructure program. (Spring)

Campaign book, *LaRouche for President/Democrats for Economic Recovery* circulates in multi-thousand copies, with emergency program.

**Others: Financial Times** of London promotes global privatization and downscaling. Quotes Skadden Arps partner Joseph Flom, that privatizing U.S. infrastructure will allow “unique area for new investment activities.” (March 5)

## 1993

**LaRouche:** Proposes 0.1% transaction tax on derivatives, and proposes emergency measures to restore physical economy. (March 9)

In an introduction to a pamphlet calling for taxing (and ending) derivatives speculation, LaRouche argues that the growth of these instruments presents “the prospect of a derivatives bubble which grows like a cancer at the expense of its host, and shrinks its host, at the same time its appetite is growing, while the means of satisfying that appetite are collapsing.”

Exploratory Committee for LaRouche Presidential campaign is set up, with economic policy as keystone issue. (Aug. 12)

**Others: Forbes** magazine promotes derivatives in cover story. (March 29)

The *New York Times*, lauding the speculative bubble, quotes Michael G.J. Davis, deputy head of Chase Manhattan Bank’s risk management department, “The worst thing for us is a marketplace where nothing happens. The bank’s biggest fear would be a long period of calm and stability in the markets, which would lull companies and investors into slowing their trading activities.”

New report *Derivatives: Practices and Principles*, released by Group of 30—composed of top executives from money center banks (Dennis Weatherstone, chairman of J.P. Morgan, Inc., heads the group, which includes former U.S. Federal Reserve Chairman Paul Volcker). Report states that there is no cause to worry about derivatives. (July)

## 1994

**LaRouche:** Issues his “Ninth Forecast,” stating, “The presently existing global financial and monetary system will disintegrate in the near term. The collapse might occur this spring, or summer, or next autumn; it could come next year; it will almost certainly come during President William Clinton’s first term in office; it will occur soon. That collapse into disintegration is inevitable, because it could not be stopped now by anything but the politically improbable decision by leading governments to put the relevant financial and monetary institutions into bankruptcy reorganization.” (Issued June 13; published in *EIR*, June 24)

**Others:** Bank of England Governor Eddie George’s press spokesman, John Footman, responds to *EIR*, on LaRouche’s “Ninth Forecast.” Footman said, “Our perception is that there is a need to monitor risks and regulators. We sympathize with some of the concerns that we see in the GAO [General Accounting Office] report on derivatives and other places. We are concerned about the derivatives transactions done by subsidiaries of securities firms. The generation of a speculative bubble would concern us if we saw that, but we see the risk being laid off in various directions, in an extremely complex way. . . .” (June 13)

The Bank of England then provided *EIR* with the text of a May 25 speech by Executive Director Brian Quinn, praising derivatives before a joint conference of the Futures and Options Association and the Futures Industry Association: “The ingenuity of the specialists who design and price derivatives products . . . seems boundless. . . . No officer charged with managing other people’s money can afford to ignore the benefits that can come from a judicious use of the current range of derivative products. . . . Derivatives are not only here to stay, but probably also to grow, albeit perhaps at a less hectic pace. . . . Derivatives do not entail any new risks. . . . If the presence of derivatives makes prices of financial assets more volatile, does this necessarily mean the financial system is inherently less stable? The instinctive answer to this question seems to be ‘yes.’ However, aca-

democratic work—while inconclusive—suggests that, if anything, the opposite is the case.” (May 25)

Felix Rohatyn, senior partner of Lazard Frères, writes an article arguing for the freedom of the “global private capital markets”: “A genuine worldwide market in stocks, bonds, currencies, and other financial instruments has emerged, tied together by modern data-processing and communications technology, and operating 24 hours a day. . . . The continued growth and stability of this market is vital for the . . . developing world as well as for the Western countries. For the last 50 years, the Bretton Woods institutions, the World Bank and the IMF, have been directly involved in financing economic development in emerging economies. This role will, more and more, be taken over by the global capital markets. The cold-blooded selection process by which world capital is invested will determine the economic progress of many nations.” (*New York Review of Books*, July 14)

## 1995

**LaRouche:** Comments on the Mexican financial crisis: “We are now in the middle of a new phase of disintegration of the global monetary and financial system. Around the world, leading people—bankers and political people—who, up until a few weeks or months ago, would have either denied, or did deny, and would have rejected, or even ridiculed, my forecast on the present monetary situation, now are saying that the entire international monetary and financial system is in the process of disintegration. Not just collapse, but disintegration.” (Radio interview with “EIR Talks,” Feb. 1)

**Others:** U.S. National Association of Manufacturers (NAM) releases a book-length report praising the vigor of the U.S. economy, *Making It in America, Proven Paths to Success from 50 Top Companies*. The report’s authors, Jerry Jasinowski, the president of NAM, and a Virginia-based consultant, Dr. Roger Hamrin, assert what they call their “surprising discovery,” that “America is in the midst of a business renaissance and economic comeback that have profound and promising implications for businesses, consumers, workers, and the country’s economic future.” They state that 1) there is an economy recovery; 2) there is no systemic crisis; and 3) any problems that arise can be dealt with by administrative means. (March 1995)

**LaRouche:** Economic memorandum is released, “Global Financial Crisis: ‘To Be, or Not to Be.’ ” “Today, the political and financial system of Japan has been brought to near a point of discontinuity, by the failure of U.S. representatives to acknowledge the severity of the ongoing, global financial collapse of the international monetary and financial system. Although the U.S. government’s refusal, thus far, to face the reality of this ongoing systemic breakdown is no worse than virtually every leading government in the world, Japan’s relations with the United States are of a very special nature; a lack

of adequate response to Japan from Washington could set forth a chain-reaction of collapse of every vital U.S. policy-interest in East Asia, and beyond.” (April 18)

**Others:** Responses among leading Europeans when told about LaRouche’s April 18 “Global Financial Crisis: ‘To Be or Not to Be,’ ”:

A Nobel Prize economist tells *EIR*: “I share Mr. LaRouche’s views about the inherent instability of this system. For years, we have been sitting atop a financial volcano. The only question is not if, but rather, when, it erupts. However, that being said, I do not see what has been taking place with the dollar, at least in the near term, as *that eruption*, what Mr. LaRouche calls global disintegration.” On the recent proposals of Japanese and others for some return to regional fixed currency blocs, he stated, “Fixed exchange rates as an ideal are good. But, such a fix would break down unless there were first a total reform of the entire credit mechanism. The ability of large banks to lend against fiction today as guarantee must be controlled. I am presently working on a formal proposal whereby we would seek to make illegal the present practice by large banks to speculate in stocks, bonds, currencies, commodities on their own account. They are a major force in the dangerous volatility of global markets, and uniquely so because of the fractional reserve banking system which permits banks to vastly leverage their capital.” (April 26)

A senior consultant to the Group of 30, and former central banker, tells *EIR*, “On the idea of a systemic disintegration, I would take issue with Mr. LaRouche. There are simply enough political manipulations which would be employed today to prevent such, even at a horrendous social cost.” (April 26)

**LaRouche:** “Today, every nation on this planet is under the domination of a single, worldwide, monetary and financial system: the so-called International Monetary Fund system. That system is about to go out of existence. The worst financial collapse of the Twentieth Century could erupt within as soon as weeks, or, in the unlikely case, the disintegration of the system could be postponed until as late as early 1997.” (Economic Advisory, released July 14, titled, “Why Most Nobel Prize Economists Are Quacks”; published in *EIR*, July 28)

In Italy, and Germany, LaRouche releases his “Triple Curve” schematic (see p. 5), which he describes in this way: “This figure is a summary of three curves which are characteristic of the process of monetary and financial disintegration of the world economy.” (Speech to a conference in Germany, Dec. 2)

## 1996

**LaRouche:** “We are in the middle of the worst international monetary and financial crisis of the century. The financial crisis has two dimensions: its severity, and the efforts of

many leading institutions in the world to pretend it doesn't exist. But that is characteristic of every major crisis in history. Leadership consists of not denying the crisis, in the first place." (April 24, presentation at a round-table discussion in Moscow, sponsored by the Institute for Socio-Political Research of the Russian Academy of Sciences; the Free Economic Society of Russia; and the Schiller Institute for Science and Culture/Moscow)

**Others:** Ethan D. Kapstein, Director of Studies for the New York Council on Foreign Relations, writes in the Council's journal *Foreign Affairs*, under the headline, "Shock-proof; the End of the Financial Crisis": "Many Chicken Littles had predicted during the late 1980s and early 1990s that trading in derivatives — futures, swaps, and options — would trigger the next global financial crisis. But they overlooked the important role that derivatives have played in moderating systemic risk, providing banks with increased opportunities to diversify their portfolios and protect themselves from sudden market shifts. . . . The international financial markets have not suffered because the roots of the disease have largely been eradicated." (*Foreign Relations*, January/February)

"U.S. Sails on Tranquil Seas; Recessions No Longer Seem Inevitable as Nation, Policymakers React Quickly to Changes," is the headline in the Dec. 2 *Washington Post*, presenting expert commentary on the theme that, "Many economists believe that this stability could easily continue for years to come because of a host of changes in the economy, including new technologies, the deregulation of many industries and the increased globalization of business and finance." Sources quoted:

Edward Boehme, president of the Philadelphia Federal Reserve Bank: "I think we have a reasonable chance of having a record peacetime expansion. The real world sometimes holds surprises . . . but this is a remarkable period with no noticeable imbalances in the economy." (December)

Charles L. Schultze of the Brookings Institution, chairman of President Carter's Council of Economic Advisers: "We have come to an end of an era dominated by the politics of inflation and unemployment. I won't say we have solved those problems, but apart from something like an oil price shock, we've made an awful lot of progress." (December)

## 1997

**LaRouche:** Warns that staying in the stock market means slaughter. He advises: Get out! Go to Treasury bonds, go to gold, and fight for a new financial system to restore the economy:

"The only thing I can say, is that the persons — and there are about 40 million Americans, I think, who are exposed to this, who are betting that they have a pension, and a future invested in mutual funds, onto the stock market, or some plan of that sort — if they stay, they're going to be slaughtered. They'll lose everything.

"Now, there are some people who say, 'Well, tell me what time to get out?' And, people are buying these reports which tell them which way to get out of this stock today, and that one tomorrow, and get into this one, because of this up and down volatility. And, this is going to kill them. . . .

"Sure, Treasuries don't yield as much, but you've got one advantage with Treasuries: The government has agreed to back them up, and you've got something. Whereas, on these indexes, these futures, these options, when that market goes, you've got less than nothing. And, many of you have got life savings in there. Don't keep it there. Don't take the chance. Sure, somebody else may make a lot of money in the short run, maybe they can afford to take the risk. Can you?" (Radio interview with "EIR Talks," Feb. 5)

Writing in *EIR*, LaRouche warns against the delusion, that the so-called "Asian Tigers" of Southeast Asia "typify the glorious future of a world in which national economies have been junked, for the supposed advantages of 'global economy.' . . .

"Do not classify Asia's blowfish among its tigers: Put to one side, the dangerously silly Mont Pelerin Society's choice of monetarist paradise, the non-comparable cases of the Venice-style, 'hot-money' *entrepôts* of Asia, Hongkong, and Singapore. Stick to the relevant cases; contrast the vast superiority of the real 'Asian Tigers,' of North Asia, with the 'Potemkin Village' facade of prosperity, as featured in the Southeast Asia region: the Philippines, Vietnam, Cambodia, Laos, Malaysia, Thailand, Indonesia, et al." (Feb. 7)

And, in an interview to "EIR Talks": "Sometime very soon, between now and the end of the year, possibly in the month of August — more probably, *no later than October*, but certainly, by around the end of the year — this world is going through one or two of the greatest shocks, financial shocks of the century." For those lured to stay in today's "sucker's market," LaRouche advises, "Get out, while the getting is good. Don't stay in for that extra buck you just *might* make. You might lose almost everything. *That's* what the story of the soaring stock market means." (June)

**Others:** Federal Reserve Chairman Alan Greenspan: "There have been occasions when we have been on the edge of a significant breakout," but thus far, the Federal Reserve's response has "turned out to be adequate to stem the atomic erosion." (Feb. 21, in Coral Gables, Florida, at the Atlanta Federal Reserve meeting)

Sen. Phil Gramm (R-Tex.) opposes proposed new Security and Exchange Commission regulations, issued Jan. 26, to force U.S. corporations to disclose their derivatives exposure, complaining that the proposals "will induce firms to use derivatives less." Gramm insists that the derivatives "industry" must be left to regulate itself; and that derivatives losses by Orange County, Procter & Gamble, and others are "isolated" events. (March 4, Securities Subcommittee of Senate Banking Committee)

# International reactions: LaRouche was right!

## Russia

**Prof. Taras Muranivsky, “Forecasts Begin to Come True; the World Financial Crisis,” *Pravda-Pyat*, Oct. 30:**

*Pravda-Pyat*, a widely read opposition daily, gives a detailed analysis of the international financial turmoil, up through Oct. 24, with extensive reference to Lyndon LaRouche’s uniquely competent insight into how the \$100 trillion financial derivatives bubble functions. An introductory note refers to Professor Muranivsky’s Aug. 20 article, “The World Financial ‘Pyramid’ May Collapse in an Instant,” which also presented LaRouche’s analysis of the derivatives markets.

After detailing recent events on international markets, Muranivsky zeroes in on the Asian front of the crisis: “Many people consider that the main reason for the collapse of stock and securities prices and ‘Black Thursday,’ were the actions of currency speculators. Prime Minister Mahathir Mohamad of Malaysia discussed this, in particular, in his now-famous speech [at the September IMF meeting in Hongkong]. He views the problem in a broad setting, linking currency speculation with the looting of Southeast Asian countries by the policy of Western countries. The myth of the ‘economic miracle’ of the Asian ‘tigers’ serves merely as a propagandistic cover for this policy.” The currency crisis in Southeast Asia was maturing over a period of years, as Muranivsky elaborates.

Muranivsky cites LaRouche for his unique expertise on “the fundamental reasons for ‘Black Thursday,’ and the looming world financial crisis associated with it.” In an interview, just a week before the crisis, LaRouche explained that the collapses in Southeast Asia and Japan would destroy the financial system in Europe and the U.S.—“Such is the result of globalization.”

“Moreover, LaRouche sees the looming crisis as a phenomenon with many factors. A leading role is played by the \$100 trillion sum of the world derivatives ‘bubble’ . . . This volume exceeds the value of the world’s total industrial output.”

Resistance to the tyranny of these speculative activities is growing, Muranivsky demonstrates, with the tour of Premier Mahathir through South America. There is an awareness that free trade “is far from perfect.”

The *Pravda-Pyat* article also notes the nearly frantic, and contradictory, attempts by Russian media to put a gloss on the unfolding financial crisis. *Kommersant-daily* of Oct. 24 headlined, “Crisis of the World Economy,” while *Nezavisimaya Gazeta* the next day averred that “experts consider that the fluctuations in share prices are chiefly a speculative game. It has become clear, that it is simply stupid to talk about a world crisis.”

## Germany

**ZDF TV, Oct. 28:**

LaRouche’s program made it into the 5:00 p.m. national TV news—a virtually unheard-of development in Germany. A ZDF camera team filmed a demonstration by the Citizens Movement Solidarity (a party of which Helga Zepp LaRouche is the candidate for chancellor), in front of the main banks in Düsseldorf, including picket signs on Lyndon LaRouche’s call for a New Bretton Woods system and the Eurasian Land-Bridge. A journalist asked one of the demonstrators, “What do you have to say about the stock market crash, and does each and every person have to be afraid of it, personally?” The demonstrator answered, “Yes, one has to fear it, but only if program for the Eurasian Land-bridge and the New Bretton Woods, where the present meeting between Clinton and Jiang Zemin plays a crucial role, is not implemented. Then, we would enter a new Dark Age.”

## Mexico

**José Neme Salum, “Systemic Crisis: Globalizing Dementia,” *Excelsior*, Mexico City, Oct. 28:**

Neme Salum begins by asking his readers if they got suckered into believing the strategists of globalization, that another crash like that of October 1987 could never happen. “Do you want to be the next suicide victim?” he then asks, as he elaborates on the unsalvageability of the international monetary system.

He goes on to point out that the antidote to this dementia has long been made available by Lyndon LaRouche and his associates, and that his own column interviewed *EIR*’s Richard Freeman in August 1994, shortly after the release of LaRouche’s Ninth Forecast, on how the entire international monetary order was rotten to the core, and needed to be changed. Neme Salum quotes at length from LaRouche’s comments on Black Monday 1997, including his comparison of the current banking system to a man who argues that his head won’t fall off, as long as he doesn’t sneeze or nod. LaRouche’s scientific approach to political economy is reviewed, extending from Classical Greece and the Renaissance, through Leibniz, Colbert, Carnot, List, Hamilton, and the Careys, and this is contrasted to the perverse ideology of the Persians, Diocletian, Venice, the British, and the Nazis.

Neme asks: “Which side are you on? Which side do you

want Mexico on? Where do you want humanity to be? Are you a neoliberal? If so, then you are a neo-Persian, a neo-Diocletian, a neo-Venetian, a neo-Britisher, a neo-Nazi, a neo-Salinista. That is your heritage!”

The author points to those, like the governor of Mexico’s Aguascalientes state, who attacks LaRouche and says that he shouldn’t get press coverage. The question, says Neme, is not LaRouche per se, but rather a battle of ideas, between those who believe man is made in the image of God, and those who believe man is but a superior form of animal. He calls on his readers to draw on their capacity to reason, to dedicate themselves to study the ideas of LaRouche, so that they come up on the right side of the battle. He concludes with a quote from LaRouche: “We are not talking about placing bets on the stock exchange, Or where to hide the money until the financial storm is over. We are talking about how to safeguard the very existence of civilization today.”

#### **Julio Zamora Batiz, “Stock Market Crisis . . . Crisis of Globalization?” *El Nacional*, Mexico City, Oct. 28:**

Julio Zamora Batiz, the head of the economics commission of the National Political Council of Mexico’s ruling PRI party, warns in a commentary op-ed of the imminence of a global crash, of devastating worldwide implications.

Zamora Batiz begins by quoting from a “dangerous agitator” at the September Hongkong meeting of the International Monetary Fund and World Bank, who warned that the unregulated globalization of the world’s financial markets could lead to a crash. This “agitator” was George Soros, who, Zamora notes, was simultaneously being attacked by Malaysian Prime Minister Dr. Mahathir Mohamad as the source of attacks on the Malaysian and Thai economies.

Zamora Batiz details the Asian crisis, and the dramatic instability of the world financial system, due to speculation and to dependency on derivatives gambling. He reports: “Just a few weeks ago, Lyndon LaRouche presented in Guadalajara and in Mexico City, his idea that the world stock market crisis was about to occur, and criticized the speculation against the Asian economies. His forecast was correct; I only hope that LaRouche was not right about the other forecast he made in the same presentation: that the derivatives market will explode because of lack of sufficient liquidity to keep it afloat. . . . Curiously, the ideas of LaRouche and those of Soros—who fiercely battle each other—agree that the current monetary system does not respond to the needs of nations.”

Zamora Batiz concludes by calling for a New Bretton Woods Conference: “The situation we are living through shows that it is urgent to thoroughly revise Keynes’s scheme, adopted at Bretton Woods and which founded the IMF. It seems that LaRouche has been right about that as well, since he has been saying as much for some time.”

## **Peru**

#### **Patricio Ricketts, “Crash!” *Expreso*, Oct. 29:**

Ricketts reports the truth that no other Peruvian newspaper has dared to touch: “The power of all powers,” the international financial and monetary system, “has just been ripped to bits. Disintegration has begun.” Those who talk of an “Asian flu,” or “dragon effect,” are playing the kind of word-games which “invented the ‘tequila effect’ . . . It is the system which is cracking. The world system, sick with speculation.”

“No one can say that this Terrible Autumn was not forecast with astonishing precision,” he writes. “The ultra-polemical American economist Lyndon LaRouche has been announcing it insistingly, since 1994 and before. ‘The current world monetary system,’ he wrote at that time, ‘will disintegrate in the short term. Its disintegration is inevitable, because it can only be stopped by a decision, politically unlikely, of various important governments, to put the financial and monetary institutions through bankruptcy reorganization.’ ”

Ricketts continues: “Not a few events and other voices gave ever greater credibility to the bold forecast, and demonstrated that the unraveling was nigh. . . .” The financial system threw itself pell-mell into derivatives; “while some fell, others—Soros, among them—rose like rockets. The victims were first banks and counties, like California’s Orange coun-

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try. Then countries: Mexico, Malaysia, Thailand, and other 'tigers.' And now, triggered by Hong Kong, to Wall Street itself, and all the stock markets of the world."

"The prime minister of Malaysia, Mahathir bin Mohamed, noted some days ago in the *Wall Street Journal*, that world currency trading is 20 times the value of trade in goods and services, which is unrelated to it.

"Now the crash of the virtual financial system appears to require real remedies. Will they be prescribed? Or will they insist on placebos?" he concludes.

## Brazil

Vitor Grunewaldt, "The Unsinkable Titanic," *Novo Hamburgo*, Rio Grande do Sul, Oct. 30:

Grunewaldt is the director of the Ibero-American Solidarity Movement (MSIA) in Brazil. A total of five articles by MSIA spokesmen, reporting that LaRouche knows why the world financial crisis is occurring, and what to do about it, have been published in October, in various newspapers circulating in this state, one of the most important, politically and economically, of Brazil.

NH is published in the city of Novo Hamburgo, and circulates primarily in the formerly prosperous Rio dos Sinos valley, part of the metropolitan area of the state's capital, Porto

Alegre, and the original center of German immigration to Brazil. The shoe industry which had dominated the area for years, was largely bankrupted over the last two years, by the government's free trade policy of allowing in cheap imports.

The article opens:

"Let the reader imagine that, when the *Titanic* is sinking, two passengers standing on the deck say to each other: 'Let's not worry. It's only the bow that's sinking. Its a regional problem, which doesn't affect us.'

"This is more or less what the politicians and the stupefied analysts are saying, who from this side of the world, assure us that the Asian monetary crisis and the stock market crashes are 'a regional problem which does not affect us.' And there are also those who claim that the Asian crisis will benefit one or another Ibero-American country, because, supposedly, the capital which flees Asia, will come here. (As if it were very beneficial when the speculative capital which sowed chaos in one region, does the same in another!)

"Leaving aside the specifics, the self-delusions, and the frauds, the fact is that the entire *Titanic* is sinking. The international financial and monetary system, in its totality, is bankrupt, and what we are seeing is its irredeemable disintegration. The stock market crash is nothing more than a symptom of a much deeper, generalized crisis, which is heading towards an implosion of the whole system, exactly as Lyndon LaRouche, the economist who forecast the October 1987 crash, as also the recent weeks' shocks, explained dozens of times."

The article reviews Swiss National Bank director Bruno Gehrig's warnings of a systemic crisis (see *EIR*, Oct. 24), and the danger of chain-reaction collapse, resulting from the fact that derivatives and currency trading are totally divorced from the real economy. "But the detonator of a crisis, is not its cause." It is the international economic policies of globalization and free trade that caused the crisis, and "what is sinking is not only this bankrupt system, but also the premises upon which it was based."

"Much sooner than many imagine, this system will no longer exist. The big question is how it will be replaced, and by what. The financial oligarchy has its plan, an overt fascist program of destruction of sovereign nation-states, depopulating and handing over entire regions to the cartels of the British Commonwealth and their allies, reducing billions of people to the condition of slaves (made 'happy,' perhaps, through generalized drug use), etc. . . .

"The restructuring of the financial system is critical to reverse these dark expectations," the article concludes, reporting on LaRouche's New Bretton Woods initiative, the "Open Letter to President Bill Clinton to Convoke a new Bretton Woods Conference," and the MSIA's Bill to Reactivate the National Economy.

A similar article ran in Porto Alegre's *Jornal do Comercio* on Oct. 31, under the title, "The Beginning of the End."

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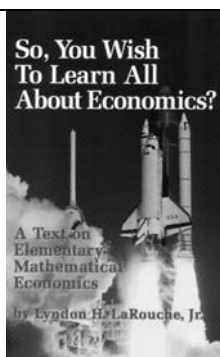
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# Soros bids for more power in Russia

by Rachel Douglas

At the end of his week-and-a-half-long tour of Russia, marking the tenth anniversary of the launch of Soros Foundation activities in the Soviet Union, global speculator George Soros was confronted at his Monday, Oct. 20 press conference in Moscow with the unfolding international market turmoil. "Is the panic selling in Asian markets . . . such as in Thailand on Monday, justified?" a British correspondent asked him. "When? Which Monday? This Monday? . . . Obviously I'm not up to date," Soros replied. "It must have something to do with the IMF [International Monetary Fund] package, which maybe they're not willing to meet the conditions of the IMF, which would justify the fall—or [quickly correcting himself] would explain the fall."

The IMF's latest team just happened to have arrived in Moscow that day, to pass judgment on whether Russia's tax-collection and budget-cutting performance is adequate for release of the latest tranche of its IMF credit line.

A Russian radio journalist brought up to Soros that, "You have been criticized for causing damage to some Asian countries," and asked if he were merely speculating with his Russian financial operations, or actually planned to make real investments. Soros answered by attacking the Malaysian prime minister again, by name: "As far as accusations by Prime Minister Mahathir [Bin Mohamad], I have refuted those accusations totally. And he has produced absolutely no evidence to justify as such [sic]."

Regarding Svyazinvest, the Russian communications company he bought into, Soros spoke with the arrogance of a selfish landlord, "I have already invested in Svyazinvest and I will continue. And until I sell it, I own it." He did not deny that he might bid on the next 25% of Svyazinvest to come up for sale, but said his main hope was "to create the conditions for foreign operating companies to come in," including to run Svyazinvest.

The hands-on control by foreign interests over Russian resources and infrastructure, is still a burning issue in Moscow. Meanwhile, the package of new donations, unveiled by Soros at the press conference, looks less like a gift, than an offensive to take over other Russian institutions, as well, focussed on the sorest points of Russian society.

On Oct. 23, the State Duma (parliament) asked the Russian government to investigate the business activities of Soros and Boris Jordan, a U.S. citizen who runs MFK investment

bank, part of the Oneksimbank empire with which Soros is in partnership. The interrogatory cited potential damage to Russia's national security, from their activities.

## Russia globalized

But, global financial collapse means that all bets are off in the latest hot "emerging market," Russia, a truth that is beginning to dawn on some people in Moscow. "The Crisis of the World Economy" was the Oct. 24 headline in *Kommersant-daily*, read primarily by Russian businessmen and government officials. In one of the first detailed Russian press discussions of the Asia-centered world market crisis, the article explained that week's nearly 25% slide in the Hongkong stock market, as the immediate consequence of the currency collapses in Thailand and Indonesia—which had been, as reported previously in *Kommersant*, triggered by Soros, personally. Authors Ilya Plaksin and Yelena Maksimenko applied the term "chain reaction" to the spreading collapse in Asia.

On Oct. 25, *Izvestia* (which co-publishes a business supplement with the *Financial Times* of London) denounced such reports, declaring that the Hongkong slide, which had caused "such a panic that some experts claimed it was the crash of world economy," was over the next day. *Izvestia* assured readers that the crash was not affecting the Russian market, adding that the "IMF has not expressed great anxiety about the Hongkong events."

By Oct. 27, Russian TV broadcasts were singing a different tune, with up-to-the-minute reports on Wall Street's big drop of that day, while NTV's Vladimir Shashkov commented on how stock market crashes drive depressions. On Tuesday, Oct. 28, Moscow's stock exchange plunged nearly 20%. TV stations spent the day broadcasting, and then denying, reports that First Vice Premier Anatoli Chubais was rushing back to Moscow from London.

## The sore spots

Soros's newly promised \$300-500 million infusion of funds into Russia over the next three years, through the Soros Foundation and the Open Society Institute, will be directed as a seven-part package, to make Soros indispensable where Russia is hurting the most:

- Health care. The project will focus on the tuberculosis epidemic, and drug-resistant bacteria. As yet, Soros has not launched a campaign in Russia for another of his favorite causes, euthanasia. Possibly it is considered superfluous, in a country where the population is already falling by a net 1,300 persons per day.
- Education. "We perceive our task as twofold: to preserve what is good in Russian education, which is basically science and mathematics, and to reform what is too authoritarian in structure, content, and teaching methods."
- Culture. "Management training for cultural institu-

tions,” as well as matching-funds supplements to self-help, will be provided.

- Books. Expansion of the OSI textbook project, through which Soros has already seized the high ground in Russian schools.

- Internet access. Development of networks beyond the 33 university Internet centers the OSI is opening in Russia. (There was no special mention here of Chubais, who said recently that he and Microsoft magnate Bill Gates had enjoyed comparing keyboard cursor manipulation techniques and that he, Chubais, spent his entire vacation logged on to the Internet!)

- Law and local government. Provision of books and training for local government agencies.

- Management training and retraining of military personnel. Soros said that he is promoting “large-scale training of managers,” together with Deputy Prime Minister Boris Nemtsov, and that in Yekaterinburg this would be a joint project with the British Consulate.

In Ukraine, Soros said, the OSI has retrained 50,000 demobilized military personnel, and will begin to do this in Russia, as the military is downsized.

Soros said that his International Science Foundation has ended its program of direct grants to scientists and scientific institutions, of the sort Soros gave in 1992—grants of \$500 to each of 30,000 Russian scientists (including many young scientists who proceeded to emigrate). This is in line with an overall push by Russian liberalizers, to “privatize science.”

Under the not-yet-adopted 1998 Federal Budget of Russia, and a decree that goes into effect next year, the 275-year-old Russian Academy of Sciences will be forced to police its own “downsizing,” presenting to the government recommendations on which institutes should close, and which survive. The government will have the final say.

An Oct. 16 article in the *Vladivostok News* discussed what a shock this is to the prestige, not to mention the existence, of the Academy, which was founded by Peter the Great in 1725. The article quoted Anatoli Kalyagin, a researcher at the Pacific Oceanographic Institute, who wistfully remarked that budget-cutters can’t judge scientific work: “Some scientists who don’t seem productive, may actually be working on significant research. These reforms are designed to annihilate our achievements.”

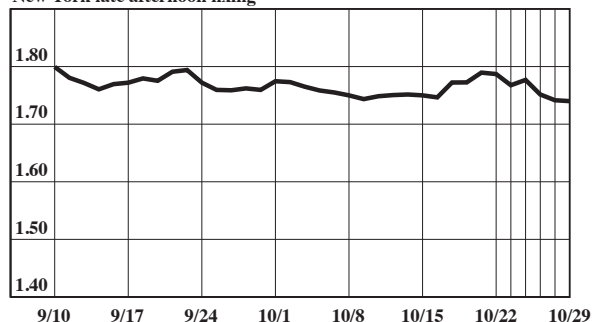
Nationwide, Russian budget financing for the Academy of Sciences is 1/22 of what it was in 1992.

A *Business Week* feature on Russian science, in the Oct. 27 issue, is subtitled, “Can Private Enterprise Pick Up Where the Soviets Left Off?” Reviewing the huge drain-off of resources and personnel from Russian science (see *EIR*, Aug. 8, 1997, “Russian Science: a Strategic Assessment,” by Lyndon H. LaRouche, Jr.), *Business Week* reports that the issue of the day is self-financing by academic institutions, by means of everything from selling the fruits of their research, to running fast-food restaurants on the side.

# Currency Rates

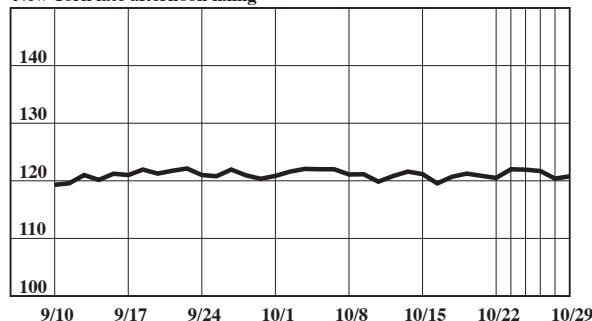
## The dollar in deutschemarks

New York late afternoon fixing



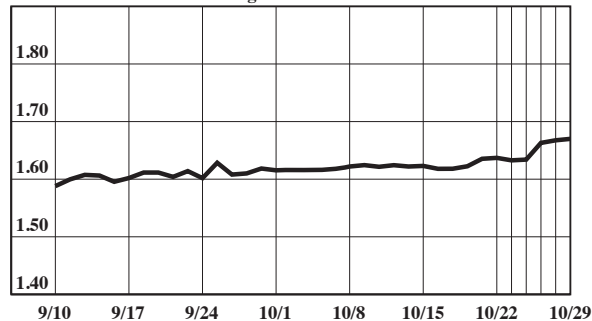
## The dollar in yen

New York late afternoon fixing



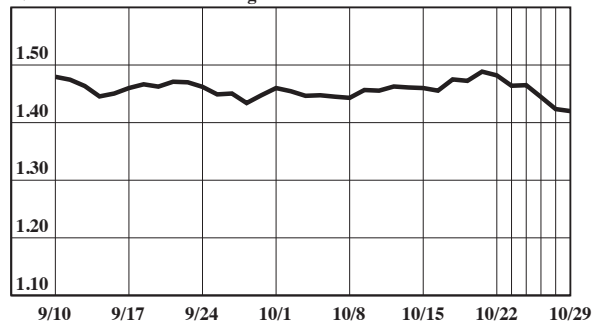
## The British pound in dollars

New York late afternoon fixing



## The dollar in Swiss francs

New York late afternoon fixing



## Too timid to face reality

*The “experts” are censoring the truth about the financial crash, but behind this facade, are many loose bricks.*

German media and politicians, as well as most of the banking experts who gave interviews after the Black Monday crash of Oct. 27, tried to calm the waters, saying that things are not so bad, after all; that economic fundamentals are pointing in a positive direction.

Typical was the fact that “N-TV,” the news and information television channel, which is the one watched most by yuppie stockbrokers, chose not to interrupt its regular program, when the news from Wall Street came in at 9:30 p.m., German time. Instead, the channel proceeded according to schedule, broadcasting a boring roundtable show on Scientology, and not even the hourly news at 10 p.m. devoted more than a few words to the crash.

Another typical reaction can be reported from the German parliament, where the aide of a senior Social Democratic expert on economics told this author on Oct. 28 that nobody saw an urgent political need to change their schedule, and that debates and initiatives on financial crashes or a New Bretton Woods system were “not on the agenda for the rest of this legislative period, definitely.” (This legislative period will last for another 10 months.)

There is, however, a reality behind this facade of “business as usual,” and it has been quite interesting to see what people are saying off the record. For example, a parliamentary aide told this author at the peak of the Asian crisis, before the Black Monday crash, that there are many who see systemic risks

in this financial crisis; that there are bankers, analysts, even officials at the United Nations, World Bank, and International Monetary Fund (IMF), who are convinced that the time is more than ripe for a substantial reform of the existing world monetary institutions.

This is not to say that any of these dissidents would call for the abolition of these institutions; but, what they have called for, sufficed to provoke the “higher-ups” to launch an administrative crackdown. For example, a senior official at the United Nations Development Program (UNDP), who has endorsed the Tobin Tax on financial derivatives and is also a supporter of the Asian Monetary Fund (AMF), was told not to talk about that any more in public, “or else.” Others at the World Bank and IMF have been similarly muzzled.

This author had the occasion to talk to that UNDP official, and in that background discussion, the official endorsed the AMF initiative as something that is “the trend of the future, anyway,” and added that “the time when the IMF or other institutions could be confident of being able to handle affairs for the entire world, is over. The AMF is the right concept for the future, and it will come.” Granted, the IMF and World Bank leaders don’t like that kind of discussion, but “they will come to realize one day that they simply have to accept it,” the official said.

The parliamentary aide added that muzzles would not suppress the debate, because there is a revolt brew-

ing, and people will step forward and say things in public that they are not supposed to say, now. Most people would prefer to keep the respective financial institutions alive, though with changes; but a situation might develop that would call for “new approaches.”

Well, would such “new approaches” also work in Germany, whose elites always try to create the impression that, if anything has to change, they would definitely be the last to admit it?

In background discussions with government officials in Bonn, this author learned that, at the peak of the first round of Asian monetary turbulence in July-August, an informal meeting of German government officials took place, brainstorming on monetary and diplomatic initiatives that could assist the Asian states in restoring control over the financial markets. After all, a good part of German exports are dependent on the well-being of the Asian economies, and furthermore, Foreign Minister Klaus Kinkel was scheduled to tour several Asian countries, in the third week of October. Assisting the Asians in the creation of an institution to master the monetary troubles, was an idea that came up in that Bonn meeting. That proposal for an AMF, which Japan has made, is something that “looks quite akin to what we discussed, at that time . . . but we would not do anything that could raise doubts about the authority of the IMF, naturally.” Indeed, the Finance Ministry had no problem in suppressing that brainstorming.

Therefore, a political chance was missed for Germany to play a role supporting the planned AMF. And when Kinkel arrived in Thailand for talks on Oct. 20, he found that the entire cabinet had just resigned, over the political and financial disaster caused by discredited pro-IMF policies.

# Business Briefs

## Asia

### China, Vietnam reach bilateral accords

Vietnam and China expanded economic cooperation, during the visit of Chinese Deputy Prime Minister Wu Bangguo to Hanoi in October. Three bilateral deals were signed, including a \$25 million soft loan for Vietnam, \$180 million in interest-free loans to upgrade the Thai Nguyen steel complex, which Vietnam started with Chinese assistance in 1959, and a \$110 million credit for expansion of a urea factory. Wu's visit is the first by a Chinese deputy prime minister since the normalization of relations in 1991.

Vietnam News reported that Wu and Vietnamese Deputy Prime Minister Nguyen Tan Dung agreed to start negotiations on cross-border trade, and possible cooperation in technology transfer, personnel training, hydrometeorology, irrigation, and civil aviation.

## Petroleum

### South Pars oil fields will be a bonanza

It has become more apparent why the chairman of Amoco, William Lowrie, said he was "a little bit envious" of the deal announced on Sept. 29, involving Malaysia, Russia, Iran, and France, for the exploitation of the South Pars gas field in Iran. Iranian Deputy Minister of Oil for International Affairs Hadi Nejad Housseinian described the deal to a press conference in Teheran on Oct. 11. He said that, once it is brought on-stream, the field will produce \$1.2-1.5 billion worth of liquefied and natural gas per year, and that the two stages of the project will produce \$35-45 billion of gas over 30 years. With the second and third stages, 2 billion cubic feet of natural gas and 70-75,000 barrels of liquefied gas will be piped, per day, into Iran's national grid, for domestic consumption, export, or liquefaction.

The entire deal is worth \$2 billion. France's Total is to carry out the executive work. The first unit is to go on-stream in July

2001, producing 500 million cubic feet; the three other units will be commissioned thereafter.

"The investment will be liquidated within seven years with delivery of liquefied gas at the gas field on the basis of the daily price," Nejad Housseinian said, according to an IRNA release. "If the delivery of gas at the gas field falls short of the estimated figure, the balance should be paid through export of gas from the same field or through export of crude oil from Sirri oil field." He also said that 30% of the materials and engineering services and 40% of the technology and manpower, would be provided domestically.

## Papua New Guinea

### 2 million will need food aid, as drought worsens

Australian experts have warned the Papua New Guinea (P.N.G.) government that there is an 80% chance that the ongoing drought, the worst in 50 years, will extend into April 1998, and that the government should prepare to start feeding half of its population of 4 million by December. *The Age* reported on Oct. 23. This warning came as Royal Australian Air Force Hercules transport planes and Blackhawk helicopters began ferrying food and emergency relief supplies to the worst-hit drought areas.

The report, by Dr. Geoff Humphreys of the School of Earth Sciences at Macquarie University, said that up to 540,000 people do not have enough food, 130,000 people have no water, and 77,000 people were in "critical, life-threatening situations with no food." "El Niño conditions [are expected] to persist at least until the end of the year, while predictions from CPC Washington [Climate Prediction Center] indicate that the El Niño phase is likely to last at least into the March-May period," the report said. "The outlook for an end to drought conditions throughout much of P.N.G. and Indonesia remains poor, although some diurnal storm activities can be expected at mostly lower altitudes."

Already, the P.N.G. government has reported that 100 people, mostly children and

the elderly, have died from illnesses, and it estimates that up to 700,000 of its 4.3 million population are now drastically affected. It will need roughly \$14 million for drought relief, which will put great pressure on its already over-stretched budget, especially because its copper and gold exports have dried up, along with the rivers on which barges transport the ores. About 50% of the country's schools have closed.

## Economic Policy

### Brazil told to return to industrial society

Brazil must dump rule by markets, and return to industrial protection and a strong national state backed by the military, said Prof. Andre Araujo, a former executive of Emerson Electric now turned author, in an interview in *Isto E*, one of Brazil's major weeklies, during the week of Oct. 20. Brazil's nationalist current is becoming increasingly vocal, as the global financial crisis worsens.

Araujo dismissed the economic thinking of President Fernando Henrique Cardoso's economic team, as originating in the policies of 19th-century Emperor Dom João VI, who opened Brazil's ports to all foreign products, so England could sell its cashmere. In the post-World War II period, the most radical advocate of this English school of economy in Brazil was Eugenio Gudin, Araujo said. Gudin argued that Brazil had "an agricultural vocation, should be a raw material-exporting country, and should not venture into building industry."

Today, Economics Minister Gustavo Franco is a radical follower of Gudin, Araujo charged. "This is a policy which turns Brazil into a subsidiary of a globalized system. The country does not have its own policy, dances to music played by others, and becomes a minor associate of a bigger system . . . [in which] the market has to police countries," and unemployment is accepted, or even welcomed. He dismissed the success stories given about the U.S. and Britain today; examine them, and you see not growth, but poverty, he said.

Araujo said that privatizations "are being used as operations of financial self-engineering, where very little real money comes in.

**SEAGATE**, a firm which dominates Singapore's data-storage sector and accounted for 30% of its 1996 electronics output, posted a third-quarter loss of \$240 million, the Oct. 20 *Business Day* reported. The financial crisis caused costs of a \$214 million acquisition charge and a \$63 million exposure fee for Thai and Malaysian currencies.

**STUDENTS** at the University of Glasgow on Oct. 22 began receiving emergency food parcels of baked beans and bread to prevent starvation, the London *Times* reported. About 23,500 students across Scotland have been waiting since August for their grant checks from the government's Student Awards Agency.

**ZAMBIA** will sell off sections of the state firm, Consolidated Copper, to the Kafue Consortium, for less than \$300 million, and with tax breaks given to the new owners, the Oct. 13 *Lusaka Times* reported. Kafue includes South Africa's Avmin Ltd., Noranda of Canada, Phelps Dodge of the U.S.A., and Commonwealth Development Corp. of the U.K.

**BULGARIA'S** food production fell in 1996, *Agra-Europe* reports. Grain production fell 46%, compared to 1995; potatoes, 54%; and sunflowers, 27%. Consumption has also fallen. Meat and sausage consumption per capita, for example, fell from 31.4 kg and 18.2 kg in 1992, to 25.3 kg and 12.9 kg in 1996.

**'TRANSCAUCASIA:** Prospects for Developing Infrastructure," was the theme of a conference in Tbilisi, Georgia in September. Over 200 representatives of firms from 20 nations discussed oil pipelines, transportation, and communications projects.

**ESTONIA, LATVIA,** and Russia are "hot zones," in which untreatable tuberculosis is threatening to overwhelm local health systems, a study by the World Health Organization reports. WHO stresses that "acquired drug resistance" is preventable with proper care.

What is occurring, in reality, is a recycling of capital." Instead, he said, "a strategic country, historically, requires a relatively strong state. Because a nationalist government comes under more foreign pressure. And, because of these foreign pressures, it tends to be more authoritarian. . . . That is not to say that it is a dictatorship. But of necessity it would be more authoritarian, because otherwise it would not be able to keep hold of the reins of power." Military backing for a nationalist regime would be needed, "because the military, by formation, have a nationalist tendency around the world, and even more in Brazil. When Companhia Vale do Rio Doce was sold, there was resistance, which could not be made public, because no channels existed for this. But, in a moment of crisis, these repressed sentiments of the armed class could sound again."

## Central Asia

### Natural gas pipeline vital to Turkmenistan

Turkmenistan Foreign Minister Boris Shikmuratov said that the construction of a pipeline which will carry Turkmen natural gas through Iran to Turkey and Europe, is "a matter of life and death" for the country, the Oct. 21 issue of the Kazakh publication *Express* reported. He said that Turkmenistan has ceased exporting gas to the countries of the former U.S.S.R., because of their unpaid debts, which amount to \$3 billion. Thus, exports to new markets in Europe will be absolutely vital, he said.

Shikmuratov, referring to meetings with U.S. Secretary of State Madeleine Albright, said that the United States has reiterated its agreement not to oppose the pipeline through Iran.

Meanwhile, the government of Iran has said that there are several foreign firms in negotiations over the construction of the pipeline, raising suspicion that British and Dutch firms may be in on the deal. This was denied by Royal Dutch Shell spokesman Maarten Broekers, who told the *Washington Post* that Shell "is not in negotiations with Iran on the projects. . . . Shell has been carrying out preliminary negotiations with Turk-

menistan and Turkey for some time, but nothing has been decided yet," including the route. "It could pass through Iran . . . but it could also bypass that country," he said. The *Post* said the pipeline will cost \$2.6 billion.

## Raw Materials

### Malaysia organizing to boost rubber price

Malaysia is seeking regional cooperation to raise the price of rubber. Malaysia, Indonesia, and Thailand together produce 85% of the world's rubber, but, said Malaysia's Primary Industries Minister Lim Keng Yaik, "We can't even be price setters — we are just price-takers." He said that consumers had suppressed rubber prices for so long that the selling price is now lower than that of synthetic rubber.

Now, with the currency collapse in all three countries, the situation is worse, since the buffer stock mechanism of the International Natural Rubber Organization goes by Malaysian currency valuations rather than dollar values, and is thus not intervening to support the price.

## Finance

### Asset-stripped Sunbeam on the market

Al "Chainsaw" Dunlap, the asset-stripper and protégé of the late Sir Jimmy Goldsmith, announced on Oct. 23 that he had "successfully completed the turnaround" of Sunbeam Corp., his most recent victim, and has put it up for sale. Morgan Stanley has been hired to find a buyer.

Dunlap's "success" involved slashing half of the company's 12,000-person workforce, and unloading 87% of the company's 5,000-item product line. As usual, the blood in the water attracted the attention of Wall Street, and Sunbeam's stock rose from \$12 a share at the beginning of Chainsaw's reign, to \$48 a share on Oct. 23.

## U.S.A.-China partnership: hastening slowly

by Lyndon H. LaRouche, Jr.

October 30, 1997

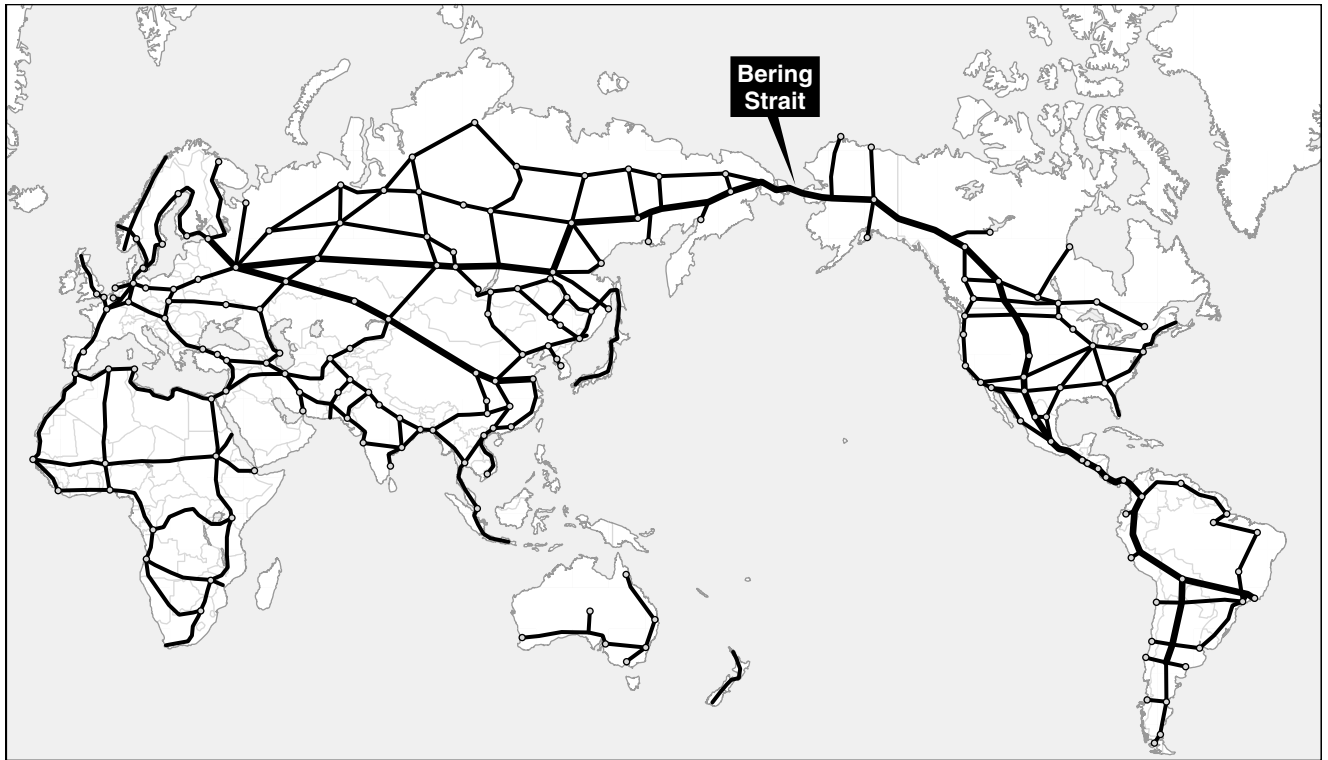
Watching the progress of the past days of the so-called “summit” meetings between China’s President Jiang Zemin and U.S. President Bill Clinton, evoked the same eerie feeling experienced in observing the projection of a lapsed-time-cinematography image of a flower opening its petals. Perhaps this has something to do with the fact, that the continuous cultural existence of China spans 5,000 years. During the recent months of observing the preparations leading into this meeting, a prescience of words “hasten slowly” had often crept into my thoughts.

That was the way the meeting between the two Presidents turned out. In the end, it appeared that only a few things of substantial significance were accomplished during the visit itself, but, that that handful of agreements has probably changed the world more than any other single event during the recent five years. Without doubt, this meeting has been the highest point of historic achievement reached by the Clinton Administration, in any field, thus far, since the January 1993 inauguration.

The other reports in this *EIR Special Feature* will address the leading facts pertaining to the summit itself, and the hostile activities which attempted to prevent it from succeeding. My task is to provide something of more fundamental importance, a knowledgeable sense of the long-range historic implications of the circumstances in which this occurred. From my combined vantage-points, as perhaps the world’s most successful long-range economic forecaster, and the depth of my daily engagement with crucial developments occurring in most parts of this planet, I believe that I understand the importance of this summit to a degree not otherwise available. I share that advantage with you now.

As we approach the close of this century, civilization as it has been known on this planet during the past four centuries up to now, is in the process of disintegrating. By approximately the close of this century (a year or two plus or minus, at

## Proposed worldwide rail network, in the context of the Eurasian Land-Bridge



most), civilization as you have known it up to now will have disappeared. Either we shall put the old order, which has dominated the entire world of the Twentieth Century, out of its misery, by a sweeping, radical reform, or civilization as we have known it will simply disintegrate, together with the present international financial system already presently gripped by its onrushing death-agonies.

Which way matters will go, to better or to worse, is not yet settled. Either way, in the better, or the worse, some trends are presently clearly established. For example, the role of the Atlantic Ocean, as the bridge between Europe and North America, is already becoming less and less important, as the importance of the bridge across the Pacific increases.

One essential factor in this shift, is the new form of degeneration which has erupted in the political relations between a London-dominated Europe, and the weakening of the underlying basis for economic ties with Europe, as Europe willfully brings to an end, since 1989, its role as a continent of scientific and technological progress.

The other factor, is the growth of the population in east and south Asia. Soon, the population of India will exceed that of China. The combined population of east, southeast, and south Asia, represents the overwhelming majority of the world's population, and population-growth. Proximate to a hungry Asia sits the great area of potential agricultural improvements on this planet, Africa; Australia aside, Africa is

the most heavily *underpopulated* of the inhabited continents of this planet, a continent with vast, vastly under-utilized, existing agricultural acreage.

If the United States is to have a hopeful future, not only must we correct our economic policies toward our neighbors to our South. The principal orientation of the U.S. must be across the Pacific and Indian Ocean. The pivot for that orientation is China. Together, China and the U.S.A. can shape a region of mutual economic and related security from the Americas, across the Pacific and Indian Ocean, supplemented by a reach across the South Atlantic to the western coast of Africa. Add up the present populations of those regions, combined. Certain broad conclusions should already be clear.

Partnership with China is key to building secure and peaceful cooperation among the nations bordering the Asia side of the Pacific and Indian Oceans.

The continued and secure economic development of all the nations in Asia, depends upon successful development of the vast, underdeveloped regions of the interior of Asia. An emerging partnership among key nations such as the U.S.A., China, India, Japan, and so on, provides the basis for managing residual conflicts among the states of Asia, through the benefits of successful economic cooperation. The meeting between President Jiang Zemin and President Bill Clinton, is a deceptively small, but indispensable step toward bringing such broader, multi-national cooperation into being.

To this purpose, as President Abraham Lincoln's economist, Henry C. Carey, proposed for Nineteenth-Century Germany, Russia, and the nationalist forces of China, the key to the sustainable development of Asia as a whole, is a program mimicking the development of corridors of economic growth, from the Atlantic to the Pacific, along the side of the routes of the transcontinental railway system. An integrated network of corridors of modern transport, power, and water- and land-management, which we have identified as the extended "Eurasian Land-Bridge Development" reaching into Africa, and across the Bering Strait into North America, is the infrastructural key to the successful development of world economy during the coming century.

### London: The dark side of the Earth

Only persons totally ignorant of much of anything about international affairs, could believe that the British monarchy is not presently committed to breaking up both China and the United States, each into at least several, relatively impotent, impoverished quasi-sovereign, autonomous regions. The break-up of the United States, was already Lord Palmerston's (and August Belmont's) policy during the 1860s. More recently, the British Royal Consort, Prince Philip, speaking publicly in Washington a few years back,<sup>1</sup> and, most recently, his World Wildlife Fund,<sup>2</sup> have proposed this. The proposed break-up of China has been the continuing policy of the British foreign-intelligence establishment during recent years.

Not only did British intelligence deploy most of the opposition to the U.S.A.-China "summit" agreements, within the U.S. Congress, Hollywood, the U.S. press, and elsewhere inside the U.S.A., during the recent months. British Commonwealth and allied western European financial interests, reportedly assisted by the Clinton Administration's enemy, Federal Reserve Chairman Alan Greenspan, used the occasion of President Jiang Zemin's presence inside the U.S.A., in an unsuccessful effort to break the will of China's government, through a concerted speculative attack upon Hongkong.

These British attacks upon China, the U.S.A., Nigeria, Malaysia, Taiwan, and so on, can not be understood without considering the several very long cycles in modern history, which are converging upon a breaking-point, as we near the close of this century. These have been addressed at significant length, in a number of published locations earlier, including earlier editions of *EIR*. It is sufficient to summarize the matter. Consider three concentric long cycles, beginning with the longest.

1. The betrayal of the League of Cambrai's effort to

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1. On May 18, 1990, at a conference in Washington on religion and ecology, co-sponsored by the World Wildlife Fund and the North American Congress on Religion and Ecology. See article on p. 64 of this issue.

2. Continued under the new name of "World Wide Fund for Nature." See, report of the WWF, "North America Conservation Assessment."

break the oligarchical-financial power of Venice, resulted in a stand-off, in which neither the cause of modern national economy, nor the system of financier-oligarchical rule, could establish absolute power over the other. Thus, the emerging nation-states of Europe, during the past four centuries to date, have been mixed economies, in which, usually, it has been the financier-oligarchy interest which has maintained the power of an occupying parasite upon the body of national economy.

2. This defines a long cycle, which began to come to an end about thirty years ago, with the shift into a "rock-drug-sex youth-counterculture" and "post-industrial" utopianism. That shift, of approximately thirty years, has shifted the world away from the kind of national economy which characterized modern European civilization until about thirty years ago, toward ever-increasing emphasis upon purely speculative finance. That form of economy is now facing its inevitable doom.

3. The 1989-1991 collapse of the Soviet system was used, by Prime Minister Thatcher's Britain, France's President Mitterrand, and U.S. President George Bush, as the opportunity to set in motion the systematic, rapid destruction of the nation-state and national economy, and to replace that with a "new world order" of globalization and liquidation of national sovereignty of all nation-states, including the U.S.A. This marked the explosion of the replacement of investment, by casino-style gambling, the so-called "derivatives" bubble, and the piratical depredations of London-directed scoundrels such as the widely hated George Soros.

Now, as my "Triple Curve" function sums this up, all three cycles are converging upon a common end-point, as we near the close of this century.

In this circumstance, those European and related financier-oligarchical interests, which pivot around the Anglo-Dutch monarchies, have entered their death-agony, lashing out with violent, lunatic thrashings, of a sort which only a reptilian species in its death-agony might muster. This monster is deadly, but nonetheless doomed, as the persistent stench of scandal around the British monarchy reminds one of the Biblical account of Belshazzar's feast. The British monarchy, and its homicidal savagery against both President Clinton's U.S.A. and President Jiang Zemin's China, exemplifies the world's strategic situation at this juncture.

The kind of world represented by these three concentric cycles, is doomed. We have the choice of reorganizing world affairs around the pure principle of national economy — as the principles of Benjamin Franklin, Alexander Hamilton, Henry C. Carey, and Abraham Lincoln typify those principles for U.S. patriots; or, the inevitable, presently ongoing disintegration of both the world financial system and the present system of mixed types of nation-state economies, will plunge the entirety of the planet into a kind of barbarism, a "new dark age," somewhat akin to the "new dark age" which depopulated Europe during the middle of the Fourteenth Century.



The true significance of the recent summit is brought into focus when it is examined against the backdrop of the cycles just summarized. In a world, in which the old system, as identified by reference to those cycles, expresses an unwholesome creature seized by its own moral unfitness to survive, the meeting between the two Presidents, here in Washington, this week, shows itself the seed-crystal around which an alternative can be built, a better age for humanity than the one which is now in the process of destroying itself today.

## Clinton, Jiang broaden U.S.-China ties

by William Jones

The first state visit of a Chinese leader to Washington since the visit of Deng Xiaoping in 1985, has resulted in the beginnings of a “constructive strategic partnership” between these two nations—one, the greatest economic power in the world, and the other, the most populous nation in the world with 1.2 billion people. This was the characterization given by U.S. President Bill Clinton and China’s President Jiang Zemin in the joint communiqué released at the conclusion of the Oct. 29 summit.

For both Presidents, the summit represented a personal victory. Chinese President Jiang Zemin, continuing the direction given the Chinese nation by his predecessor and mentor, Deng Xiaoping, is keen to establish closer relations with the Western powers, and particularly with the United States. Deng was intent on bringing China out of the throes of the insane Cultural Revolution and into the modern world as a major industrial power. Jiang wishes to consolidate that initiative as China enters the twenty-first century.

President Clinton successfully beat back anti-China insanity in the Congress, going into the summit. In an address on Oct. 24, President Clinton outlined his policy toward China. “At the dawn of the new century, China stands at a crossroads. The direction China takes toward cooperation or conflict will profoundly affect Asia, America, and the world for decades. The emergence of a China as a power that is stable, open, and non-aggressive; that embraces free markets, political pluralism, and the rule of law; that works with us to build a secure international order, that kind of China, rather than a China turned inward and confrontational, is deeply in the interests of the American people,” the President said.

Rejecting the arguments of the nay-sayers in Congress and elsewhere who want to maintain China as an “enemy image,” President Clinton warned, “Isolation of China is un-

workable, counterproductive, and potentially dangerous. Military, political, and economic measures to do such a thing would find little support among our allies around the world, and more importantly, even among Chinese themselves working for greater liberty. Isolation would encourage the Chinese to become hostile and to adopt policies that conflict with our own interests and values.”

### ‘We fought shoulder to shoulder’

President Jiang traveled first to Hawaii on Oct. 26 on his way to Washington, where he visited the Arizona Memorial, commemorating the men fallen during the Japanese attack on Pearl Harbor. In Honolulu, Jiang referred to the U.S.-Chinese cooperation during World War II. “In that war which brought untold suffering to mankind, the Chinese and American peoples once fought shoulder to shoulder against fascist aggression,” Jiang said. “In today’s world, China and the United States share broad common interests . . . on important matters which bear on peace and development of mankind.” Jiang had also referred to the figure of Franklin Roosevelt, the U.S. President who had crafted that war-time relationship.

Jiang then traveled to Williamsburg, Virginia, where he visited the seat of old colonial America, and donned a Revolutionary period cocked hat to show his appreciation for the unique American traditions. Jiang noted that Williamsburg “once made an important contribution to the struggle of the American people against colonialism and for national independence,” a message conveying China’s determination to overthrow the vestiges of the colonialism to which it had been subject for centuries, through rapid and steady economic development.

President Jiang arrived in Washington on Oct. 28. Throughout his trip he was dogged by a variety of protests. Arriving at Blair House, demonstrators around the corner on 17th Street were calling for an independent Tibet. They were occasionally relieved by others who were demanding the independence of Taiwan. These protests would continue throughout the summit, with navel-watcher-turned-political-guru, actor Richard Gere, leading the pack. Gere is not only trying to boost the box-office returns on his latest movie dealing with judicial abuse in China. He is also a fervent disciple of the Tibetan Dalai Lama, the feudal potentate of the Tibetan priest-caste, who, with all his New Age glitter, has been a useful tool to his British interlocutors in causing difficulties for China. This panoply of agitators, however, was offset by a Schiller Institute rally on Oct. 29 in support of President Clinton’s policy of “constructive engagement” with China, and for development of the New Silk Road to bring economic development to China.

### An informal exchange of views

Although the summit was not scheduled to begin until the morning of Oct. 29, President Clinton invited President Jiang to the White House for a more personal discussion shortly

after he arrived at Blair House on Oct. 28. President Jiang was accompanied by Chinese Foreign Minister Qian Qichen and his national security adviser, Liu Huaqiu. In attendance with the President were National Security Adviser Sandy Berger and Secretary of State Madeleine Albright.

President Clinton led his visitors on a 15-minute tour of the White House, where he took the opportunity to elaborate somewhat on American political traditions. When they viewed an original copy of the Gettysburg Address hanging in the Lincoln Bedroom, President Jiang recited the first few lines of the Address, which he had learned by heart as a boy in a missionary school in China.

They then had longer discussions about Taiwan and Tibet, and a more philosophical discussion on the differing interpretations of the concept of human rights, National Security Adviser Berger told the press after the meeting. President Jiang had stressed the importance of economic and social stability for China, Berger explained, a country which, Jiang underlined, had more often than the United States been marred by disintegration, chaos, and cultural revolution.

On Tibet, Berger said, "President Jiang reviewed that history from the Chinese perspective, and what they assert they have done in Tibet over the last 20 years in terms of freeing slaves and improving the standard of living." As the Chinese have reiterated whenever the subject of human rights has been broached, they also consider the social and economic conditions of the people to be part of the "rights of the individual." Just prior to the summit, the Chinese government had agreed to invite a delegation of three religious leaders to China to observe how religious freedoms are practiced. They also announced that they were going to sign the UN Covenant on Economic, Social, and Cultural Rights.

At a luncheon given in President Jiang's honor by the New York Council on Foreign Relations, Jiang elaborated the Chinese view of human rights. "As a developing country of 1.2 billion people, China's very reality determines that the right to subsistence and development is the most fundamental and most important human right in China," he said.

The two Presidents reached substantive agreement on the overall direction of the relationship. In a joint statement released at the end of the meeting, it was stated that "the two Presidents are determined to build toward a constructive strategic partnership between the United States and China through increasing cooperations to meet international challenges and promote peace and development in the world."

### **A go-ahead on nuclear energy**

President Clinton also made the much-awaited announcement that the United States is prepared to "move ahead with the U.S.-China agreement for cooperation concerning the peaceful uses of nuclear energy." The Chinese, after months of negotiations, had agreed to abide by all the various non-proliferation requirements demanded by the United States as a condition for the agreement. According to the legislation

that accompanied ratification of the 1985 agreement with China on cooperation on the peaceful uses of nuclear energy that had been negotiated by the Reagan administration, the President is required to certify that China is not exporting technology that would allow a non-nuclear power to become a nuclear power.

In addition to the non-proliferation requirements imposed upon China by the Non-Proliferation Treaty (NPT), which China signed in 1992, the United States had also been demanding that China cease all nuclear trade with Iran, a measure not required by the NPT, because Iran is a signator of the treaty as well. China has agreed to this additional demand, and Presidential certification will be forthcoming — although probably not without a fight on Capitol Hill. China has expressed interest in the U.S.-made light-water reactors, which would provide it with a "family" of reactors as it begins to increase the nuclear energy component of its growing energy sector.

### **Other topics of discussion**

Other topics discussed during the summit touched upon the major global issues on which the United States and China have been cooperating. The two Presidents agreed to give new impetus to the four-party talks on Korea. They discussed the need for further efforts in dealing with the famine danger in North Korea. The Chinese have provided 100,000 tons of food a year for the past few years to the North Koreans.

There was also a longer discussion about the overall issue of security in Asia. The Chinese had expressed considerable concern about the new defense guidelines worked out between the United States and Japan, seeing them as possible interference in the China-Taiwan issue. "The President made clear to President Jiang," Berger told the press on Oct. 29, "that the Chinese ought not to see the new defense guidelines between the United States and Japan and our strategic relationship as directed against China. . . . It [the U.S.-Japan security relationship] is a way of strengthening our relationship with Japan and actually is a stabilizing influence in the region, rather than a destabilizing influence."

More importantly, there was a discussion of the international financial situation as it touches on Asia. National Security Council spokesmen would not elaborate on the contents of the discussion, referring questioners to the Treasury Department on the issue. But, the two Presidents decided that Treasury Secretary Robert Rubin and Vice Premier Zhu Rongji (soon to become premier) "should come together to develop a closer working relationship on those issues of economic stability in Asia," Berger said. The crisis in the Asian markets caused by speculation against the Hongkong dollar led quickly to a 550-point fall on Wall Street, the greatest one-day loss since the October 1987 crash. The relationship with China would be a key factor at the point President Clinton must act to deal with an increasingly bankrupt financial system on a more systematic basis.

## Major trade deals

In connection with the summit, there was also a major Chinese trade delegation in Washington. On Oct. 20, one day after the summit, the delegation announced a major deal with Boeing aircraft, in which China would purchase eight Boeing 777s, one 747, five 757s, and thirty-six 737s, for a total value of \$3.5 billion! With all the fuss over the U.S. trade deficit with China, the increasing willingness of the United States to sell high-technology equipment to China has opened up the possibility of dealing with the trade deficit by increasing purchases from the United States of the type of high-tech equipment the Chinese are interested in obtaining.

The lying media tended to miss entirely the historical significance of the Clinton-Jiang summit, with their fixation on the alleged "human rights" issue and on Richard Gere's Tibet sideshow. The significance of the visit was, however, reflected in statements by President Clinton and President Jiang. In a toast to President Jiang at the state dinner at the White House on Oct. 29, President Clinton touched upon this significance. "Long before the United States was even born, China was a stronghold of creativity, knowledge, and wealth," the President said. "From the printing China invented to the poetry it produced, from medicine and mathematics to the magnetic compass and humanistic philosophies, many of China's earliest gifts still enrich our lives today.

"Now the Chinese people are dramatically building on this legacy. Economic reform has transformed China's landscape and its people's daily lives," the President continued, "lifting millions from poverty, giving more people education, shelter, choice of work, and a chance to provide for their children, bringing the Chinese people closer to the rest of the world and into a greater leadership role in the community of nations. . . . Now on the verge of the new century, both our nations seek to continue this progress, to contribute to China's growing prosperity, to encourage its democratic development, to support its emergence as a responsible global power and partner."

Other important agreements emerged from the summit. The two agreed that they would hold regular summit meetings in the two capitals. In their evening meeting at the White House on the eve of the summit, President Jiang invited President Clinton to visit China next year, which the President readily accepted. They also agreed that there would be a regular exchange of visits at the higher cabinet levels, and exchanges in the areas of finance, foreign affairs, and trade. The two countries will also strengthen cooperation in combatting international organized crime, narcotics trafficking, alien smuggling, counterfeiting, and money laundering. For the first time, China will also permit agents of the U.S. Drug Enforcement Administration to work out of the U.S. Embassy in Beijing. An agreement was also signed for cooperation on environmental issues, such as clean energy and urban air pollution control, and rural electrification. They also agreed to establish a Washington-Beijing "hot line," to facilitate direct contact between the two leaders.

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## Documentation

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*The following are excerpts from the U.S.-China joint communiqué:*

. . . The two Presidents . . . agree that a sound and stable relationship between the United States and China serves the fundamental interests of both the American and Chinese peoples and is important to fulfilling their common responsibility to work for peace and prosperity in the 21st Century.

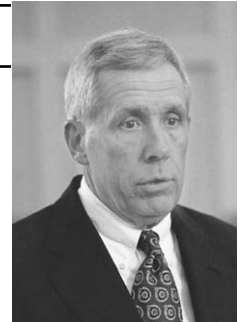
They agree that while the United States and China have areas of both agreement and disagreement, they have a significant common interest and a firm common will to seize opportunities and meet challenges cooperatively, with candor and a determination to achieve concrete progress. The United States and China have major differences on the question of human rights. At the same time, they also have great potential for cooperation in maintaining global and regional peace and stability; promoting world economic growth; preventing the proliferation of weapons of mass destruction; advancing Asia-Pacific regional cooperation; combating narcotics trafficking, international organized crime and terrorism; strengthening bilateral exchanges and cooperation in economic development, trade, law, environmental protection, energy, science and technology, and education and culture; as well as engaging in military exchanges.

The two Presidents are determined to build toward a constructive strategic partnership between the United States and China through increasing cooperation to meet international challenges and promote peace and development. . . .

The United States and China agree that it is in their mutual interest to cooperate in the peaceful uses of nuclear energy. To this end, they each have taken the steps necessary to implement the U.S.-China Agreement on Peaceful Nuclear Cooperation concluded in 1985. In addition, China's State Planning Commission and the U.S. Department of Energy have signed an Agreement of Intent to promote peaceful nuclear cooperation and research between the two countries. . . .

. . . [The United States and China] will strengthen cooperation in combating international organized crime, narcotics trafficking, alien smuggling, counterfeiting and money laundering. To this end they intend to establish a joint liaison group for law enforcement cooperation composed of representatives of the relevant agencies of both governments. . . .

The U.S.-China Joint Commission on Science and Technology will continue to guide the active bilateral scientific and technological cooperation program, which involves more than 30 agreements reached since 1979, and will promote the further use of science and technology to solve national and global problems. The United States and China also will identify areas for cooperative projects using space for Earth science research and practical applications. . . .



# Wolfman howls at potential for U.S.-China partnership

*The following interview with Rep. Frank Wolf (R-Va.), who is one of the leading opponents in Congress of a strategic partnership with China, was conducted by Scott Thompson.*

**Q:** The first question I have for you, is that it seems President Clinton wants a strategic partnership with China, that that would be one outcome of this summit. What do you think would be the best that could be expected, from your perspective?

**Wolf:** Well, I don't know if I can answer that, because I don't know what Clinton plans on doing. I don't know whether he plans on raising these issues of human rights. I don't know if he plans on raising the issue of weapons proliferation. So, I don't have high expectations, to be honest. You know what he is doing: He's having him at the White House for a dinner. I mean, it's okay to talk in the office, but to have him at a state dinner, to take him to Independence Hall, kind of runs counter to what this country stands for. So, I don't know that I have any expectations. My sense is that the Clinton administration is going to try to put a bow on whatever comes out, to make it look like it's a wonderful thing. I just don't fundamentally trust the Chinese, but I think it's good that we're talking.

**Q:** Do you think it's a strategic danger to have that kind of partnership?

**Wolf:** Well, I think it would be a danger if you were to give the American people the impression that things are getting better, if they're not going to get better. Secondly, I think it's a danger if we're lulled into the position where we won't speak out on behalf of the human rights abuses, the Catholic Church, the Protestant Church, the Buddhist faith, the slave labor camps, the sale of weapons to Iran and other countries. We're not just looking to make friends with the Chinese; we're looking to have them change their human rights policy. We're looking for them not to sell weapons to Iran. So, you know, it's so hard to say, until it's over.

**Q:** As I understand it, there were discussions between National Security Adviser Sandy Berger and the Chinese, that it

is likely that President Clinton will certify China for the transfer of peaceful nuclear reactors and so forth. I gather you would oppose that?

**Wolf:** I think I would oppose it. If you can't tell me that they're stopping the execution of people, and taking their kidneys for sale for \$30-35,000 to people in the West, then I don't know that we can trust them here. If you can get the Chinese government to sell arms, as they have to street gangs in Los Angeles, can we trust them here? Is there verification? Will there be on-site inspection? Will we just take them at their word? So, I think it just depends on how they are going to monitor this.

**Q:** There are a number of business deals that are in the works. You know the Clinton approach, which was sort of epitomized by Ron Brown's government-to-government method: There's nuclear reactors, Boeing jets, so forth and so on. Would you say these all need to be measured in some way in terms of—

**Wolf:** Well, you know, the nuclear reactor has a potential national security aspect. These guys are selling weapons to terrorist countries, that can be used against the United States government. So, I think anything that's sold has to be viewed through that picture. I mean, if somebody wants to sell wheat, and they want to buy wheat, and Boeing wants to sell an airplane, then I'm not objecting to that. But, the point is that the Clinton administration, if they sell nuclear, have to make sure that it's verifiable. . . .

**Q:** I understand that China has agreed to monitoring by the International Atomic Energy Agency. I was told by someone at Christian Solidarity International-U.S., that you were running into obstacles with your Freedom from Religious Persecution Act.

**Wolf:** Yes, yes, we were. The administration has come out against it.

**Q:** I can understand that the administration would oppose it; but, according to this person, you were also running into significant Congressional opposition. I was wondering what

that was.

**Wolf:** Business deals.

**Q:** So this affected some of your Republican colleagues?

**Wolf:** Yes, it did. And, Democratic colleagues. We'll ultimately prevail on it, but it's going to be a harder push, because these people came out against it. Secretary Albright gave a speech last week at Catholic University in opposition to the bill, but she had the whole bill wrong. She had the office location wrong, and so, the people who wrote her speech, or briefed her, didn't actually give her the facts. We now have the support of the Catholic Conference, and a number of other prominent religious groups have all come out for it. So, I think we'll ultimately pass it. It's going around cleaning up the misinformation that's said about the bill.

**Q:** Right. I wanted to ask you about this semi-undercover visit you made to Tibet. Richard Gere's International Campaign for Tibet told me they helped you. Did you have any additional assistance on your trip?

**Wolf:** Richard Gere didn't help me.

**Q:** Not Richard Gere himself. The International Campaign for Tibet said that they gave you some information.

**Wolf:** Yeah, they provided some information.

**Q:** I take it from the *Washington Post*, if it was accurate (you may have seen the Style section about a week ago); it said that you were skeptical about whether or not Hollywood would stay the course.

**Wolf:** Well, I think what I was trying to say, is that this can't be just a shooting star. It has to be a long-term consistent effort, similar to what we made when the Soviet Union was persecuting those of the Jewish faith, and wouldn't allow them to emigrate. That was not just a one-year battle. It went on for 15 to 20 years, through the '70s and the '80s, and my sense is that to be successful in the effort with regard to China, regarding Tibet, it's going to take the same consistent effort. And, my concern was that a movie comes and a movie goes. My sense is that you saw some movies two years ago that you really enjoyed, and came out of the movie theater and found them interesting, yet you can't even tell me today what those movies were, because you kind of forget. And my concern is that this is not just a temporary flash, and then people move on to the next subject, but that people are in it for the long haul.

**Q:** When you returned from Tibet, you gave a press conference—I have the transcript from Federal News Service—you called for President Clinton to pressure Jiang Zemin to negotiate with the Dalai Lama for the eventual independence of Tibet once again. I understand the Dalai Lama just gave an interview on BBC radio, where he said he was not interested

in independence, but wanted more religious and cultural freedom. Have you changed your position on Tibetan independence?

**Wolf:** I don't think my position is really the important one. I mean, I'm not from Tibet, and I don't think I have the right to speak out for the Tibetan people, so, what I think about that is really irrelevant. I think what the Dalai Lama and what the people of Tibet think is the important one. My sense is that there is cultural genocide taking place in the country.

**Q:** Have you ever met the Dalai Lama?

**Wolf:** Yes, they had a reception for him at the Cannon House Office Building, or in the Rotunda. I don't know that I've met him one-to-one. But, to get back to answer your question. The Chinese are destroying the country in front of the Potala Palace, they have built a miniature Tiananmen Square, and they have a Chinese MiG in the middle of it. There are more Chinese in Lhasa, than there are Tibetans. And, so, I think Tibet ought to be free. I think these people ought to have the right to worship. I think they ought to have the right to travel. I think they ought to have the right to have their own culture, their own language. So, whether they call it autonomous, free—what I think isn't important, it's what the people of Tibet think. My sense is that they certainly don't like the current situation.

**Q:** I talked to Stuart Windsor at Christian Solidarity International-U.K. . . . He said that right now, Lady Caroline Cox is praying as to whether or not to introduce a bill in Parliament similar to your Freedom from Religious Persecution Act. Were you aware of that?

**Wolf:** No.

**Q:** She has also apparently won agreement by the EU, through the European Parliament, that in terms of any major trade agreement, there needs to be a human rights rapporteur or observer, and the trade agreement would not go through unless you had a favorable sign-off by that rapporteur. What do you think about that?

**Wolf:** That would be positive. I think that would be excellent. I'd like to see England and Europe do it.

**Q:** I have also interviewed Caroline Cox in the past on Sudan,<sup>1</sup> and she mentioned you very highly. I guess you must have had some—

**Wolf:** Yes, I know her. I've been on some panels with her, and I travelled to Sudan with her. But, she's been to Sudan many times.

**Q:** She told me she's been in foxholes—

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1. See interview with Lady Caroline Cox, "Tighten the Noose Around Sudan's Neck," *EIR*, June 20, 1997, p. 51.

**Wolf:** She really has. In fact, where she goes is very dangerous.

**Q:** Well, Stuart Windsor was with Cheltenham GCHQ.<sup>2</sup> Were you aware that?

**Wolf:** No.

**Q:** He was with Cheltenham GCHQ from 1959-79, and he said that one way he is able to arrange for these trips by Lady Caroline Cox into what are effectively the combat zones of Sudan and so forth, is through the assistance of his British intelligence contacts.

**Wolf:** Oh, I see. Well, that would make sense.

**Q:** Now, just from the standpoint of objectivity, if I could get into some rebuttal questions?

**Wolf:** Sure.

**Q:** This is something that the Chinese Embassy put out on the Internet. It's called, "Facts in Tibet Show Wolf Made Unjustified Attacks." It's from a series of Chinese officials. The first one is Cao Ziquiang, vice-president of the Advanced Buddhism College of the Tibetan Language Family of China. He said that what you had in Tibet under the Dalai Lama was a lack of religious freedom, because you had to be a Tibetan Buddhist, and that it was a theocracy, and that people were serfs or slaves, who could be sold, during the period of time when the Dalai Lamas ran Tibet. What do you make of that?

**Wolf:** I think that all of the people who spoke out were nothing but apologists for the Chinese government. They were angry at the fact I got there. I had asked for a visa to go to Beijing several years ago; they wouldn't even give me a visa. And, I think they were just mad, quite frankly. They also said the trip was pre-arranged. All the interviews we did—none of them were pre-arranged. They were all spontaneous.

We had with us an individual who had been raised in a Tibetan monastery, who was a Buddhist monk, who spoke the language and everything else. He's actually a Westerner. And, of all the people that we spoke to, none knew that I was a member of Congress. All of the comments were spontaneous. There were no preconceived visits, like we didn't agree to meet you on a corner at some time. We just went up to people. And, so, what we said in the report was thoroughly accurate.

But, I saw the Chinese. They did the same thing. We went

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2. Cheltenham GCHQ is the British-based, electronic eavesdropping agency equivalent to the U.S. National Security Agency. As such, it is one of the most secretive branches of Her Majesty's Secret Service. Lady Caroline Cox's chief assistant, Stuart Windsor, who worked at Cheltenham GCHQ, says that he may be a distant cousin of the ruling House of Windsor. While he was at Cheltenham GCHQ, he frequently briefed National Security Agency members on Soviet military developments and other matters.

to Beijing Prison #1 in 1991, and we saw socks, which I have in the closet there, being made by demonstrators from Tiananmen. They denied it. They quickly dismantled all of the equipment, and took it out. If you recall, the general who came over here several months ago said that Tiananmen Square never took place, and that nobody was ever killed in Tiananmen Square. It's sort of what Communists do. It's sort of the Big Lie. You know, you just say something over and over and over again.

**Q:** But the U.S. has the highest per capita number of prisoners in the world, and many of those prisoners are forced to do prison labor, especially in privatized jails.

**Wolf:** They're all people who were arrested and put in prison for activities that they were convicted through a judicial system that's fair, and you have the prosecutor and the defense. In China, that's not the case. In fact, if you looked at "Prime Time Live" a week and a half ago, they've got now a system, that if you do a test and get your blood test and your tissue test, and you need a kidney, they'll go into their system and find somebody who has a match and take him out and execute him, so you can get—

**Q:** I heard about the program, but I did not see it.

**Wolf:** We have a video. You can see it. Also, there are more slave labor camps or Gulags now, if you want to call them that, than there were when Solzhenitsyn wrote his book *Gulag Archipelago*.

**Q:** Pasang Norbu, professor of Tibet University and also the deputy secretary general of the Standing Committee of the People's Congress of the Tibet Autonomous Region, said that life in prison is not up to Western standards, but then goes through the per-capita consumption of food. He claims they are allowed to have a Tibetan lifestyle, and religious habits are respected in prison. Prison law stipulates that inmates can hold their religious beliefs during imprisonment, and they feed them religious food along with butter tea, and so forth and so on. Is that all contrary to what you understand?

**Wolf:** Well, let me get something from Nancy Pelosi on my desk. It was just a report that Nancy Pelosi sent around, "Torture in Tibet: New Medical Study Reveals Epidemic Scale." This is from Ben Gilman. Medical groups document recent torture by Chinese officials in Tibet. They talk in terms of prisons, detention, torture, cattle prods. . . .

**Q:** China has the most rapid economic growth of any country in the world. Do you believe that, with progress in terms of the Three Gorges Dam, various kinds of other infrastructure, industry, development, and openings to the West for trade—

Do you believe that there is something inherent in that progress that will bring about more human rights?

**Wolf:** No, I don't know. It could, but maybe it won't. Most

of the torture took place since 1995. If you go to Beijing and Shanghai, there are cranes all over the place, and they're building and people are carrying cellular phones. But, the prisons and the torture are increasing, the slave labor camps are increasing. The sale of organs is increasing. The sales of weapons to terrorist-type countries are increasing. It could have an impact, and then, again, it may not be. I mean you can argue that. I don't think aggressive trade with Nazi Germany would have changed Nazi Germany. But, I don't know the answer to this. It may have a positive impact. My sense is, the Chinese leadership will allow things to change, and they'll draw the line, once it seems their power is threatened. I think Hongkong, they'll squeeze just slowly. And, once there are demonstrations in Hongkong, and people begin to speak out, I think they'll squeeze more. Martin Lee, who happens to be head of the Legislature, I think would validate, as they begin to lose power. If they think they're losing power, they'll begin to squeeze. So, I don't think we really know the answer. It may help, and then again, it may — A market economy generally goes with more freedom. . . .

**Q:** One final question. I live in Leesburg, and about every Saturday, I run into the Lyndon LaRouche group. . . .

**Wolf:** They were out. We had a big rally in Ashburn, and they were there passing out literature.

**Q:** Yes, they have some idea of building a land-bridge from China to the Atlantic. What is that about?

**Wolf:** I don't know. I've seen some of the things they've passed out at some of the meetings. They come to my town meetings. They talk about the land-bridge, and then they equate it to the Silk Road, inferring something about Marco Polo. But, I don't know what they actually have in mind. They've been critical of me.

**Q:** You mentioned the influence of business interests on Congress. Is that the U.S.-China Business Council?

**Wolf:** Yes. You should have watched the debate. It was Firing Line on Friday night, and then Saturday or Sunday afternoon. They had Kissinger and then they had Trent Lott and Bill Buckley, and then, on the other side, they had Gary Bauer, Ariana Huffington, Senator Hutchison, and former Gov. Jerry Brown. It was fascinating.

**Q:** Have you read *The Coming Conflict with China*?

**Wolf:** No, I want to. No.

**Q:** What about Samuel Huntington?

**Wolf:** No, I don't know.

**Q:** Well, he's in the Harvard orbit. He wrote *The Clash of Civilizations*, and said basically there would be a clash between Christian civilization —

**Wolf:** What's his name?

**Q:** Samuel Huntington.

**Wolf:** Is it a new book out?

**Q:** No, it's been out for awhile. He wrote for the Trilateral Commission, their democracy book. He wrote *The Clash of Civilizations* after the Wall came down, and he argued that the new enemy image for the West would be Islam, China, and so forth.

**Wolf:** I'm going to take a look at it. I've seen the guys who wrote the other book interviewed. In fact, I saw Munro being interviewed, on President Clinton's comments about the visit of President Jiang Zemin.

**Q:** They actually quoted me on Kissinger, because, as you know, Kissinger has extensive business ties.

**Wolf:** Yes, that came out in the debate. And, he said to Ariana Huffington, "Do you think I take my position, because of who I represent?" And, she said, "Yes." My own sense is that Kissinger is more interested in how history treats him, than his position or money. While I don't like Kissinger's position, I don't think he takes his position because he's working for the Chinese.

**Q:** Well, I don't think it's strictly a money question. But, I know I was writing stories when Kissinger was on the President's Foreign Intelligence Advisory Board, on his conflict of interest. This got picked up by Senator Helms and others. Kissinger resigned from the Board, claiming that there was no such conflict, but that he did not want to give the appearance of one.

**Wolf:** His ego is so large, that I think he resents people raising that question, and maybe that's why he resigned, so he wouldn't get drawn into it. My sense is that he's on the wrong side of this issue, but I don't think it's because he's not patriotic or he doesn't care or it's money, I think he's more concerned about how history will treat him. And, since he was the one who supposedly opened up China, I think he wants to preserve that initiative. We heard, and it came out in the debate, that Disney has hired him to — there's a new movie coming out —

**Q:** Right. His son works for Disney and worked on a cartoon biography of the Dalai Lama. Kissinger went over to the Chinese, and said, would you please not retaliate against Disney's interests in China?

**Wolf:** Have they let him?

**Q:** So far, Kissinger seems to have been successful.

**Wolf:** And, Gere's movie comes out this Friday. I did read that that movie and "Seven Years in Tibet" and the Disney film will not be permitted in Hongkong. Okay. Well, nice to see you.

## Demands for monetary reform dominate the global agenda

by Gail Billington and Dennis Small

Between now and the end of this year, every major gathering of heads of state and economic and finance ministers will be dominated by discussion of reforming the International Monetary Fund-World Bank monetary system. The direction of that discussion is no longer looking for a bigger, better, more elastic bandaid, but recognition that this system is beyond repair. The focus now is building the alliance of nations, bilaterally, regionally, and globally, that can impose this new global arrangement, over the objections of the London and New York-centered financial powers, the principal beneficiaries of continued IMF "globalizing" regimes.

In the last week of October, the rising tension in this fight honed in on the anticipated outcome of Indonesia's discussions with the IMF, which began Oct. 17, following Jakarta's request on Oct. 8. Indonesia, the largest economy in Southeast Asia, and the fourth-largest country in the world, has been brutalized, along with its ASEAN neighbors, in the currency and stock market havoc that has collapsed the rupiah nearly 50% since early July, and which fuelled the blackest Monday in world financial market history.

That same week, Brazil, the largest of the Ibero-American economies, followed by Argentina and Mexico, was hit by the marauding speculation that has savaged Southeast Asia since mid-May.

### Outside the IMF?

On Oct. 31, the IMF's "Mr. Wizard," Managing Director Michel Camdessus, held a press conference to announce initial agreement with Indonesia, including a series of financial and banking reform measures and other "conditionalities." In think-tanks, editors' offices, and financial and bankers' boardrooms around the world, a great hissing sound could be heard, the sound of a universal sigh of relief that, at the 11th hour, it appeared that Indonesia had stayed within the fold of

prevailing institutional opinion, and, for the moment, sidelined efforts to organize financial support "outside" the IMF.

But, those same circles may be sucking in their breath again, soon enough. In advance of the Camdessus press conference, leaks by senior U.S. officials were given to the *New York Times* and *Washington Post*: The United States will participate in the stabilization fund for Indonesia, as it did not do directly in the \$17.2 billion Thailand fund, through the Treasury Department's Exchange Stabilization Fund, which will *not* require Congressional approval.

According to these leaks, the U.S. strategy in the case of Indonesia was worked out by Treasury Secretary Robert Rubin and his deputy, Lawrence Summers. The possible \$3 billion U.S. tranche is seen as a "second line of defense" to boost Indonesia's foreign reserves, and would be dispensed only if, and when, needed.

Leading up to these developments, high anxiety was setting in as, first, Singapore Prime Minister Goh Chok Tong, followed by Malaysian Deputy Prime Minister and Finance Minister Anwar Ibrahim, travelled to Jakarta for talks with President Suharto and government officials, the upshot of which were announcements that Singapore would make available perhaps \$10 billion in financial support to Indonesia, in two tranches, while Malaysia pledged \$1 billion, all, on initial report, outside the framework of talks with the IMF.

This anxiety crescendoed on the announcement, Oct. 30, that Japanese Deputy Finance Minister Eisuke Sakakibara would arrive in Jakarta on Oct. 31, and then proceed to Washington, D.C. to meet with U.S. Treasury Department officials on the \$100 billion Asian Monetary Fund, which Japan proposed during the September meeting of the IMF in Hongkong, where it won endorsement from the Asian countries, including China, and was received positively by Secretary Rubin.

A Japanese Ministry of Finance official said, "Ever since



the Thai crisis, we have been saying that a facility to supplement the [IMF] was necessary among Asian nations. . . . The United States is very keen to be involved in the [AMF] issue regardless of whether it makes a financial contribution. It's wrong to portray them as being passive." Sakakibara's predecessor added in a televised interview, "In view of the large magnitude of private capital flows nowadays, the IMF quota is not sufficient to support the currency at a time of crisis. There should be additional support. . . ."

Although Indonesian Finance Minister Mar'ie Muhammad said in Jakarta on Oct. 31 that it may be two weeks before the final price tag of Indonesia's accord with the IMF is disclosed, early guesses are that the package could be around \$30 billion, of which the IMF would contribute \$10 billion, the World Bank \$4.5 billion, and the Asian Development Bank \$3.5 billion. Additional bilateral help is expected from Singapore (\$5-10 billion), Malaysia (\$1 billion), possibly \$4-5 billion from Japan, an undisclosed amount from Australia, China, and Hongkong.

### **Non-stop meetings ahead**

Intersecting discussion of the Asian Monetary Fund is the campaign to put on the agenda of every international forum an action plan to rein in the attacks on national currencies and stock markets by insatiable speculators. Since the July summit of the ASEAN countries, Malaysia's Prime Minister Dr. Mahathir bin Mohamad has been a leading spokesman in this effort, and has taken a lot of flak as a result, but has the support the leading "emerging market" countries in the world. It is fair to say, looking at the schedule of such meetings through the end of 1997, that there exists a clear deployment roster of key heads of state to broaden the base of support for these urgent, global reforms.

On Oct. 29 to Nov. 1, the 6th Conference of Ministers of Endowment and Islamic Affairs of the Organization of the Islamic Conference (OIC) takes place in Jakarta, involving 34 of 56 Islamic countries, followed by the OIC summit in Iran later this year. President Suharto is keynoting the Jakarta meeting. On Nov. 3-5, the heads of state of the G-15 developing nations meet in Kuala Lumpur, Malaysia, with Dr. Mahathir keynoting.

On Nov. 18, deputy finance ministers of Asian nations and the United States meet in Manila to lay the groundwork for the Asian Monetary Fund, on the eve of the Nov. 19-25 Asia-Pacific Economic Cooperation (APEC) conference in Vancouver, Canada, which brings together 18 nations, from Asia and North and South America.

Later in December is the informal heads of state meeting of ASEAN in Kuala Lumpur, with invited guests China, South Korea, and Japan.

### **Sharks circle Brazil next**

The world financial earthquake has hit Brazil especially hard, and a run against the currency, the Real, is now under way.

On Tuesday, Oct. 28, the Brazilian central bank was forced to spend, in a single day, a staggering \$7 billion out of its \$62 billion in foreign reserves, to slow down a run against the Real and try to forestall a devaluation. After a relatively quiet Wednesday, the raid continued on Thursday, sucking out another \$1 billion or so—a total of 13% of the reserves in just three trading days.

On Friday morning, the government *doubled* the prime interest rate, from about 24% to over 42% per year, to try to bribe speculators not to pull their money out of Brazil.

This may or may not convince the speculators, but it will throw the domestic economy into a recessionary spiral. "This is very classic but very aggressive," was the happy view of the chief economist at the Banco Santander in Brazil. "It signals they are ready to defend the Real no matter what the cost."

The economic profile of Brazil today most closely resembles that of Mexico in late 1994, right before the debt bomb exploded. Brazil, like Mexico before it, has developed a world-class derivatives bubble, by financing its gigantic trade deficit (the result of British free-trade policies) with capital inflows from speculators. This has led to a public debt which is officially projected to balloon from \$231 billion at the end of 1996, to \$356 billion at the end of 1997—a 54% rise in one year.

In a similar situation in late 1994, Mexico spent about \$10 billion of its \$15 billion in foreign reserves, and jacked up interest rates from 15% to 40%, in a futile effort to defend the peso, which ended up being devalued by over 40% by the speculative assault.

Unlike their Asian counterparts, the governments of Ibero-America are not responding to the crisis by looking for new solutions. Virtually without exception, they continue to blindly follow the insane British policies which got them into the mess in the first place.

Mexican President Ernesto Zedillo, for example, told U.S. and Mexican businessmen on Oct. 30: "The blame is not in the functioning of financial markets, but in the application of erroneous economic policies." Rather than changing course, "we should accelerate other aspects of globalization and economic liberalization, such as the liberalization of international trade and flows of direct investment." The Yale-trained President insisted: "We should not fight to reverse the liberalization of financial markets," a not-so-veiled reference to Malaysian Prime Minister Mahathir and others who have demanded such measures.

Similarly in Argentina, Finance Minister Roque Fernández announced that the government "will do everything in its power to maintain the system," adding ominously, "If it were necessary, [President] Carlos Menem would impose a 15% salary reduction" on the country.

As for Brazil, President Fernando Henrique Cardoso certainly has no intention of breaking from British policies. He is scheduled to visit London in early December, where he will be knighted by the Queen.

# Malaysia's Dr. Mahathir takes on the British—not for the first time

by Michael O. Billington

Malaysia's Dr. Mahathir Bin Mohamad, at 71 years of age, and for 16 years the prime minister of his country, has emerged over the past months as a leading spokesman of the Asian nations, and of developing sector nations around the world, against the rapacious looting of global speculators, and the financial system that promotes them, under the general direction of the International Monetary Fund (IMF). The raid on the currencies of the Southeast Asian nations, which began in mid-May and continues unabated today, by George Soros and his fellow hedge-fund speculators, has already stolen many billions of dollars from these relatively poor nations. Using leveraged funds (estimated at over \$1.2 trillion daily by the Bank for International Settlements) to drain the reserves of Thailand, Malaysia, Indonesia, the Philippines, and others, through speculation in futures markets, the hedge funds forced the devaluation of the currencies, the collapse of the stock markets, and the imposition of "conditionalities" by the IMF and other creditors, driving these nations back about 15-20 years in terms of development potential and standard of living.

Readers of *EIR* were not surprised at the sudden collapse of the much-promoted "Southeast Asian Tiger Miracle." This journal has consistently warned that the economies of the region were built upon hot money, low-tech export industries, and vast speculation—i.e., increasingly "bubble economies," created by the disastrous "globalization" process, which has brought the entire world economy to ruin, and the world financial markets to the brink of collapse. These "tigers," Lyndon LaRouche forecast, would soon go the way Mexico went in 1995.

Dr. Mahathir had been, until this summer, an outspoken proponent of globalization, believing that he could realize his ambitions for Malaysia to become a fully industrialized and modern nation, while allowing the growth of foreign-owned, "outsourced" process industries, and the deregulation of the financial markets, that the globalized markets demanded.

To Dr. Mahathir's credit, when LaRouche's warning was borne out, with a vengeance, this past summer, the prime minister admitted he had been terribly wrong not to heed such warnings. Speaking before the IMF Annual Meeting in

Hongkong on Sept. 20, 1997, he said: "We in Malaysia laughed at the suggestion that our country would follow the fate of Mexico. . . . But now we know better. We know why it was suggested that Malaysia would go the way of Mexico. We know now that even as Mexico's economic crash was manipulated and made to crash, the economies of other developing countries, too, can be suddenly manipulated and forced to bow to the great fund managers who have now come to be the people to decide who should prosper and who shouldn't." He proceeded to denounce currency trading which is not tied to the trade in real goods—the trading of "currency as a commodity"—as "unnecessary, unproductive, and immoral," while insisting that "it should be stopped—it should be made illegal." (See *EIR*, Oct. 3, 1997, for the full text of his speech.)

The Friday before his speech, Sept. 19, the *Asian Wall Street Journal* published a front-page article accusing Lyndon LaRouche of being the source of Dr. Mahathir's attacks on George Soros and the speculators. The Western media launched a campaign to ridicule Dr. Mahathir, calling him "foolish," "out of control," and quoting Soros's own vicious threat against the prime minister, calling him "a menace to his own country." Carefully ignored in those slanders, was the fact that Dr. Mahathir is openly supported by his Southeast Asian allies, by the developing nations represented by the Group of 24 and the Group of 15, and, most importantly, by China. The concurrent proposal put forward by Japan and the Southeast Asian nations for an Asian Monetary Fund, which has been treated with serious consideration by U.S. Treasury Secretary Robert Rubin, is recognized generally as the programmatic complement to Dr. Mahathir's attacks on speculation and the IMF.

Dr. Mahathir did *not* launch his counterattack against Soros as a rash, spur of the moment reaction. In addition to the fact of the wide circulation of LaRouche's ideas for many years in Asia, Dr. Mahathir has within his own experience sufficient proof of the duplicitous, evil nature of the British oligarchy and the politics of the international financial institutions. He has, in fact, been burned before, but he has also *earned* his position as spokesman for many developing na-

tions by repeatedly standing up to the financial oligarchy, despite the relatively small size of his nation of only 21 million people. The history of his wars with the British, and British ideology, is instructive for all who recognize the urgency that the current crisis serve as the forum for the final defeat of that oligarchy.

### **Battling British ideology**

Malaysia, known as the British colony of Malaya before its independence in 1957, was the world's largest producer of rubber and tin, and thus the largest export-earning nation in the British Empire, in the post-World War II era. Dr. Mahathir saw the British abandon Malaya to the Japanese, and grew up under the Japanese occupation during that war. He was a practicing physician during the years of diplomacy and violence in the struggle for independence from Britain. He became politically active as an essayist and commentator in the late 1940s, and as a Member of Parliament in 1965. He recognized that the British had used Chinese immigrants to establish comprador control over virtually all of Malaya's businesses and trade, while the majority, indigenous Malay population remained relatively impoverished. He also recognized that Singapore's Lee Kwan Yew was London's leading asset, who intended to continue British control after independence, by means of the British banking houses in Singapore. Dr. Mahathir fought against the union of Malaya and Singapore, and against what he described as Lee Kwan Yew's "mad ambition to see himself as the first Chinese prime minister of Malaysia." He also had no qualms about attacking the man who led the Malay independence negotiations, Prime Minister Tunku Abdul Rahman, for placating Lee Kwan Yew and those Chinese who were promoting the British purpose, and even publicly called for Tunku's resignation.

In a book entitled *The Malay Dilemma*, published in 1970, Dr. Mahathir blamed the racial violence between Chinese and Malays, in part, on "Chinese chauvinism," manipulated by British masters, but also on the weakness of the Malay people themselves. In an ironical polemic, he first *agreed* with the racist, Darwinian argument advanced by Lee Kwan Yew, that the Malay people had become soft and lazy, due to the lush, tropical climate, while the Chinese, through years of strife and conflict, had gone through a process of "natural selection," generating a tough and hard-working race. But Dr. Mahathir then turned this British nonsense on its head: "Subjecting the Malays to the primitive laws that enable only the fittest to survive [is] without promise, [since] we do not have 4,000 years to play around with, [to] breed a hardy and resourceful race." Man is not confined to biological evolutionary processes, he insisted. Cultural failings can be changed, through the development of the correct ideas and hard work.

*The Malay Dilemma* was banned, and Dr. Mahathir expelled from the ruling party, the United Malay National Organization (UMNO), but he quickly became the recog-

nized leader of the Malay people's aspirations. His expulsion was soon withdrawn, and by 1976, he was the deputy prime minister. In that year, he published another book, *The Challenge*, which went beyond the issue of winning equality for Malays within the country, to pose the issue of true national sovereignty. The government had implemented a New Economic Policy in 1970, based on affirmative action policies in education, business leadership, and government employment, aiming to achieve 30% Malay ownership of business by 1990, and similar goals. In *The Challenge*, Dr. Mahathir wrote: "The Malays have emerged from a long period of backwardness, only to be pulled in different directions by conflicting forces, some of which seek to undo whatever progress has been made and plunge the entire community back to the Dark Ages."

While identifying the British hand behind the new forms of colonialism, he again put the onus of responsibility on the Malay people. A devout Muslim, Dr. Mahathir nonetheless denounced the tendency of Muslims and Islamic nations to *retrogress*, contrary to the true teaching of Islam, by rejecting science and technology as evil, as something "Western," and as opposed to the spiritual aspect of life. He insisted that if believers allowed non-believers (materialists) to control the world's wealth, then "the spiritual group cannot but face destruction." Islam spread, he argued, precisely because it took the lead in education and knowledge. "In Islam," he wrote, "there is no dichotomy between 'religious' and 'secular.'" His polemical approach won him many enemies among fundamentalists (and their sponsors), but united the nation—the Malay, Chinese, and other peoples of Malaysia—in a drive for true independence and development.

Dr. Mahathir showed that he was equally unwilling to compromise with other shibboleths of the post-war Baby Boomer generation in the West. He considered the two greatest threats to Malaysia to be the spread of the cultural paradigm shift of the 1960s in the West, and the imposition of "democracy" over "truth" as the criterion for social policy. He described the 1960s counterculture as a "perversion of values, good being considered bad, and bad as good." He said that, under the guise of a false devotion to "basic rights," there was in the West a tolerance of the "deviant behavior of a minority," leading to drug use, homosexuality, and other perversions.

Nor has Dr. Mahathir shied away from confronting the human rights mafia—the nexus of non-governmental organizations sponsored by the British royalty, the U.S. National Endowment for Democracy, and by George Soros—who denounce any opposition to libertarianism and subversive activity as "dictatorial." "The most effective pressure inflicted by the West on the East," Dr. Mahathir said, was "democratic governments" imposed as a "condition of independence." He said that the modern world accepts the assumption that "the majority, even if it is illiterate and not well versed in politics, must always be right. The problem is that opportunists,

rogues, and foreigners also have access to the minds of the electorate. In the end it is not so much the wishes of the majority that count. It is the *perception* of things presented to them by frequently unscrupulous and ambitious politicians, who may or may not be in league with various ideologues or agencies.” Although he does not mention it, this question of “truth” versus “democracy” was the central debate that guided the Founding Fathers of the United States in creating the Constitution, which mandated a republican form of government rather than pure democracy, and the supremacy of the “general welfare” over unrestricted individual rights.

### **Mahathir vs. the City of London**

Dr. Mahathir guided Malaysia’s economic policies on the premise that industrialization was absolutely necessary, in order to obtain real independence from colonialism. He never adopted an impotent “Third Worldist” or Marxist posture, insisting instead that progress were only possible through friendship and collaboration with both the industrialized nations and the poorer nations of the world. Ironically, although the British minions are now blustering that he is blaming speculators and the IMF for his own failures in running the economy, his only real mistake has been believing that “playing the game” by the IMF rules would lead to national development. As he admitted in his Sept. 20 speech: “All along we

had tried to comply with the wishes of the rich and mighty. We have opened up our markets, including our share and capital markets. . . . We were told that we must allow our money to be traded outside our country. We were told to permit short selling, even to let trading in borrowed shares to be legalized. We must allow for speculation. We did all that we were told to do.”

This is not the first time that Dr. Mahathir has attempted to “play the game,” only to have the British pull the rug out from under him.

In 1981, upon assuming the office of prime minister, Dr. Mahathir launched policies to industrialize and modernize Malaysia. He knew that he had to break the country’s dependence on two export commodities, rubber and tin, which was its colonial legacy. But he also argued that process industries based on cheap labor were not qualitatively different from the mines and plantations of the colonial era. Malaysia was already, in 1981, a world leader in microchip manufacturing. “Microchips,” said Dr. Mahathir, “are an undifferentiated manufactured product, which markets in almost the same way as primary commodities. For the purpose of trade, microchips may be considered a commodity. . . . We do not want to be grounded in the mediocrity of mere assembly operations.” He created an agency, Heavy Industries Corporation of Malaysia (HICOM), which pro-

## **Mahathir vs. the Asian Wall Street Journal**

On Sept. 19, the Asian and European editions of the *Wall Street Journal* ran a page-one article, naming Lyndon LaRouche as the “strange source” behind Malaysian Prime Minister Dr. Mahathir Bin Mohamad’s denunciation of George Soros and currency speculation. That article was written by the *Asian Wall Street Journal*’s Kuala Lumpur correspondent, Raphael Pura, and its Washington, D.C. correspondent, Eddie Lachica.

Pura is no newcomer to “dirty tricks” against Malaysia—nor to Dr. Mahathir’s refusal to tolerate colonial arrogance from London or Wall Street. In September 1986, the Malaysian government suspended the publishing permit of the *Asian Wall Street Journal* for three months, and expelled its Kuala Lumpur-based correspondents, Pura and John Berthelsen. They were accused of printing slanderous attacks on Prime Minister Mahathir and his cabinet ministers *just before critical meetings of international institutions*, such as the IMF, the United Nations, and the

Asian Development Bank—precisely as the Sept. 19 article was published in Asia on the eve of Dr. Mahathir’s speech to 3,000 participants at the IMF Annual Meeting in Hongkong.

Pura challenged his expulsion in the Malaysian courts, and the High Court overturned the government ruling, precipitating a series of confrontations between Dr. Mahathir and the courts over several issues. When the press and the non-governmental organizations attacked the prime minister for interfering with the “fiercely independent judiciary,” Dr. Mahathir responded by demanding that the courts seek truth, rather than following popular opinion. Speaking publicly to the courts, he said: “If you are only interested in independence, but in order to do that, you have to stretch things a bit—you have to prove you can hammer the government, for example. . . . [Then] in doing so, you lose your independence, because you’re following public trends. . . . You are no longer independent. You’re subject to public opinion.”

Dr. Mahathir eventually won the confrontation with the judiciary, when the Lord President of the High Court, after a series of rulings which were aimed at breaking up the ruling party, the UMNO, was impeached and removed from office.—*Michael O. Billington*

moted (with Japanese and Korean support) a national auto industry, a steel complex, cement plants, engine plants, and other such heavy industrial projects.

The Malaysian government also bought a controlling interest in Britain's oldest and largest plantation company in Malaysia, the Guthrie Corporation. The British furiously accused Malaysia of "back door nationalization," although the government had meticulously followed the rules that they had been taught by the British themselves. Dr. Mahathir explained the British response: "As a result of our legitimate attempts to gain control of our resources, we have been subject to various reports calculated to frighten away foreign investors from our country." When the London Stock Exchange changed the takeover rules to prevent any further insults by the "colonials," Dr. Mahathir initiated a "Buy British Last" campaign, defending his nation's sovereignty, and winning the admiration of developing nations worldwide.

A second confrontation had more serious consequences. In 1981, Malaysia and other tin producers requested the International Tin Council to raise tin prices by 4.5%, both because their terms of trade had deteriorated, and because there were signs of speculative short-selling on the London Metals Exchange (LME). The council refused the request. In response, the Malaysian government decided once again to use the methods they had learned from their colonial masters. They set up a company, Maminco, to anonymously purchase tin futures on the LME, to prop up the price. Their secret trading was run through the now infamous Marc Rich. The effort worked. Between July and October 1981, the price of tin leaped by over 20%. However, the U.S. General Services Administration decided to dump a major portion of the U.S. strategic tin stockpile, while the economic downturn of the early 1980s set in, leaving a glut of tin on the market. Malaysia decided to buy the tin, cornering the market, forcing the short-sellers to buy from them, at the higher price, when deliveries fell due. Sneaky, perhaps, but it was "by the rules." However, the British *made* the rules—and, therefore, they could change them.

Change them, they did. In February 1982, when the 90-day futures contracts began coming due, and several LME brokers faced bankruptcy (some metals traders have said that the whole LME was on the brink of going under), the British ruled that traders could merely pay a fine if they could not deliver on a contract, and drastically reduced the penalty on late deliveries. The tin price collapsed, and Malaysia took a beating.

Dr. Mahathir is not unfamiliar with currency speculators, either. In 1984, he complained, "Sovereign countries have no control over their currencies. Speculators, including banks, can push currencies up and down as they wish. Indeed, the trade in commodities has been turned into a trade in currencies." In 1985, when the G-7 nations colluded to revalue the yen and the German mark, Malaysia's debt increased by 60%

overnight! Said Dr. Mahathir, "The seven rich nations possess the exclusive right to force their method of solution on the problems of the world economy."

### **Mahathir as spokesman**

If Mahathir knew so well the duplicity of the international financial oligarchy, why did he yet again "play the game"? It must be remembered that the combination of the artificially manipulated "oil shock" of the early 1980s, and the currency manipulations of the Thatcherites in both London and New York, destroyed the last remnants of industrial-production-centered development even in the advanced sector nations, which plunged into a binge of junk bond and derivatives speculation, creating the current irreversible global financial collapse. Malaysia, like all the developing nations, was systematically denied access to the technology required to create a machine-tool-based industrial infrastructure, a prerequisite for achieving and sustaining a higher degree of national independence on the basis of continuing improvement in productive capability. Instead, Dr. Mahathir was offered a "third wave" vision of electronic wizardry, a pseudo-high-tech version of the IMF's new colonial policy of "post-industrialism." He was also persuaded to open up Malaysia's financial markets, including even the establishment of a highly deregulated "offshore" banking center, as the means to become a financial center for Asia.

But, Dr. Mahathir and most of his Association of Southeast Asian Nations allies maintained their dedication to real development, even while the speculative bubble grew. Dr. Mahathir, for example, has taken personal leadership in Asia for the promotion of the Eurasian "New Silk Road" railroad projects, connecting China to India, through continental Southeast Asia, and extending into the Southeast Asian archipelago nations. What is most important about Dr. Mahathir's current courageous campaign of truth-telling, is that he is acknowledging his mistakes and *demanding a global solution*. He, and those he speaks for, may not be prepared to acknowledge—at least, not publicly—the primary thrust of LaRouche's forecast: that the current global financial system centered on the IMF and the \$100 trillion derivatives bubble is far beyond the point of no return and will soon explode. However, the prime minister's uncompromising approach to "naming the names," and addressing the crisis as a problem of the world financial system as a whole, is contributing enormously to the growing momentum in support of the solution proposed by LaRouche, that of a New Bretton Woods Conference, to create a new monetary system, based on national banking, stable exchange rates, and a mutual commitment to industrialization and global infrastructure projects.

*This report drew heavily from Khoo Boo Teik, Paradoxes of Mahathirism: An Intellectual Biography of Mahathir Mohamad (Kuala Lumpur: Oxford University Press, 1995), which is based primarily on Dr. Mahathir's speeches and writings.*

# Will the British Commonwealth succeed in global power play?

by Mark Burdman

The British monarchy and its minions spared no efforts, during a series of British Commonwealth events in London and Edinburgh on Oct. 22-27, to propel the Commonwealth into the role of dominant global power for the 21st century. The policy content of these meetings would ensure, however, that the success of any such British power play over the coming years, would amount to a pyrrhic victory. The array of globalist, free trade policies that the Commonwealth countries agreed to, as codified in an "Economic Declaration" adopted in Edinburgh, would ensure, under the conditions of global financial instability and economic breakdown that the world is now going through, a global collapse that would bring the Windsors and their allies down with it.

The pursuit of this globalist package can only accelerate a process *within* the Commonwealth structure itself, of various nations asserting their prerogative as sovereign nation-states, to protect their populations against the ravages of "globalization," "free trade," and the like. Such fissures within the Commonwealth structure were already visible during the week of Commonwealth events, as developing sector Commonwealth nations rallied to defend Nigeria against attempts to impose sanctions on that keystone African nation, and showed resistance to the British on numerous other fronts.

These fissures were all the more problematic for the Windsors, because they occurred after a series of shocks to the royal family in recent weeks. The first, as *EIR* has documented, was the anti-Windsor reaction that erupted in Britain and elsewhere in the world, in response to the monarchy's abominable behavior after the murder of Princess Diana, in Paris on the night of Aug. 30-31. The second, was the challenge mounted by Dr. Mahathir bin Mohamad, prime minister of the Commonwealth-member nation of Malaysia, in his blasts against George Soros, the mega-speculator who is one of the managers of the Queen's private fortunes. The third, was the disastrous results of the Queen's mid-October tour through Commonwealth nation India, where she suffered one humiliation after another, and drew the hostility of the Indian media and political class (see *EIR*, Oct. 24, "Queen's Disastrous Trip to Pakistan, India Threatens Commonwealth Meet").

Queen Elizabeth and her advisers were hoping that the Commonwealth meeting would be the occasion for them to

rebound from such reverses. But, it is more than likely that exactly the opposite result will ensue.

## Royals, royals everywhere

The first of the two events, was the first-ever Commonwealth Business Forum, held in London on Oct. 22-23, and co-sponsored by the Commonwealth Secretariat, Her Majesty's Government, and the London *Financial Times*. At this meeting, senior business and financial figures from a number of Commonwealth countries devised a battle plan to place the Commonwealth into a commanding position, in controlling world investment and monetary and financial flows. This was followed by the Oct. 24-27 extravaganza in Edinburgh, at which 51 government chiefs, the largest such gathering in history, attended the Commonwealth Heads of Government Meeting (CHOGM), the first to take place in Britain in 20 years, and the first ever to be formally addressed by the Queen. There too, a stress was placed on building the Commonwealth into the number-one economic-financial power for the coming years; for the first time, the Commonwealth countries issued a specific Economic Declaration, outlining their aims.

The Edinburgh event was carefully orchestrated, stage-managed, and controlled by British officials. Discussion of several important issues was limited, or aborted, at least in public. The monarchy was there, in full force. Not only was there the Queen's formal address, and the presence of the Royal Consort, Prince Philip, the Duke of Edinburgh. But also in attendance were leading figures of the royal family, including Royal Heir Prince Charles, and Anne, the Princess Royal.

The Tony Blair government put enormous energy into building up the Commonwealth. In every forum imaginable, "Tinny" Blair has been insisting that the Commonwealth is essential to reinforcing what he characterizes as Britain's "pivotal role in world affairs." The Blair government has been much more publicly committed to strengthening the Commonwealth, than was the previous John Major government. In his speeches at both the London and Edinburgh meetings, he kept reiterating his strong personal enthusiasm for the Commonwealth.

## Opposition grows

What remains unclear, is whether that neo-imperial drive will prevail over the efforts of certain of the nation-states that constitute the Commonwealth membership, to promote policies favorable to the preservation of their sovereignty and the economic well-being and prosperity of their populations. Readings from various developing sector nations, indicate that a bloc, more or less formal, has taken shape, comprised of India, South Africa, Nigeria, Pakistan, and Malaysia, and perhaps others, which want to assert control over the direction of Commonwealth policy, and make it an institution that would better reflect the wishes and policies of developing nations.

Both Malaysian Prime Minister Mahathir and Indian Prime Minister I.K. Gujral insisted that they would not allow the “reforms” embodied in “globalization” approaches, to devastate their national economies. In fact, Mahathir forced through a pledge that the Commonwealth would “study how countries can be protected from the destabilizing effects of market volatility, including those resulting from speculative activities.” Malaysia’s Foreign Minister Abdallah Badawi explained to the press, that twelve heads of state at the meeting had intervened to express their sharing Mahathir’s “concern over the pressures of globalization, especially on the developing world.”

There were voices of protest raised about other issues. First, on Nigeria, the British had to content themselves with a postponement of punitive actions, for one year. And, Nigerian spokesmen do not seem to be particularly impressed by the prospect of sanctions. As Nigerian Foreign Minister Tom Ikimi (who did not attend the meeting) quipped to the press, “The Commonwealth is not something we will miss when we are not members.”

Also, from Africa, came the demand for justice regarding restitution of land seized by British colonialists. This was put forward by Zimbabwe’s President Robert Mugabe, who called for Britain to hand over 5 million hectares (12 million acres) of land, seized 100 years ago forcibly by settlers, to the farmers there today. If anyone should pay compensation, he added, it should be the British.

Finally, the issue of leadership, or control, over the Commonwealth was raised, at least indirectly. The secretary general of the Commonwealth, Chief Emeka Anyaoku, a Nigerian, provoked anger and embarrassment when he said, “The head of the Commonwealth is, at the moment, the British monarch.” Although he quickly corrected his statement, by insisting the Queen would be around for some time still, the comment was correctly interpreted as a proposal that leadership be handed over to members other than the British. Rumors had it that South Africa’s President Nelson Mandela and Malaysia’s Mahathir, would be eligible candidates.

But, any approach to “take over the Commonwealth from within,” suffers from an obvious axiomatic flaw, akin to a goldfish swimming in a goldfish bowl, and demanding that the water be changed, while the bowl remains the same. The

Commonwealth, intrinsically, is a rotten institution, controlled at all key points—whether it be the vast Commonwealth Secretariat, the Commonwealth Parliamentary Association, the Commonwealth Partnership for Technology Management, the Commonwealth Development Corporation, or any of the other of the entities that are part of the Commonwealth’s global spider-web of organizations—by the British, or by British-run operatives. There is no chance of “reforming” it. Better that India, Malaysia, and other nations remove themselves from the Commonwealth altogether and form a new “Alliance for Development,” of developing nations committed to a just, new economic order.

## A paean to globaloney

The Edinburgh CHOGM summit issued its Economic Declaration under the title, “Promoting Shared Prosperity.” As the title suggests, the verbiage attempts to make some rhetorical gestures, to appease the developing sector nations which make up the vast majority of the Commonwealth population. There is sorrow expressed about global poverty, “growing inequality,” and “obstacles that prevent developing countries playing their full part in shaping the evolution of the global economy.” There are also a few concessions made to such Commonwealth dissidents as Mahathir, as in the above-mentioned issue of speculative activities.

But, the content of the document is overwhelmingly the kind of globaloney that one would expect from an institution that is seeking to become the *primus inter pares* among “globalist,” supranational institutions.

The first point reads: “Today’s globalized world poses both opportunities and challenges. Expanding trade and investment flows, driven by new technologies and the spread of market forces, have emerged as engines of growth. At the same time, not all countries have benefitted equally from the globalization of the world economy, and a significant number are threatened with marginalization. Globalization therefore needs to be *carefully managed*, to meet the risks inherent in the process” (emphasis added).

In the “Conclusion” section, Point 11 asserts that “we agree to enhance the Commonwealth’s role, in building consensus on global economic issues. . . .”

Much of the body of the document recites the formulas so familiar in the prescriptions of the International Monetary Fund, World Bank, World Trade Organization, and so on. For example, following the stress in Point 3 on the need for “good governance,” Point 9 reads: “We underscore the importance of good governance including increased openness in economic decision-making and the elimination of corruption through greater transparency, accountability and the application of the rule of law in economic, financial, and other spheres of activity. We endorse the request by our finance ministers to the Commonwealth secretary-general, to establish an expert group to work on these issues.”

As *EIR* has documented, “good governance,” “elimina-

tion of corruption,” and “greater transparency” have become buzz-words in the supranational institutions’ drive to undermine the sovereign capability of nation-states to protect their domestic manufacturing and wealth-creating activities, and to open up these nations for further looting, all in the interest of so-called “free trade.” A British Privy Council-controlled entity entitled “Transparency International,” has been placed in charge of overseeing this effort.

In line with this, it is noteworthy that the speaker who received the most kudos at the London Commonwealth Business Forum, was Ugandan President Yoweri Museveni, the notoriously corrupt and murderous thug who has done more than any African leader to make his country transparently lootable for City of London and Commonwealth interests.

Under the subtitle “Trade,” Point 4 asserts: “We welcome the progress made in recent years, in dismantling trade barriers and establishing a rule-based international trading system.” But, more efforts must be made to “strengthen the multi-lateral trading system, within the framework of the World Trade Organisation.”

### The anti-U.S.A. ecologist bloc

Particularly odious is Point 10, under the subtitle “Environment.” Here, full backing is given to the British-orchestrated “global warming” hoax, and to the upcoming Kyoto Conference of Parties to the United Nations Convention on

Climate Change, centering around “significant reductions in greenhouse gas emissions.” The document also endorses the “Agenda 21,” the ecologist manifesto that was adopted at the 1992 United Nations Conference on Environment and Development, in Rio de Janeiro, Brazil, and then reaffirmed at the June 1997 Special Sessions of the UN General Assembly.

It was on that latter occasion, that British Prime Minister Blair and his cabinet launched an all-points offensive against the United States on the “global warming” matter. If there were any doubts that the British monarchy and the Blair regime are intending to deploy the Commonwealth against the United States, these should be dispelled by an article in the Oct. 25-26 London *Financial Times* “Weekend” section, published as the Edinburgh CHOGM summit was taking place. Under the title “Why the U.S. Should Join the Commonwealth,” *Financial Times* senior commentator Joe Rogaly wrote: “It is a pity that the U.S. is not a member of the Commonwealth. If it were, the 54-nation association . . . could suspend or even expel it. That would teach Washington a lesson. It might then take serious action to curb emissions of greenhouse gases.”

This could be on the pattern of how South Africa was sanctioned by the Commonwealth, on the apartheid issue, Rogaly wrote. South Africa first resigned the Commonwealth, to avoid being expelled, but, in the post-apartheid era, it was readmitted. “Would that this huge assembly of nations, the home of a quarter of the world’s population, could similarly repel and re-embrace Uncle Sam. Decisive action turned South Africa black. It might turn the bewhiskered old gentleman green.”

Rogaly went on: “The above fancy is not quite as other-worldly as it looks. As an English-speaking former colony, America is well qualified for member of the (British) Commonwealth. So is Ireland, most of whose inhabitants would gag at the thought of such a reversal of history. Yet [Irish President] Mary Robinson nudged the prospect into the Irish consciousness in a speech delivered towards the end of her term as President. . . . You never know. Stranger things happen. If Israel, the Palestine Liberation Organization, Rwanda, and others can, why not the Irish and the Americans? It might help if the post of symbol of the Commonwealth was relinquished by the monarch of the United Kingdom, in favor of an elected figurehead.”

Rogaly exulted how vast the scope of the Commonwealth is, and advised: “Resist the temptation to label the result, ‘the British empire.’ We do have to acknowledge that the colonial past persists, albeit in mainly beneficial form. Most of the countries [in the Commonwealth] share similar accounting techniques, legal and administrative systems, and common aspirations, as to justice and the rule of law. . . . The majority are linked by overlapping networks of professionals. . . . Its secretary-general is Nigerian, his deputies Indian, Canadian and British. More than that would have to be offered to entice the U.S. and Ireland to knock on the door.”

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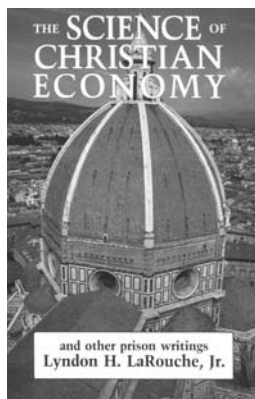
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# Privatization of CDC: East India Co. revived

by Dean Andromidas

With careful stage management, the British pushed through their globalist free-market agenda at the British Commonwealth Heads of Government Meeting in Edinburgh, Scotland. This agenda was spelled out at the Commonwealth Business Forum, sponsored by the *Financial Times*, which was held in London on Oct. 22-23, just prior to the summit itself. In his keynote speech at the Business Forum, British Prime Minister Tony Blair declared that he was a “passionate believer in free trade and the Commonwealth,” and that “the Commonwealth should be a force for freer trade in the world.” The other star of that same conference was Ugandan President Yoweri Museveni, who spoke about the wonders of free-market reforms in his country, but failed to mention his role in the wars and genocide in Central Africa which formed an integral part of this British-designed policy.

To implement his “passionate” belief in the free market, Prime Minister Blair announced the privatization of the Commonwealth Development Corp. (CDC), which is the government corporation extending credit for commercial projects in the Commonwealth and developing countries. It currently has a portfolio of \$2.5 billion. Blair told the conference that the CDC, working in conjunction with the Commonwealth Private Investment Initiative (CPII), would have access to funds from the money market, in order to play the leading role in expanding the privatization process which developing sector governments are being forced to implement by the World Bank and the International Monetary Fund.

The privatization of the CDC, the first privatization to be announced by the Labour government, must be seen as a British commitment to extend its economic domination over the Commonwealth and other developing countries. It operates alongside such institutions as the recently privatized Crown Agents for Overseas Governments and Administrations, private elite mercenary operations such as Defence Systems Ltd., as well as the corporations, banks, and mining cartels that form Britain’s “invisible” empire. *EIR* has detailed these in a Special Report, “The True Story Behind the Fall of the House of Windsor.”

A privatized CDC would resemble the old British East India Company, which ran the British Empire from its founding in 1600 to its official disbanding in 1858. This comparison should not go unnoticed in the countries involved, given the

fact that the CDC’s primary mandate is to buy equity into state enterprises that Commonwealth countries are being forced to privatize. Many of these same enterprises had been nationalized when these nations won their independence. They had been controlled by the British colonial authorities or private London-based companies. Will they now revert back to their British ownership?

## A new empire

Founded in 1948 as the Colonial Development Corporation, the CDC changed its name to the Commonwealth Development Corp. in 1963. It operates as a government-owned corporation overseen by the Secretary of State for Commonwealth Affairs. Although comparable to the U.S. Overseas Private Investment Corporation, which invests in commercial projects in developing countries, the CDC is much more.

It currently has a portfolio of \$2.5 billion invested in 54 Commonwealth and developing countries, and operates 26 offices in Africa, Asia, and Ibero-America (including Havana, Cuba). Its portfolio ranges from tea plantations in Uganda to a factory producing polyester chips in India. It is not to be confused with some soft loan aid organization. Although hitherto funded by the Bank of England, it not only extends loans to private investors for industrial and commercial projects at competitive interest rates, but it also takes an active role in the management of these companies. Individual projects cost from \$10 million to \$100 million.

Its board of directors are drawn from senior civil servants, bankers, businessmen, and academics. Its chairman is Lord Cairns, former chief executive and deputy chairman of S.G. Warburg. Some of the other directors include Sir William Ryrie, formerly with the International Finance Corp., and Russell Seal, former chief executive of British Petroleum.

The proposed CDC privatization involves the sale of 60% of its stock to private investors, with the government keeping a “golden 40% share,” which would ensure its political control over the corporation. According to Dr. Roy Reynolds, its chief executive, discussion of possible privatization began during the previous government, led by the Conservative Party, after it became clear that the Bank of England could not keep up with its expansion. While envisioning a 15% annual growth rate, the directors plan to tap institutional investors, such as pension funds. They will move away from direct loans, to direct equity investment. When asked whether CDC sees itself as playing the leading role in the privatization process, Dr. Reynolds answered: “We are already the largest investor in Africa, after the South Africans.” He underscored the fact that the CDC was in the best position for dealing with these privatizations. Indeed, it has over £450 million invested in Africa alone.

In addition to managing its own portfolio, the CDC is integrated into the Commonwealth Secretariat apparatus, and is involved in every aspect of social, political, and economic

affairs in the Commonwealth. The CDC's primary role in this apparatus is to manage the Commonwealth Private Investment Initiative, which was created at the 1995 Commonwealth summit in Auckland, New Zealand. Organized specifically for investments in privatized companies, the initiative has organized three regional funds, including a Commonwealth Africa Investment Fund valued at over \$60 million, a \$15 million Kula Fund for the Pacific, and a South Asian Fund which was announced at the Edinburgh summit. The latter intends to raise \$200 million from private sources.

The CDC's key role was directly and indirectly referred to in the Commonwealth Economic Declaration, where the question of pushing forward privatization was emphasized. In addition, CDC Chairman Lord Cairns and Cyril Ramaphose will create a Business Council, made up of business leaders from throughout the Commonwealth.

### **CDC Board of Directors (partial)**

**Lord Cairns**, chairman: The Sixth Earl of Cairns is the former chief executive officer and deputy chairman of S.G. Warburg; chairman of BAT Industries PLC, better known as British American Tobacco, the largest cigarette company outside the United States. Lord Cairns's father, a former senior Naval officer, was Equerry to the Queen.

**Sir William Ryrrie**, Knight Commander of the Bath, deputy chairman: Former executive vice president and chief executive of the International Finance Corp. (IFC). A sister organization of the International Monetary Fund and World Bank, the IFC has been the leading proponent of privatizations internationally.

**Pen Kent**: Former executive director of the Bank of England, alternate executive director of the IMF and head of the Third World International division of the Bank of England. He is also a director of NatWest Group, one of the leading City of London banks. While a director of the Bank of England, Kent handled many of the most politically sensitive bankruptcies, including the multibillion-dollar Canary Wharf real estate collapse, and the recurrent financial problems with the privately financed Channel tunnel. He also played a rather murky role in the collapse of the British arms and munitions manufacturer Asta Holdings.

**Russell Seal**: Member of the Board of British Petroleum.

**Hari Shankar Singhani**: Chairman of JK Industries Ltd. of India and chairman of Arlas Copco (Inida) Ltd. The first and only non-British member of the CDC Board.

**David Pearce**: Professor of Environmental Economics, University College London; director of the Centre for Social and Economic Research on Global Environment; member, UN secretary general's Advisory Board on Sustainable Development. A leading environmentalist and editor of a series of environmental policy papers, *Blueprint for a Green Economy*.

## London's terrorists make a mockery of Colombian elections

by Dennis Small and Javier Almarino

Under a shroud of terror, the beleaguered nation of Colombia was subjected to sham municipal elections on Oct. 26. The country's two narco-terrorist organizations, the Colombian Revolutionary Armed Forces (FARC) and the National Liberation Army (ELN), had declared an "armed strike" for the weekend of the elections, threatening to kill anyone who dared to vote, or even move about in public, in the areas they control—commonly estimated to be about 40% of the national territory. In the weeks leading up to the vote, the FARC and ELN forced about 1,500 candidates to resign, under threat of death; hundreds of candidates were kidnapped; and dozens were murdered outright.

Given the threats and the violence, about 55% of the population abstained from voting. The turnout was slightly higher in the major cities, thanks to a strong military presence providing security there. But in the rural areas, even the narco-terrorist-loving international media were forced to report that the FARC and ELN threats kept voters to a minimum. Typically absurd was the case of Piedra Ancha in Nariño, a town of 3,000, where six people voted, and the victorious candidate for mayor won by a vote of 4-2.

The most significant feature of the election, however, was a referendum called "Citizens' Mandate for Peace, Life and Liberty," which asked voters to choose, with a simple "Yes" or "No," whether they supported "peace" in Colombia. Since most of those who voted chose "Yes" (a "No" vote would have been like voting against motherhood and apple pie), the drug cartel-run government of Ernesto Samper Pizano proclaimed the vote to be a mandate for its ongoing policy of capitulation and negotiations with the narco-terrorists.

The British government has long backed Samper in this deal-making with the terrorists and the cartels, as part of its global strategy of drug legalization and destruction of the nation-state. In each of the last two years, London has crossed swords with the Clinton administration, when the U.S. President chose to decertify Samper as non-cooperating in the war on drugs. The British argue that Samper's Colombia is a perfect model of "democracy."

This time around, London showed its preferences by financing the phony “peace” referendum. The propaganda line, echoed worldwide by its non-governmental organizations (NGOs) and United Nations apparatus, is that “since” the FARC and ELN can’t be defeated, they must be invited into the government to share power.

British Foreign Office Minister Tony Lloyd announced his government’s financial support for the referendum when he visited Colombia in mid-September. “The greatest challenge that this country faces is the need to develop a peace process,” he pontificated, offering whatever aid was needed, from Britain and other European nations, to “put an end to one of the longest-running internal conflicts on this planet.”

The reader should take note of Lloyd’s characterization of the FARC and ELN spree of violence as merely an “internal conflict”—no references to narco-terrorism here.

### **Yes, Virginia, there is ‘narco-terrorism’**

The Clinton administration, however, is taking an increasingly sharp position against the FARC and the ELN, and has begun to officially characterize them as *narco-guerrillas*—i.e., not wide-eyed political idealists, as London would have it, but rather as drug-runners parading around as a so-called political movement.

This is not a semantic issue. It is a long-standing, and crucial, policy debate in Washington. Partisans of London’s strategy of appeasement, including the bankers’ lobby, the Inter-American Dialogue, and Anglophile elements in the U.S. State Department, insist that there is no proof that the FARC and ELN are involved in drug-running in more than an anecdotal way. “Narco-terrorism,” they argue, doesn’t exist: There are narcos, and there are terrorists, but never the twain shall meet.

On the other side of the divide are those in Washington who say that the FARC and ELN terrorists are fully involved in the drug trade, that they are actually a full-fledged Third Cartel. That view is leading some in the Clinton administration toward two policy conclusions which London finds abhorrent: that U.S. military and other aid being given to Colombia to fight drugs, can also be legitimately used for fighting the FARC and ELN *narco-terrorists*; and, that no power-sharing deals with the FARC and ELN are acceptable, including Samper’s London-sponsored plan under the just-approved “Peace Mandate” plebiscite.

During a recent trip to Bogotá, U.S. National Drug Policy Adviser Gen. Barry McCaffrey (ret.) repeatedly referred to the FARC and ELN as “narco-guerrillas,” and underscored their links to the cartels. In a major policy speech to Colombia’s Army War College on Oct. 22, McCaffrey stated unequivocally:

“With the unholy alliance between the cocaine industry and the revolutionary guerrilla movement, the drug-trafficker threat to Colombian civil democratic society has again ratch-

eted upwards. We are now convinced that the majority of the FARC and a significant faction of the ELN participate in and benefit from drug trafficking. The cocaine trade appears to be pumping about \$60 million per year into the coffers of these revolutionary/criminal enterprises. Revolutionary groups control the territory where drugs are grown and manufactured; tax and protect the growing, production, and drug-trafficking infrastructures; and benefit greatly from the export of these deadly chemicals. It is no accident that the 32% increase in coca cultivation that took place in Colombia last year was concentrated almost entirely in guerrilla-controlled territory.

“The melding of revolution and international criminal organizations has created an unprecedented threat to democracy, the rule of law, and the very fabric of society.”

Nowhere was this seen more clearly than in the run-up to the elections.

### **London-style ‘democracy’**

In the weeks leading up to the Oct. 26 vote, the FARC and ELN had increasingly dominated political life in the country. According to official estimates of the National Electoral Commission, 130 municipalities were forced to suspend elections due to a lack of candidates, who had been forced to resign under the threats of the FARC and ELN. At least 1,500 mayoral, town council, and departmental assembly candidates had abandoned their bids for office, the commission added, out of fear the FARC could carry out their death threats. The actual figure could be much higher. Dozens of sitting mayors were also forced to resign, under threat of death.

Those 130 represent about 13% of the nation’s thousand-plus municipalities, and the majority of them are in the departments of Huila, Putumayo, Caquetá, Bolívar, and Antioquia, regions which the narc-FARC defined one year ago as its targets for sabotaging the elections. One of the candidates who resigned told *EIR*, “Since the other candidates resigned, I wasn’t going to remain as a candidate only to be turned into cannon fodder,” a sentiment that was expressed by several candidates. This scenario even affected rural areas surrounding Bogotá, the capital of the country. All the town council candidates in Sumapaz, for example, resigned because of FARC threats.

But there have been more than just threats. In the past three months, there have been at least 100 dynamite attacks against the political offices of different candidates, and virtually daily the FARC or its ELN allies have assaulted a military or police patrol. On Oct. 2, the FARC nearly assassinated Armed Forces Commander Gen. Manuel José Bonnet, and First Army Division Commander Gen. Iván Ramírez Quintero. The attack was carried out using anti-personnel mines activated electronically, with very sophisticated logistical and intelligence coordination.

As destructive as the violence and threats themselves,

has been the blatant inaction, or rather, the complicity of the Samper narco-Presidency, with these narco-terrorists. The only “security” proposal coming from President Samper was that the candidates should take refuge in the nearest military barracks—and conduct their campaigns by Internet—until the elections were over!

The government’s actual responsibility should be to mobilize the population to actively support the Armed Forces in confronting the narco-terrorist threat and dismantling the

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*The government’s actual responsibility should be to mobilize the population to actively support the Armed Forces in confronting the narco-terrorist threat and dismantling the FARC-ELN. But Samper has refused to do this, because he was installed in power by the Cali narcotics cartel, an ally of the FARC-ELN narco-terrorists.*

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FARC-ELN. But Samper has refused to do this, because he was installed in power by the Cali narcotics cartel, an ally of the FARC-ELN narco-terrorists.

Thus, the few military offensives against the narco-terrorists that did occur, were conceived by Samper as a mere pressure tactic, to force the FARC and ELN to negotiate with his government. In the words of Samper, during an interview with *Newsweek* magazine: “We aren’t winning the war. What I am proposing is keeping up the military pressure while simultaneously opening up peace options that can bring the guerrilla to the negotiating table. We are prepared to establish a demilitarized zone, to eliminate the arrest warrants against the main leaders, and to create free-access corridors through which they can enter and leave the areas under their control, without being threatened.”

In the meanwhile, of course, Samper is doing everything in his power to fulfill his deals with the Cali Cartel bosses. His “pocket prosecutor,” Alfonso Gómez Méndez, dissolved the “faceless prosecutors” commission, which was investigating drug-money infiltration of the 1994 electoral campaigns (Samper was elected President in 1994), and which had already gathered evidence of drug traffickers’ contributions to Samper’s Presidential campaign. The general prosecutor’s office has also begun to grant unconditional releases to some of the major drug traffickers and their front-men, including Iván Urdinola Grajales, Eduardo Mestre Sarmiento, and Alberto Giraldo López. At the same time, the Samper govern-

ment has managed to fend off pressures from the United States for the reactivation—with retroactivity—of the Colombia-U.S. extradition treaty, arguing that the narco-dominated Colombian Congress “democratically” decided not to approve the bill.

With every new terrorist act by the FARC and ELN, the government’s response has been to offer dialogue, seats in the Congress without need for election, participation in so-called “Peace Councils,” and surrender of entire chunks of national territory to the narco-terrorists.

With the “Peace Mandate” now voted up, what can be expected to happen? For the UN and its NGOs, it will mean that Colombians will have to accept all the conditions imposed on them by the FARC and ELN, for the fulfillment of this so-called “peace.” Not surprisingly, the United Nations apparatus did not utter a peep about the FARC’s terror campaign against the elections, in which the only candidates who were *not* threatened were those who directly or indirectly represent the FARC, or who have struck deals with them. The United Nations has instead constantly pressured Colombian society to negotiate with the narco-terrorists. Almudena Mazzaraza, the UN representative in Colombia assigned to oversee “human rights” matters, has repeated endlessly, after each new terrorist attack, that the only thing one can do is seek “a negotiated solution.”

### **Bedoya: Not your usual candidate**

Notwithstanding the nauseating propaganda of the UN, the Samper government, and the non-governmental organizations in favor of “peace,” the only Presidential candidate who has refused to support the so-called “plebiscite for peace” is daily increasing his percentage of support in national opinion polls, for the May 1998 elections. He is Gen. Harold Bedoya (ret.). According to some of the polls, in fact, if the Presidential elections were held today, Bedoya would garner 20% and take second place behind Samper’s hand-picked candidate, former Interior Minister Horacio Serpa Uribe. Other polls place Bedoya at between 10% and 15%.

Significantly, these same pollsters a month ago gave him less than 5% of the vote.

Colombia’s political class is wracking its brains trying to explain this phenomenon. According to the country’s political elites, the original enthusiasm for Bedoya, following his recent forced retirement from the post of Armed Forces Commander, should have dissipated by now, leaving the feisty general eventually forgotten by the Colombian public. But this has not occurred.

The explanation is very simple: The nation does not want to unconditionally surrender to the narco-terrorists; nor does it want to end up a nation occupied by UN “peace-keeping troops,” as in the case of El Salvador and elsewhere; nor is it willing to disintegrate because of a lack of a legitimate authority prepared to fight for the unity and integrity of the nation.

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## Reviews

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# Worms and swastikas: Hollywood loves Tibet

by Mary Burdman

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### **Seven Years in Tibet**

Motion picture by Mandalay Entertainment,  
directed by Jean-Jacques Annaud

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Hollywood has adopted various causes in its time: One of the earliest was the trials and tribulations of the Ku Klux Klan, in "The Birth of a Nation." The current craze is Tinseltown's version of Tibet. "Seven Years in Tibet" is only one of a series of Hollywood fantasies attempting to enlist the American population in a campaign to hate the nation of China, and to support a fantasy version of Tibet, depicted in movies starring filthy-rich Hollywood actors and actresses, whose only knowledge of Tibet is the Rolex-sporting, world-travelling Dalai Lama.

Since the makers and stars of "Seven Years in Tibet" have never been there (the film was shot in Argentina), they feel free to eulogize what was a primitive, filth- and devil-ridden culture, ruled by a death cult. Tibetan lamaism, a degenerate form of Buddhism with undertones of shamanism, is dominated by practitioners of Tantric occultism. The "higher" varieties of lamas engaged in various practices all aimed at mental masturbation as a path to "enlightenment" — which is nothing more than a preparation for death. Lamas regularly used bowls made of human skulls and "musical instruments" made of human thigh bones in religious rituals; Tibetan art is full of "fierce deities" in the throes of death-dances, wearing necklaces and belts of human skulls, or in orgiastic embraces with their hideous female counterparts, similarly adorned.

No wonder Hollywood is fascinated. The question is, whether more sensible members of the American public will follow along.

### **The Nazis and Tibet**

Then, there is the Nazi problem. This movie stars blonde bombshell Brad Pitt, Hollywood's current "hottest property," as Heinrich Harrer, an Austrian mountaineer who escaped a British POW camp in eastern India in 1944, fled over the Himalayas into Tibet with a single companion, and made his

way to Lhasa. There, Harrer eventually met the young Dalai Lama and taught him about the outside world, before fleeing Tibet in 1951, as the People's Liberation Army entered Lhasa. Harrer had been captured as part of a German-Austrian expedition to climb the mountain Nanga Parbat in Kashmir in 1939.

Early parts of the movie had to be re-written, when it emerged, earlier this year, who Harrer really was. Austrian journalist Gerald Lehner, who has written on conditions in his country in the 1920s and 1930s, revealed all. Knowing that Harrer became a Nazi hero after he and three others climbed the Eiger Mountain, Lehner dug deeper. Besides the picture of Harrer and others flanking Adolf Hitler in July 1938, the Nazi propaganda ministry published a book on the climb, quoting Harrer: "It is an inestimable reward for us to see the Führer and be able to speak to him." Hitler began life, after all, as an Austrian degenerate.

Lehner travelled to the U.S. National Archive to discover Harrer's marriage application, on which Harrer wrote that he had been a member of the SA—the Nazi Stormtroopers, which were active, though banned, in Austria—since 1933, long before the *Anschluss* in 1938, when he joined the SS. Harrer barely admits that he was a member of the SS, but did acknowledge his own handwriting on the marriage document.

Director Jean-Jacques Annaud was recently interviewed on television asking why Harrer should be condemned for doing "what everyone in Europe was doing at the time." It was hardly the case that "everyone" in Germany or Austria, or anywhere else in Europe, joined fascist movements in 1933. Annaud would do better to speak for himself.

But the real issue here is not the details of Harrer's own life. It was no accident that a Nazi would end up in Tibet: Since the last century, Tibet has been an obsession of Western occultism, from its British imperial form to its Nazi manifestation.

Halford Mackinder of the London School of Economics, who founded British imperial "geopolitics" at the turn of this century, and his German follower Prof. Karl Haushofer, were fixated on the geopolitical "importance" of Tibet. Haushofer visited the Himalayas in the company of Lord Kitchener, a Viceroy of the British Raj in India, and Tibet. He was also profoundly influenced by the Russian geopolitical mystic Gurdjieff. Haushofer was a mystic of the Thule Society, the cult of the "Aryan" myth and breeding ground of the Nazi Party, which adopted myths of a super race hidden in Tibet, from Madame Blavatsky's Theosophists.

### **The great worm rescue**

So, how does Hollywood deal with all this? Brad Pitt, sporting a lisp as an attempt at a German accent (which he, fortunately, forgets as the movie progresses), portrays Harrer as a troubled young man with a serious attitude problem—with the only advantage that he, supposedly, has as much of a negative attitude to Nazi authority as to any other.



*The use of torture under the feudal system in Tibet, was routine. Clockwise from upper left: A serf who lost his arm through torture; a serf who had his eyes gouged out; a serf child left alone to die; ritual instruments made of hands and arms chopped off from serfs.*

This “attitude” enables him, with one other companion, to escape the British and make his way into Tibet. After a few brushes with the nastier realities of Tibetan life, Harrer and friend enter the city of Lhasa, and leave all their troubles behind. Here, he is befriended by the local nobility, and eventually is introduced to the young Dalai Lama, whom he fills in on the great world (Dialogue: “I want you to build me a movie theater”; and, “Tell me, what is an elevator?”).

The first request leads to the highlight of the movie: the great worm rescue. On complying with his youthful holiness’s request to be able to see movies, Harrer/Pitt began construction on a small theater. Digging the foundation led to a problem, apparently not encountered before: the worms in the dirt. Perhaps had Harrer not had such an attitude, the worms would all have courteously vacated the area. As it is, the Tibetan workers would not continue to dig for him, because, as one official explains, “These worms could all be your mother, and we cannot kill them.” Fathers, one must presume, manage to find themselves other futures. Lamas come to the rescue, and each worm is lovingly taken away, to be re-buried where they are safe from the Dalai’s building plans.

Meanwhile, Harrer’s attitude is also undergoing changes, as he encounters Tibetan life. He loses the girl, despite displaying his scrapbook of his mountaineering achievements, which somehow survived two years in the Himalayan wilderness, and finally walks off into the sunset, to recover his son, born in Austria after Harrer was already incarcerated in the Indian POW camp.

The message: He stepped into “paradise,” only to lose it again. Pitt and friend repeatedly compare China to the Nazis; all Chinese in the movie, representing either the earlier Republic of China or the succeeding People’s Republic, are nasty, underhanded, and slitty-eyed. The first set bribe and spy; the second set stomp and shoot. In one scene, where representatives of the PLA fly into Lhasa to attempt to negotiate with the Tibetans, they are greeted by Tibetan defenses: melting yak-butter models of Tibetan gods, twirling lamas, bleating horns, and droning monks. Any person from a civilized nation, would have thought he had walked into a madhouse.

Hollywood might find this heaven on earth, but one hopes the rest of the United States can rise above the appeal of worms and yak-butter.

# Pressure on Uganda's Museveni for peace

by Linda de Hoyos

In a reversal of policy, Ugandan President Yoweri Museveni stated in a press conference on Oct. 28 that his government will soon present a bill to parliament for the granting of amnesty to all the leaders and members of the Lord's Resistance Army (LRA) of Joseph Kony. Speaking to reporters, Museveni further made clear that he was taking this step against his will; heretofore, Museveni's policy has been a war of annihilation against the LRA.

"I am under a lot of pressure from those who want an easy way out. I can consider including the whole gang, but because of the pressure, and not because I support it myself," Museveni said, adding: "I don't want to appear an obstacle to the wisdom of so many people."

The LRA and Museveni's National Resistance Army (now the Ugandan Popular Defense Forces) have been battling for 11 years in northern Uganda, with little effect except the decimation of the region's productive capacity and the lives of its people. The opposition national Democratic Party in July issued a report stating that up to 300,000 northern Ugandans had died in the 11 years of war, or nearly half the population of the Acholi group inhabiting the war districts of Gulu and Kitgum.

The announcement of the Ugandan government's shift from its previous no-talk/no-amnesty stance comes at the same time that the government of Sudan and the Sudanese People's Liberation Army (SPLA) began closed-door negotiations in Nairobi, Kenya, to end the 14-year war in southern Sudan. In those talks, held under the auspices of the Inter-Governmental Authority for Development, comprised of seven nations of East Africa, the SPLA delegation is led by Commander Salva Kiir, the SPLA's chief of staff, and the Sudan side is led by Foreign Minister Ali Osman Mohammad Taha.

The success of a peace process on both sides of the Sudan-Uganda border is crucial to avert a total war in the region, a policy advanced by the Christian Solidarity International of Caroline Cox, deputy speaker of the British House of Lords, and various British sublets in the United States led by Roger Winter, director of the U.S. Committee for Refugees. Such a war, Winter blithely admitted at a Washington conference on Sept. 17, would cause a "humanitarian catastrophe"—that is, bringing to northeast Africa the London-instigated holocaust the world has already witnessed in Rwanda and eastern Zaire.

## The Ugandan people want peace

Pressure to change is increasing on Museveni from all over Uganda, from all opposition leaders, from the entire parliamentary delegation from northern Uganda, and from church leaders.

On Sunday, Nov. 2, Catholic prelate Emmanuel Cardinal Wamala will be leading an inter-denominational peace march through Kampala with the leaders of all of the churches of the country. The march is being directed at the government, calling upon Museveni to negotiate with the LRA and the western insurgency, the Alliance for Democratic Forces. In mid-September, Ugandan church leaders meeting at a conference on the conflicts in the country, had called upon Museveni to take responsibility as head of state to bring about a peace process for northern Uganda.

In endorsing the Sunday peace walk, the *Monitor* newspaper of Kampala editorialized: "Guns are smoking; people are crying, running and dying across almost half the country, in Kasese, Acholi, West Nile, the blood of the innocent is flowing and crying out. . . . The people want peace."

Resolutions have also been coming from opposition parties, including the Ugandan Peoples Congress, which in late October called upon the government to end the war, and address the economic destruction of the northern districts.

Pressure has also come from the military. Maj. Gen. David Timyefunze, a long-standing political ally of Museveni, opted to retire rather than prosecute the war in the north any further, calling upon the government to end it through dialogue.

Museveni also indicated that he is under pressure from outside the country, particularly from Washington. At his press conference, Museveni referenced a report by Robert Gersony of the U.S. Agency for International Development written this year. The Gersony report, entitled "The Anguish of Northern Uganda," documents in detail the toll that the war has taken upon the Acholi population, including the current policy by which up to 200,000 Acholi farmers have been rounded up and placed in "protective villages." The farmers and their families, uprooted from the farms and their means of survival, are undernourished and easy prey for disease. Further, Gersony notes, the peasants are arrayed around the military barracks—acting as a human shield for the military, rather than the other way around.

Gersony notes also that many of the northern Ugandans he interviewed, stated their belief that "international attention to the conflict itself and to its human rights violations would increase the chances of a durable solution."

In its recommendations, the AID report calls upon the government to take responsibility to bring the war to an end peacefully. Said Museveni on Oct. 29 on the report, in protest against his own change of policy, "I don't agree with Gersony that our strategy [of military confrontation] is not working." Nevertheless, a step toward a meaningful peace process has taken place.

# International Intelligence

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## ***Blair's Kashmir policy in Mountbatten tradition***

A spokesman for Queen Elizabeth confirmed to *EIR* on Oct. 24, that she supported the statements of Foreign Secretary Robin Cook stating his readiness to "mediate" the disputed status of Kashmir between India and Pakistan, which he uttered just before she travelled to both countries on the occasion of the 50th anniversary of their independence. Further, the Palace spokesman confirmed that Cook's repeated offers of British meddling in Kashmir were a continuation of the policies of Lord Louis Mountbatten, the last Viceroy of India. "The Queen has been entirely satisfied with the advice of the foreign secretary during her trip," said the spokesman.

Mountbatten, as Viceroy of India under George VI, had originally arranged for the bloody partition of the subcontinent into India and Pakistan. In order to create permanent instability between the two countries, Mountbatten left Kashmir's status unresolved, playing on the fact that Kashmir's Hindu royal family chose to join India, while its predominantly Muslim population wished to join Pakistan. It was also Mountbatten who arranged for the Dalai Lama, when he and his feudal theocracy were ousted from Tibet by China, to establish a headquarters in India, which has been a source of tension between India and China.

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## ***UN splits vote for more sanctions against Iraq***

At a vote taken on Oct. 24 in the United Nations Security Council, threatening Iraq with further sanctions in case of "repeated violations" of UN resolutions, Russia, China, France, Egypt, and Kenya broke ranks, and abstained. This is the first time since 1990, that such a break in the anti-Iraq front has been manifest.

The resolution, No. 1134, which passed with 10 votes, would prevent "all Iraqi officials and members of the Armed Forces" from moving outside the country. It also includes a paragraph which says that the Secu-

riety Council can draw up a list of which persons would be involved. This is one of the items the Russians reacted to most strongly. Given the threat by Russia, as a permanent member of the Security Council, to use its veto, the United States and Britain did not press for immediate sanctions, but for their implementation on April 12, 1998.

The inspiration for the resolution is British, leading British Ambassador John Weston to fume: "For certain countries, oil seems to be more valuable than blood." Weston abandoned the hall, when the French delegate rose to speak.

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## ***Iran presses to end Afghan civil war***

Iran's special envoy on Afghanistan, Alaeddin Boroujerdi, held a press conference in New Delhi, India on Oct. 16, where he acknowledged that "Iran has held talks with the officials" of Pakistan's Inter-Services Intelligence (ISI) regarding the Taliban in Afghanistan. Boroujerdi held the press conference following meetings with Indian Prime Minister I.K. Gujral and Foreign Secretary K. Raghunath. Iran has also had direct contacts with Taliban leaders, he said, in "Teheran, Afghanistan, and Pakistan." Boroujerdi expressed optimism that Pakistan would support efforts toward a political solution to Afghanistan's war, saying, "If I was not optimistic about this, I would not have mentioned it."

The Indian daily *The Hindu* pointed out that the revelation that Iran had talked with the ISI is important, because the ISI could shift the situation in Afghanistan. "While the Pakistani government may not be averse to unhinging itself from the Afghan civil war, the other two legs of the power triad in Islamabad, the army and the ISI, have so far been ardent supporters" of Taliban, the paper said.

Boroujerdi also reported on his talks with Uzbekistan President Islam Karimov. He said that Tashkent had proposed the creation of a new contact group of countries in the region. Referring to his visit to Uzbekistan and Russia, he said the regional countries agreed with efforts made by the UN

and the Organization of Islamic Conference (OIC), to end the war. Boroujerdi told the Iranian press, that his views and those of the Indian government leaders he had met, were strikingly similar. Indian Foreign Minister Raghunath reportedly praised Iran's efforts, and expressed India's willingness to support a peace initiative for Afghanistan.

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## ***London's 'dogs of war' make millions in Africa***

The *Sunday Times* of London on Oct. 27 detailed the role of the mercenary army from Defence Systems Ltd., in supplying more than 1,000 well-paid soldiers to the Angolan government, to wage the civil war against Jonas Savimbi's UNITA, and to back up Gen. Sassou Nguesso's recent takeover of nearby Congo Brazzaville. The *Times* wrote: "The so-called dogs of war, many of whom have earned a tax-free £100,000 or more in the last year, are critical to the fortunes of the rival factions . . . in Angola's 'wild east,' where the diamonds are concentrated. Among the most highly prized soldiers are the former SAS men."

"We are engaged in corporate colonialism," one DSL manager told the *Times*. The article singled out Richard Bethell, son of Lord Nicholas Bethell, as the DSL man in charge of the mercenary operations in Angola, working with another former Special Air Services man, Peter Williams. One DSL mercenary, who had conducted SAS covert operations in Northern Ireland and Bosnia, before "retiring" to join DSL, commented cynically, "These people cannot seem to get enough of war, but it doesn't bother us. The more trouble there is, the more money we make."

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## ***Arco sets Australian mining town on edge***

The central Queensland town of Emerald is on a knife-edge, following the revelations that mining giant Arco, the Australian subsidiary of Atlantic Richfield Co., has brought in up to 70 armed security officers, ostensibly to protect its Gordonstone coal



**UGANDAN** President Yoweri Museveni's tax collection administration is reportedly run almost entirely by Pentecostals, according to Germany's SAT-1 TV network, on Oct. 24. Almost half of the employees are Pentecostals, who justify the fact that tax receipts have soared in impoverished Uganda by 500%, by intoning their gospel about "rendering unto Caesar."

**DOW JONES'S** *Far Eastern Economic Review* continues to cover for the Khmer Rouge genocide of the 1970s with an exclusive interview with Pol Pot. Interviewer Nate Thayer seeks to exonerate Gen. Ta Mok ("The Butcher") and KR political leader Khieu Samphan, who say they will turn Pol Pot over to an international tribunal on one condition: that Cambodia's Second Prime Minister Hun Sen be put on trial for foiling their attempted coup with Prince Ranariddh last July.

**CITIZENS ELECTORAL** Council candidates Craig Isherwood and Robert Barwick launched their campaigns for the Australian Senate from the state of Victoria on Oct. 13, with a press release blasting Victoria Prime Minister Jeff Kennett's health care "reforms" as "a Nazi crime against humanity." CEC, co-thinkers of Lyndon LaRouche in Australia, is also running its chairman, Maurice Hetherington, for the Federal Senate from Queensland in the 1998 elections.

**TORY MEMBERS** of the British Parliament attended a two-day "bonding" session on Oct. 21-22, organized by the new party leader, William Hague. Participants in the touchy-feely sessions were advised to take a page from the late Princess Diana and Labour's Tony Blair, who had "mass appeal because the public felt they were in touch with their emotions."

**RESIDENTS** of Ardatov, in the Russian region of Nizhnii Novgorod, are circulating a petition, protesting against plans to establish a special prison colony for convicts with the HIV virus, Radio Free Europe reports.

mine. This follows Arco's decision to close down the mine, sack more than 300 unionized employees, and reopen it with only non-union labor. The Gordonstone employees represented 10% of Emerald's workforce.

Arco claimed it hired the extra security, because one unionist had blurted out that he would "blow up the bridges first," if the company reopened the mine with non-union workers. The man admitted the outburst, but said it was just that, made during a heated meeting between miners and management.

The miners charge that Arco security are carrying concealed handguns loaded with 9mm Hydra-Shok rounds, reportedly the most deadly small arms ammunition legally available. As well, an ex-SAS source says that some of the imported officers have extremely sophisticated training, and include U.S. Green Berets. On Oct. 21, the secretary of the Queensland Police Union, Merv Bainbridge, claimed that the Arco security guards were associated with a British mercenary operation, Sandline International.

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## ***Politiken: LaRouche is a top anti-ecologist***

The Copenhagen daily *Politiken* identified Lyndon LaRouche, his wife Helga Zepp LaRouche, and associate Rogelio Maduro as leading personalities in the increasing opposition to environmentalism. The identification appears in an Oct. 21 article on the local resistance against plans cooked up by the European Union and Prince Philip's World Wide Fund for Nature, to turn Denmark's North Sea coastline into a protected nature park.

In an accompanying article, headlined "On the Road to an Anti-Movement," author Lars Thomas writes: "Other important backing comes from the ultra-right-wing [sic] politician Lyndon LaRouche, who sees environmentalists as terrorists and environmental problems as invented scare stories. In an interview in the magazine *EIR*, he has called organizations like Greenpeace 'madmen who are determined to . . . destroy industrial society.' Together with his wife,

LaRouche runs the economic and cultural Schiller Institute, which has a large section in Copenhagen. They are working here for the implementation of a new world economic order, in which increased growth and more technology is the way forward."

Thomas, while failing to mention that Maduro is a close associate of LaRouche's, nonetheless writes: "In the U.S., the initiator of the campaign against the Biodiversity Treaty, journalist Roger Maduro, claimed that the U.S. population would end up being ruled by the UN, if the government ratified the treaty."

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## ***New Polish government is old, foul compromise***

In its first plenary session after the Sept. 21 elections, Poland's newly elected national parliament, the Sejm, was presented with AWS (Solidarity) nominee for prime minister, Jerzy Buzek, who had been given the mandate to form a cabinet by President Aleksander Kwasniewski. The full list of cabinet members has not yet been prepared, but it seems that AWS has been forced to make major concessions to its minor coalition partner, Freedom Union (UW), headed by the International Monetary Fund's darling, former Finance Minister Leszek Balcerowicz, who expected to become finance minister, again, and as well as Buzek's vice premier.

Candidates for foreign minister and justice minister are reported to be, respectively, Bronislaw Geremek, and former Prime Minister Hanna Suchocka (who also has a record of being a pro-IMF "reformer"), both of the UW. If the Defense Ministry is handed to UW as well, all cabinet posts dealing with international relations will be in the hands of the Thatcherite liberals.

AWS is expected to get the portfolios that will carry out deregulation and budget-cutting, such as labor, social welfare, health, and agriculture. Given the explosive nature of enforcing even worse austerity, there are already signs of profound discontent within AWS over the way the new government coalition was formed.

## London deploys jacobins, greenies to shatter Brazil

by Lorenzo Carrasco and Nilder Costa

Never in its history as a nation has Brazil confronted the kind of threat to its territorial integrity which today looms in its immediate future. The source of the danger is the plans of the London-led international financial oligarchy to turn the country into a mere raw materials supplier, especially of minerals, through the balkanization of its rich land. This includes the destruction of its advanced industry and agriculture; the dismantling of its Armed Forces, considered today the major obstacle to British plans; and genocide against its population of 160 million, especially those of Afro-Brazilian descent.

The deliberate destruction of the economy and of the nation-state, under the oversight of the International Monetary Fund (IMF) and its globalization policies, is already producing social chaos which threatens to erupt into civil war, a condition which the British oligarchy is encouraging by deploying organized hordes to eliminate all resistance to this strategy. The most effective instrument being wielded to this end, is the so-called Landless Movement (MST), a violent, fundamentalist organization created by the Theology of Liberation and closely tied to the Church of England, through Christian Aid and the World Council of Churches (see article in this package).

The MST—which were better dubbed the “Mindless Movement”—is part of an irrationalist international pro-terrorist apparatus centered around the so-called São Paulo Forum, created by Fidel Castro in 1990. In addition to the MST, London is deploying a vast network of UN non-governmental organizations (NGOs) against Brazil, the majority of them led by the World Wide Fund For Nature (WWF) of Prince Philip. On the pretext of defending human rights and/or the environment, Philip et al. have forged an irregular jacobin army of recycled activists from the pro-terrorist movement of the 1960s, who are promiscuously entwined with the worst

trash of the New Age rock-drug-sex counterculture, in explicit defiance of any notion of moral authority, reason, or the nation-state.

In the Aug. 22, 1997 *EIR*, we detailed the plans of London’s “invisible” empire to dismantle Brazil, as the central target of its strategy to “Africanize” Ibero-America as a whole. Here, we detail how the British oligarchy is deploying its international environmentalist and human rights apparatus, together with the MST, to: 1) make the future implementation of great infrastructure projects, especially electrical energy and transportation projects, absolutely unfeasible, while attacking the infrastructure that exists; and 2) destroy the unique scientific-technological capability of the region, which *EIR* has dubbed the “productive axis” of South America, without which the continent cannot save itself from the economic disintegration which the IMF is imposing.

This productive axis includes the southern portion of Brazil, and extends through Uruguay to the northern part of Argentina (see **Figure 1**). In Argentina, it includes the provinces of Buenos Aires, Santa Fé, Córdoba, and Entre Ríos; and in Brazil, those of Rio Grande do Sul, Santa Catarina, Paraná, São Paulo, Rio de Janeiro, and Espírito Santo. This region has the highest economic density of the continent—that is, the greatest concentration of skilled labor and advanced capital, which make rapid rates of growth of the productive powers of labor a real possibility.

For example, although this region accounts for only 12% of the total land area of Ibero-America, it contains 36% of its population, 39% of its electrical energy production, and 44% of its manufacturing output. This translates into densities of physical-economic activity which are significantly higher than the averages for the continent: Electricity production is nearly five times more dense (per square kilometer), and

manufactures nearly six times more dense. This means the region has the potential to be the locomotive which drives the development of the physical economy of all South America.

The productive axis also comprises the continent's most advanced capabilities of scientific and technological research. Both Argentina and Brazil have achieved significant advances in nuclear energy, aerospace, and in other areas of research and development fundamental to a modern economy, which has translated into an important degree of development of the decisive machine-tool sector, especially in Brazil.

It is this scientific-technological capability, more than anything else, which London is determined to destroy.

### **British geopolitics in the La Plata basin**

In the last century, British geopolitics in Europe was based on sabotaging, at all cost, the development of a Eurasian economic corridor, in the full knowledge that bringing economic development to the interior of the Eurasian landmass—on the model of the American system of economics, as opposed to the British system of free trade—would reduce the British Empire to a second-class power. Similarly, the British imperialists based their policies in Ibero-America on preventing the nations there from following the American example of industrializing the interior. To this end, the British pursued policies of controlling the mouths of all the continent's great rivers, encouraging the balkanization of Ibero-America, and maintaining Brazil as a giant slave plantation (Brazil was one of the last countries in the world to ban slavery, doing so only at the very end of the 19th century).

In the mid-19th century, London organized a scorched-earth war against the then-highly developed nation of Paraguay, led by the so-called Triple Alliance (Argentina-Brazil-Uruguay), which was controlled by the British Foreign Office. That war achieved the desired effect of suffocating, down to the present time, the development of what is potentially the economically richest region of the entire continent. We are referring to the area defined by the Paraná and Paraguay river basins (see Figure 1), which includes rich agricultural regions in Argentina, Uruguay, Brazil, and Paraguay, and which, properly conceived, could bring about the agro-industrial development of the entire region, including Bolivia and the interior of all South America.

The result of the sabotage by the British and their collaborators in South America is today visible everywhere: Six different rail gauges are used for the continent's railways, making their link-up next to impossible; transcontinental transportation systems are lacking; electrical energy is generated with different cycles per second in neighboring countries; and regional and border disputes are deliberately fostered, which have kept the countries of Ibero-America at each others' throats. During this century, the British have kept up the same geopolitical games that served them so well in the last century.

### **The 'Great Waterway'**

The Paraná River and its tributaries represent the principal natural line of penetration into South America, starting from the Rio de la Plata estuary. The Paraná River system includes the region of the Cerrado (near no. 7 on Figure 1), a strategic, virtually unexplored region of 2 million square kilometers, in which a number of the major river systems of the continent (the Amazon, Paraguay, San Francisco, and Paranaíba) originate. According to Norman Borlaug, the author of the "Green Revolution" in agriculture, the Cerrado region, which contains 150 million fertile hectares to be exploited and with no shortage of water, could be one of the world's most important breadbaskets in the 21st century.

There is a long-standing proposal to open up this area to development by establishing an integrated waterway on the Paraná and Paraguay rivers. In fact, the Paraná-Paraguay waterway is merely one component of a century-old, even more ambitious project, which is known as the "Great Waterway." The latter would join the basins of the Orinoco, Amazon, and La Plata rivers, and would integrate all the countries of South America (with the exception of Chile) in a river network 9,818 kilometers long. This project would facilitate the development of the vast interior of the continent.

The strategic significance of the economic development and population this would bring to the interior of the continent, is comparable to that of the Rhine-Danube waterway in Europe envisioned by Charlemagne, but only recently completed.

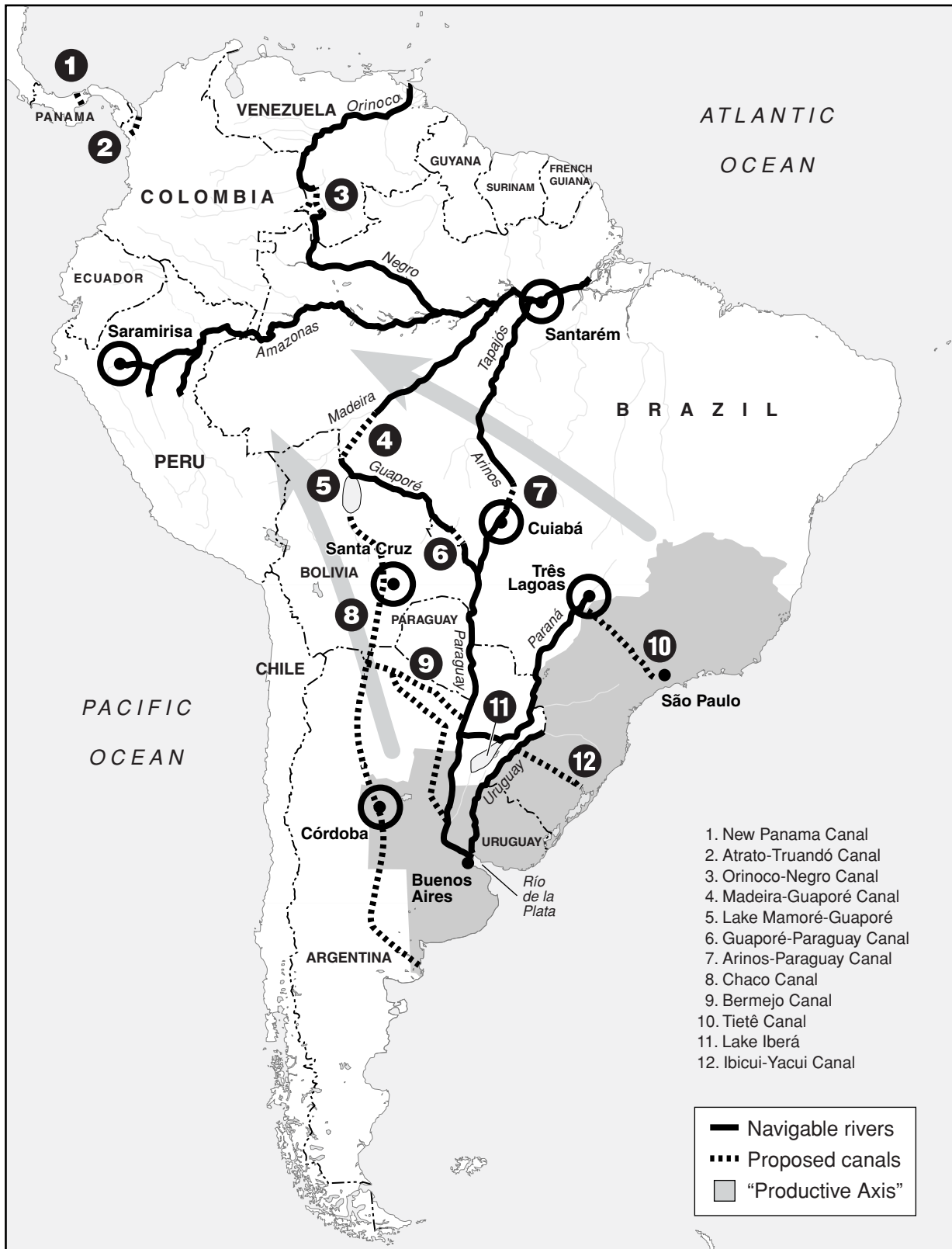
The Great Waterway was first envisioned by the German scientist Alexander von Humboldt, who stated, following his 1800-1804 trip to South America, that "skirting the Guaporé waterfalls with a canal . . . would open up a line of interior navigation from Buenos Aires to Angostura" (see no. 4, Figure 1). This vision was complemented by another German scientist, Von Martius, who wrote in his 1818 book, *Travels through Brazil*, that "when people occupy the fertile regions of the Madeira River, they will not lack the means to circumvent the waterfalls through adequate canals, and then, to open up that territory to a brilliant future in commerce."

### **A British triple offensive**

There are two critical bottlenecks in this proposed Great Waterway: the linkage of the Orinoco with the Amazon system; and, the linkage of the Amazon with the de la Plata system. These key points, of course, have received the particular attention of the British "invisible" empire, especially through Prince Philip's WWF. Only from this standpoint can one understand the significance of three seemingly unrelated political developments over recent years:

- the imposition of the Yanomami Indian reserve along the Brazilian border with Venezuela in the early 1990s;
- the environmentalist campaign beginning in the mid-1990s, to create the Pantanal Park in the wetlands surrounding the upper reaches of the Paraguay River; and
- the MST's plans today to create what it calls "The Pon-

FIGURE 1  
**South America: great water projects**



## The Great Waterway

*The following description of the Great Waterway project was written by Prof. Vasco Azevedo Neto, professor emeritus at the Federal University of Bahia, Brazil. He was a federal deputy for three terms. As a railroad engineer of international renown, Professor Azevedo has defended great infrastructure projects as fundamental to the integration of Ibero-America, and is the author of the concept of “lines of least resistance,” as the preferred parameter for defining railroad and highway routes.*

Of the 9,818 kilometers of the Great Waterway, 1,650 km are located in the Orinoco Basin, 4,333 km in the Amazon Basin, and 3,370 km in the La Plata Basin.

The connection between the Orinoco and the Amazon (235 km) should be constructed in the Casiquiare, through the Pato-Cabarua Canal, which would not only shorten the distance, but would also avoid the rapids and other obstacles to the canal along other proposed routes. The Amazon-Plata connection (230 km: 140 km in the Amazon and 90 km in the Plata) is situated between the navigable extremes of the Guaporé and Jaru rivers. The only dry

stretch of the Great Waterway, some 3 km long, is found in this link, where the watershed is 330 meters high, which should be lowered by only 10 meters.

Apart from these two connections, the Great Waterway is broken at Antunes and Maipures, where there is a drop of 31 meters; and in the Tapuraquara and São Gabriel rapids (49 km long and a drop of 72 meters). All of these drops and waterfalls offer multiple potential advantages.

Although navigable, corrections and improvements will be needed in the following stretches: Cocuy-São Gabriel (250 km); Mamore-Guaporé (1,380 km); and in the Jaru River, 100 km more between Porto Esperidião and the confluence of the Jaru-Paraguay rivers.

In all, this constitutes a total of 1,730 km, or 17% of the total route, all sections of which require significant improvements.

These waterways are paths that naturally seek the “lines of least resistance,” meaning less energy expense for transport. For example, it is estimated that, on average, the energy produced by a single kilogram of coal would allow the transport of 6.5 ton-kilometers by highway, 20 ton-kilometers by rail, and 40 ton-kilometers by water. According to W. Geile, during the last 30 years in Germany, the average cost of railroad transport was 2.14 pfennigs per ton-kilometer, and 0.43 pfennigs per ton-kilometer by water—one-fifth the cost of railroad transport.

tal Republic,” in a strategic region encompassing parts of the rich states of São Paulo, Paraná, and Mato Grosso do Sul in Brazil. In this region is located nearly half the electrical generating capacity of Brazil, including the giant Itaipú hydroelectric dam, the world’s largest, on the border with Paraguay. A terrorist “sanctuary” in the Pontal, which the Pol Pot-like leadership of the MST is striving for, would compromise the electricity supply of the entire southeast of the country, including the industrial state of São Paulo.

The decision to create the Yanomami reserve was made during a discussion at Buckingham Palace in the late 1960s, among Prince Philip, Queen Elizabeth II, and British explorer Robin Hanbury-Tenison, who had just given the royal couple a verbal report on his expedition along the length of the Great Waterway. He detailed for them the enormous wealth of the area, especially of the Amazon region. This, it was decided, could not be left in the hands of a sovereign Brazil. A Yanomami Indian enclave in the area would have to be concocted.

To carry out their project, Tenison and others, such as John Hemmings, director of the British Royal Geographic Society, a favorite haunt of Britain’s environmentalists and Malthusians, created Survival International (SI), in 1969. Funding for the first operations of SI was provided directly

by Prince Philip, through then-WWF President Sir Peter Scott. As intended, SI emerged as the indigenist arm of the WWF, and promptly took up the Yanomami “cause.”

(SI’s current vice president is Lord Buxton, a member of one of the leading oligarchic families of the United Kingdom. Buxton also presides over Anti-Slavery International, the oldest human rights organization in the world, through which the British oligarchy internationally promotes the Landless Movement of Brazil.)

Lady Lynda Chalker—who, as U.K. Overseas Development Minister, is in charge of the imperial office which controls the Central African heads of state around the Nazi President of Uganda, Yoweri Museveni—travelled to Brazil in early 1991 to offer “medical assistance” to the Yanomami communities, and to prepare for Prince Charles’s April 1991 visit to Brazil. In November of that year, Brazilian President Fernando Collor de Mello, puppet of the Anglophile Sir George Bush, decreed the creation of the Yanomami reserve, a decision which was helped along by a public letter calling for the creation of the reserve issued by a group of eight U.S. senators, plus Vice President Albert Gore and Undersecretary of State for Global Affairs Timothy Wirth, two of the most fervent promoters of the British Empire’s environmentalist campaigns.

On top of this decision by the Brazilian government came Venezuela's establishment of the Upper Orinoco-Casiquiare Biosphere Reserve, in April 1991. The combination of these two protected areas, located very near to each other, imposed the first major obstacle to the development of the Great Waterway.

### NGOs against the nation-state

The campaign for the Yanomami reserve exposed a vast network of Brazilian NGOs which, under the control of the Canadian International Development Agency (CIDA), work for environmentalist and indigenist causes promoted by London's "invisible" empire. Of particular note are the Institute of Socio-Economic Studies (INESC), a Brasilia-based NGO which is one of the main liaisons to London's international NGO apparatus tied to the Theology of Liberation, environmentalism, and the MST; and, the Ecumenical Center of Documentation and Information (CEDI), also created by Theology of Liberation networks.

CEDI's principal agents are Maria José Jaime, founder of INESC; José Carlos Libânio, INESC coordinator for Indian affairs, who also serves as a consultant to Canada's CIDA

## NGOs are 'a threat to national security'

The Brazilian newspaper *O Globo* published on Sept. 30 an article by Gen. Nilton Cerqueira, the security director for Rio de Janeiro, in which he states: "The permissive operations of the NGOs in national territory truly constitute a threat to national security. It is public and well-known that the NGOs conspire against the very existence of the state upon which they rely, constantly, for funds." General Cerqueira then asks: "Who supervises the NGOs? Who finances them? Who controls the unproductive tourist visits of the NGOers?"

The magnitude of the problem had already been indicated, more than three years ago, by the magazine *Veja*. On Feb. 9, 1994, *Veja* documented that there exist more than 5,000 NGOs in Brazil, with more than 80,000 activists. Of these, 70,000 had studied at universities, and 60,000 live exclusively from their work in the NGOs. The census revealed that 14,000 of the NGOs militants were prisoners during the Brazilian military regime (1964-85), and that, of the total number of activists, 25% are priests or religious figures, 21% studied philosophy, and 14% called themselves "Marxist-revisionists" in the 1970s. In 1994, nearly \$700 million a year passed through the Brazilian NGOs, of which at least \$560 million came from donations from abroad.

and to the Canadian Embassy in Brasilia; and Mary Helena Allegretti, whose first mentor was the Englishman Tony Gross, Oxfam's representative in Brazil. In 1985, Allegretti worked as a specialist in Indian rights for INESC, in close collaboration with the National Wildlife Federation (NWF) and the Natural Resources Defense Council, two of the most important U.S.-based environmentalist NGOs. In 1986, Allegretti founded her own NGO, the Institute of Amazon Studies, with financing from the MacArthur Foundation in the United States.

The CEDI, founded in 1965, maintained close ties to the Environmental Defense Fund (EDF), Cultural Survival, and Conservation International, which are heavily involved in carving out environmental parks along various borders in Ibero-America. The CEDI received funds from the World Council of Churches, for which CEDI founder Niva Padilha also worked. In 1994, CEDI split into three new NGOs, and its "Indian" arm turned into the Socio-Environmental Institute (ISO). Among the founding partners of ISO are Barbara Bramble (NWF), Tony Gross (Oxfam), Dr. Jason Clay (Cultural Survival), José Carlos Libânio (INESC), Dr. Stephan Schwartzman (EDF), and Willem Pieter Groenewaldt (Cultural Survival, Canada). Last June, the ISO presented an injunction against the continued construction of the Araguaia-Tocantins Waterway.

As Canadian journalist Elaine Dewart documented in her 1995 book *Cloak of Green*, the political intent of this swarm of NGOs is the destruction of the nation-state. As Dewart puts it, Cultural Survival honcho Jason Clay's "theme was: the nation-state is a corrupt idea with no remaining political legitimacy. The nation state should wither away, its functions replaced by institutions of local and global governance. Clay laid it out with a will. . . . Two-thirds of the world's 171 states had been created after World War II. But these national states contained within them over 5,000 real nations. . . . The national states created to bind together these smaller nations had little real legitimacy. . . . Nigeria, for example, contained 450 nations. Brazil had 190. . . . National elites represented at most one or two of those groups, said Clay, and they appropriate resources which led to wars."

### Sophisms against the Great Waterway

Following the establishment of the Yanomami Park, the British oligarchy turned to their second key target: the proposed Paraná-Paraguay Waterway, which governments in the area had begun to actually work on in the early 1990s. In July 1993, the London *Financial Times* greeted with great fanfare the issuing of a report prepared by the U.S.-based environmentalist group Wetlands for the Americas, titled, "Waterway: Initial Environmental Analysis of the Paraná-Paraguay River Route."

Based on pseudo-scientific sophisms, the report concluded that the Paraná-Paraguay Waterway had to be stopped at all costs, because it would purportedly drain the famous Pantanal wetlands in the headwaters of the Paraguay River,

and cause an ecological holocaust. The report was open about its intention to keep the interior of the continent unpopulated and undeveloped. "Probably," it read, "the greatest environmental impact [of the proposed waterway] . . . would be indirect, the result of the rapid process of development which would follow the launching of operations on the waterway. The waterway could expand the cultivation of new areas in the center of the continent, replacing native vegetation. This could expand the erosion of the soil and the sedimentation of the rivers."

Meanwhile, the exact *opposite* argument, that the waterway would produce flooding, is also wielded by environmentalists against the project. For example, Wirth used this argument during his October 1995 visit to the Brazil-Bolivia-Paraguay border, where he proclaimed his opposition to the waterway.

Following the publication of the Portuguese-language edition of the Wetlands for the Americas report, British-sponsored activity against the waterway intensified. In October 1994, the WWF launched an international campaign to establish a 300,000-hectare ecological park in the Pantanal, and thereby shut off the area to development. As part of this drive, they organized several public events in Brazil in late 1994. In December, for example, the international seminar "Paraná-Paraguay Waterway: Impacts and Alternatives," was held in São Paulo, which led to the creation of the Live Rivers coalition, an umbrella organization for more than 300 NGOs from Argentina, Brazil, Bolivia, Paraguay, Uruguay, the United States, and Europe. From then on, the nominal coordination of operations against the waterway was handed to the International Rivers Network (IRN), an NGO headquartered in California. The IRN is linked to a network of NGOs which includes the self-proclaimed eco-terrorist group Earth First!, which has become infamous for its violent tactics.

Also in 1994, the Brazilian Foundation Center of Cultural Reference and Support (Cebrac) was commissioned by the WWF to crank up the campaign against the waterway, and in September of that year it published a Portuguese-language pamphlet, "Who Pays the Bill?" which purports to demonstrate that the project is economically and ecologically unviable. Later, the pamphlet was issued in English, in the city of Gland, Switzerland, international headquarters of the WWF and of the WWF's predecessor, the International Union for the Conservation of Nature (IUCN), a UN-linked environmentalist group founded in the 1940s. Cebrac maintains close ties to the Dutch NGO "Both Ends," which receives the major part of its funding from the Dutch government, through the ministries of Foreign Relations, Agriculture, and Housing, as well as from the WWF branch in that country.

In January 1996, despite the fact that there were no indigenous populations as such in the area, 108 leaders of various Brazilian "tribes" held the "First Conference of the Indians of the Pantanal," and denounced the Brazilian government for its support for the waterway. A document was issued from that meeting, which explicitly attacked Christian civilization:

"With the arrival of the white man, there came highways and railroads, and with these, diseases and new customs that we did not know. . . . In this context of decadence of the white man, we, the Indian peoples, never were taken into consideration, and we were in reality the victims of these projects. We were never consulted, and that is why we affirm that this kind of ambition must be halted, for the good of humanity. This money could offend and destroy the home of our people and of the Great Creator."

They failed to admit that it also offends the House of Windsor.

### **Who does pay the bills?**

Clearly, this international mobilization was not financed by the leaders of nonexistent Indian tribes. Rather, it has been bankrolled by a number of so-called "philanthropic" institutions and NGOs, drawn mainly from the Canadian and U.S. branches of the global environmentalist and human rights network controlled by the British.

For example, the W. Alton Jones Foundation, a major U.S. funder of many environmentalist groups and projects, between 1994 and 1996 poured more than \$700,000 into the campaign against the waterway, much of which went to the International Rivers Network, in its capacity as regional coordinator, and to the Live Rivers coalition. This included \$100,000 for the publication of the Wetlands for the Americas report, and \$60,000 for the Environmental Defense Fund, to mobilize environmentalists and gullible Indians against the project.

Despite this well-heeled lobbying, an officially commissioned final report on the technical and economic viability of the Paraná-Paraguay Waterway, prepared by the Hidroservice-Louis Berger consortium with financing from the Inter-American Development Bank and the United Nations Development Program, and published in early 1997, downplayed any lasting ecological impact the waterway might have. According to the study, in the "worst case," one of the negative effects would be a "temporary disturbance" of the lizards, large snakes, and large birds typical of the region, as well as of some 900 other species of fish and birds of the Pantanal. As for the Corumbá-Cáceres stretch, considered one of the most critical of the waterway and fundamental to its future connection to the Amazon Basin, the official report concluded only that "wildlife would suffer temporary disturbances."

### **Investments get go-ahead**

With this report in hand, in February of this year the governments of Argentina, Paraguay, and Uruguay announced investments of more than \$1 billion in the waterway projects. At the same time, in an article in the Brazilian daily *Gazeta Mercantil* of April 28, 1997, Amb. Sebastian de Rego Barros, the general secretary of Brazil's Foreign Ministry, responded angrily to a 15-page article that had appeared one week earlier in the magazine *Veja*, which repeated all the lies about the supposed dangers the waterway posed to the Pantanal. Rego

Barros described the strategic importance of the waterway for the integration of the subcontinent:

“Our objective is broad: It is not merely to procure better conditions for the export of soy and its derivatives to third markets, an objective which is important in itself. Above all, we seek to offer the center-west region an economically efficient and environmentally sustainable transportation alternative, and to seek to better utilize the potential of the waterway for regional integration—especially between the Brazilian center-west, the Bolivian east, and the Argentine north and northeast. At the same time, one must consider water transportation in the context of the integration of the continent, which will become still more interesting with the link-up of the Paraná-Paraguay and Tietê-Paraná waterways (see no. 10, Figure 1).

But the environmentalists aren't giving up either. On Aug. 20, 1997, a book, *The Navigation Project of the Paraguay-Paraná Waterway: An Independent Analysis*, was released simultaneously in Brazil and in the United States. It is anything but independent. Written by 11 stars of the international environmentalist movement, including three Brazilians, it attempts to refute the findings of the official study. The publication occurred under the auspices of the Environmental Commission of the Brazilian Chamber of Deputies, which is dominated by the MST-linked Workers Party (PT), and was promoted by two institutions closely associated with the WWF: the EDF and Cebrac.

Nor was its financing “independent”: It was bankrolled by the W. Alton Jones Foundation and the C.S. Mott Foundation, another U.S.-based group which specializes in donations to leftist and environmental causes. The three Brazilians who participated in its preparation—Israel Klabin, Henrique Rattner, and Enéas Salati—are the directors of the Brazilian chapter of the LEAD program, of the Rockefeller Foundation, which since its founding in 1990 has trained thousands of professionals around the world (including over 500 in Brazil) in ecological affairs. Klabin, a personal friend of British agent Sir Henry Kissinger, is one of the leading British intelligence operatives in Brazil, a role he inherited from his father's relations with Chaim Weizmann, a top aide to William “Intrepid” Stephenson, the director of British intelligence for the Western Hemisphere during World War II.

### **The Pantanal Nature Park**

In addition to these general propaganda campaigns against the Paraná-Paraguay Waterway, the British have launched a campaign promoting the creation of the Pantanal Nature Park, as a means of sabotaging infrastructure development in the region. The proposed park would encompass over 300,000 hectares of wetlands; its purpose, according to the formal Terms of Reference of the project, is “to seek to establish in Brazil a new protected area, around the experimental area of the Pantanal in Mato Grosso do Sul. Equivalent to the IUCN's classification of category five, such a protected area

implies the preparation of a local development program integrated to the national policy of land management”—in other words, no development. The project, inspired by France's program of Regional Nature Parks, has a \$1.5 million fund provided by the European Commission and various French agencies.

The Society for the Development of the Pantanal, a Brazilian NGO linked to the IUCN and to the Wetlands for the Americas, was chosen to oversee development of the Pantanal Nature Park. Justification for creation of the park relies, as usual, on the false argument that creating great infrastructure works—read, the Paraná-Paraguay Waterway—“based solely on capitalist economic considerations . . . [will] lead to the irreversible destruction of the Pantanal.”

The IUCN is also actively organizing against the construction of large dams, a campaign which is backed in Brazil by the Pastoral Land Commission (CPT) of the Catholic Church, the local controller of the MST. Last March, the CPT organized in Curitiba the First International Gathering of Peoples Affected by Large Dams. That meeting's final statement is a declaration of war against all dams larger than 15 meters.

The war between British environmentalism and the promoters of the sovereign economic development of the nations of the region, is ongoing today—a war in which *EIR* and its founder, Lyndon H. LaRouche, are playing a central role.

In May 1997, *EIR* issued a Portuguese-language *Special Report* entitled “Scientific and Environmental Alert: the Great Waterway,” which documented the role of organizations such as the WWF, Environmental Defense Fund, Wetlands for the Americas, and International Rivers Network, in sabotaging development worldwide, and in *financing* the anti-waterway campaign in Brazil. The report circulated widely among business and other pro-development circles in Brazil.

On Sept. 7, *A Gazeta*, the daily of Cuiabá, capital of the state of Mato Grosso, published a five-page article on the waterway, quoting extensively from *EIR*'s report. The impact of the report has been such, that the governor of Mato Grosso, Dante de Oliveira, publicly attacked “the environmentalists and NGOs which receive anti-waterway funds from the U.S. to fight this project,” and named the WWF as one of the “foreign entities interfering” in Brazil's internal affairs.

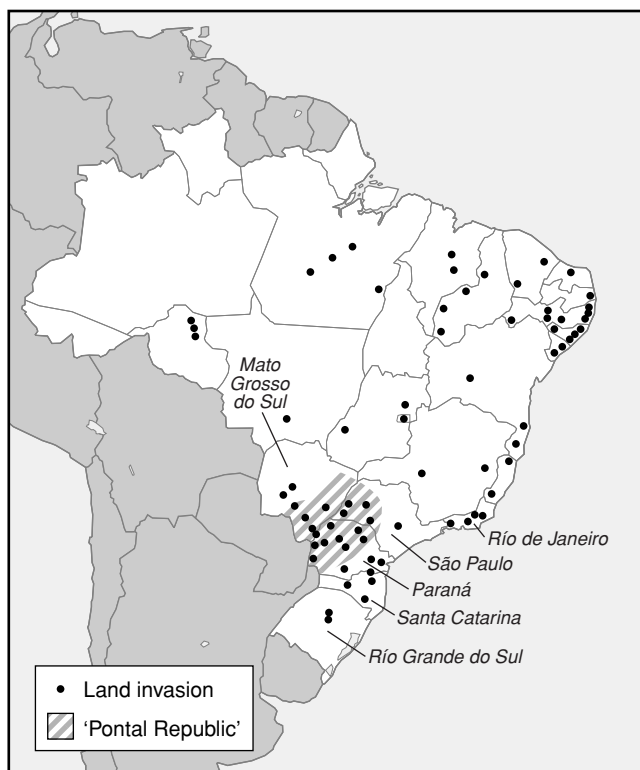
Reflecting the brawl, on Sept. 15, a week after it publicized *EIR*'s report, *A Gazeta* published an article by one Sergio Henrique Guimarães, which slandered LaRouche, and was particularly incensed over his proposals for building large infrastructure projects around the globe and colonizing the Moon and Mars. Guimarães's Center of Life Institute is one of the NGOs which coordinates with foreign environmental groups in attacking the waterway project.

Guimarães admits that, “of course,” he and other groups have had to seek financial help from foreign organizations—“American, Canadian, and European”—to fund the campaign “in defense of the Pantanal.”



FIGURE 2

## Brazil's MST land invasions



### The MST's 'Pontal republic'

The third, and most insidious component of the British deployment against Brazil, and against continental economic integration, is the irregular warfare operations deployed through the MST in various regions of the country (see **Figure 2**). The MST operates like a foreign occupation army, mobilizing a great mass of impoverished and disinherited Brazilians, through its nucleus of 5,000 cadre headed by an existentialist-fascist leadership (see accompanying article on Paulo Freire), part of which remains clandestine. Currently, the MST is preparing to conduct ever-more-daring acts which could soon turn openly terrorist, in the style of Peru's Shining Path, and prefiguring a scenario along the lines of what is going on in the Great Lakes area of Africa. This is the real meaning behind the words of MST national spokesman João Pedro Stedile: "The interior of Brazil could turn into another Colombia. The situation will go out of control, there will be social convulsions and society will disintegrate."

The period from now until early 1998 is going to be particularly critical, because the MST leadership, with the express support of the president of the CPT, Bishop Tomás Baduino (who is actually one of the high-level commanders of the MST), is planning to unleash a campaign of land seizures all across the country. They have announced that they will also

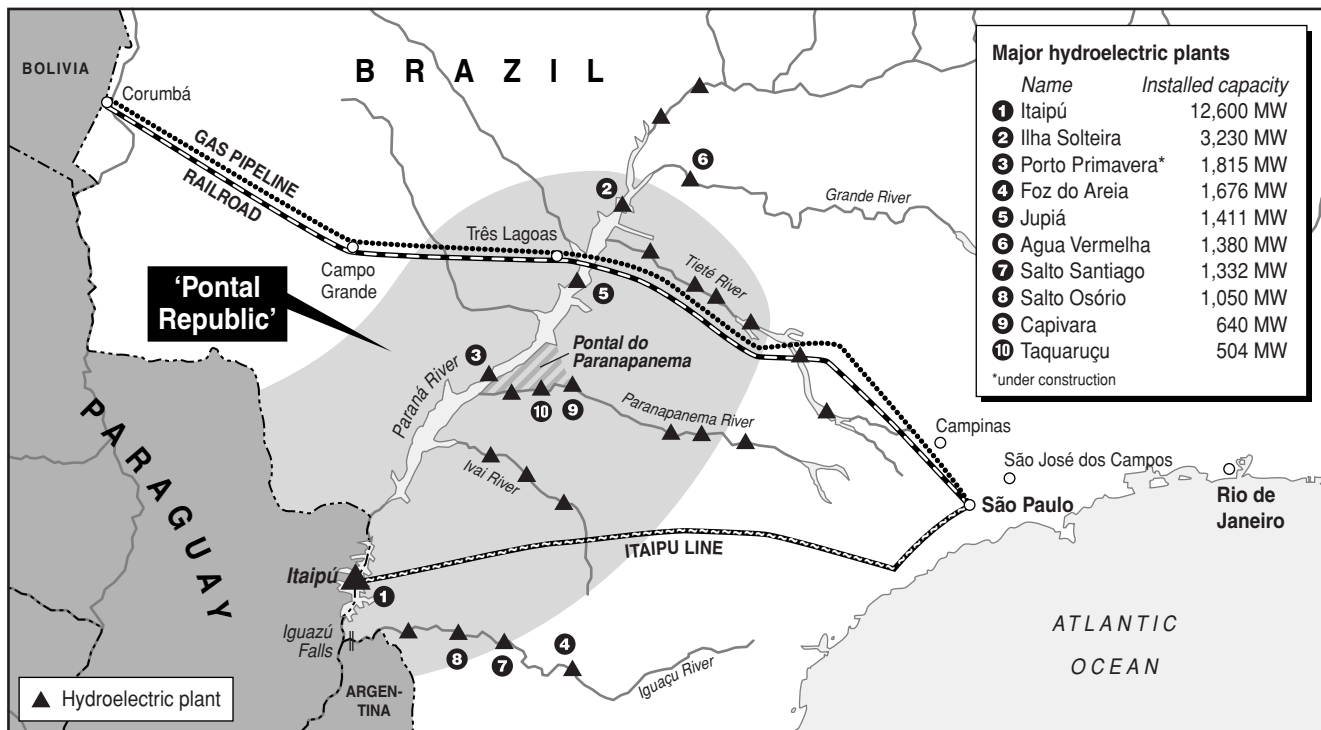
mobilize about 60,000 urban workers, linking these actions with other "revolutionary" assaults, including the seizure of idled factories, unoccupied land in the cities, and schools that have been closed. As Pedro Stedile put it on July 28 of this year: "The struggle for land occurs in the countryside, but it is won in the city, alongside the homeless or the unemployed. We want to show in the city that solutions require solidarity. If a hospital is short of blood supplies, it can count on the support of the people. Since the municipal presidencies shut the schools for lack of money, we are going to occupy the buildings and force them to function, with the support of the community."

Since its origins in January 1984, the leadership of the MST has made it clear that they do not intend it to become simply a movement of land invaders, but that they would concentrate their demands on land located in the most fertile regions of the country that were already endowed with modern infrastructure, such as in the state of Paraná. In 1990, the MST invaded land around a hydroelectric and petrochemical complex in the state of Rio Grande do Sul, where the great majority of property holdings are small family farms which are quite productive. On that occasion, military intelligence sources exposed the fact that Shining Path cadre were providing terrorist instruction to the MST leaders. Later, a similar connection of the MST with the Colombian Revolutionary Armed Forces (FARC) was confirmed.

In May 1996, the Brazilian Army temporarily occupied the installations of the giant Tucuruí hydroelectric plant, the second-largest in the country with an installed capacity of 6,000 megawatts, which is part of the Carajás complex in the Amazon region in the north of the country, in order to forestall a planned MST seizure of the facilities. That same year, MST leader Gilmar Mauro announced that the MST was also demanding lands held by the Army, the Navy, and the Air Force, in particular the area surrounding the Aramar Technological Center in São Paulo, where work is being carried out on the Brazilian nuclear submarine project.

Mauro, upon his return from the July 1996 Zapatista international gathering in Trinidad, Chiapas, Mexico, announced that the MST intended to create a "liberated zone" and "MST republic" in the area known as the Pontal do Paranapanema in the western tip of São Paulo state, purportedly following the example of the Zapatistas in the south of Mexico. On Aug. 17, 1997, the daily *Folha de São Paulo* published revelations by an MST dissident, regarding the discussion "which is being carried out by a limited group, the elite of the movement in Paraná and in the Pontal," to create a "Pontal republic" in the area encompassing the Pontal do Paranapanema, the northwest of Paraná state, and the south of Mato Grosso do Sul state (see **Figure 3**). In the Pontal as such, which is the area in São Paulo state sandwiched between the junction of the Paraná and Paranapanema rivers, there are about 3,000 landless families organized in 16 different camps, the largest of which is called Taquaraçu, headed by José Rainha, the top

FIGURE 3  
The MST's 'Pontal Republic'



leader of the MST in the area. On the other side of the Paranapanema River, in the state of Paraná, there are another 8,000 families distributed in 98 camps, which, according to the authorities, represent the potentially most serious situation in the entire country. In Mato Grosso do Sul, conflicts over land have reached the point of violent confrontations in Navaraí and Itaquiraí, which are just across the Paraná River from the Pontal.

### The strategic importance of the region

The MST did not target this region for their “Pontal republic” only because of its vast landholdings. They also selected it because the entire Paraná River basin is where the majority of Brazil’s hydroelectric dams are located, including the famous Itaipú dam, the largest in the world with over 12,000 MW in installed capacity. Some 96% of the electrical energy generated in Brazil comes from hydroelectric sources, and, according to 1996 data, 47% of the country’s electricity is produced in the plants in the Paraná basin. The state of São Paulo, which has the greatest demographic density and is the most industrialized in the country, has a particularly dense electrical grid made up of thousands of kilometers of transmission lines and dozens of sub-stations which are critical to the entire national grid—a large part of which are located in the area targeted for secession by the MST.

The vulnerability of power lines to terrorist sabotage is well known. For example, Shining Path, the bloody Peruvian narco-terrorist group that has been largely dismantled in Peru by the Fujimori government, had a manifest preference for toppling transmission towers, in light of the immediate physical damage and the visible political impact this produced. According to Peruvian government information, Shining Path caused losses of more than \$20 billion in infrastructure sabotage alone.

Given the precarious situation Brazil faces in terms of electricity generation, where demand already almost equals the potential supply, and is expected to outpace it over the years immediately ahead, it is easy to imagine the serious consequences of a disruption of the electrical supply to the industrial heartland of the nation.

But there is even more in this area, which led the MST and its British masters to select it as their preferred target. One of the main transportation arteries in the area immediately surrounding the Pontal, is the Tietê-Paraná waterway, which is in the final stages of construction, and which is also critical to the infrastructural integration of the entire Southern Cone. Currently, that waterway is interrupted by the Jupia and Itaipú dams, where waterborne cargo must be transferred to trucks to be shipped around the dams. However, locks are currently being built at Jupia, and are expected to be finished in early

1998; feasibility studies are well advanced to do the same at Itaipú. Once these limitations are overcome, it will be possible to freely navigate the entire waterway, from near the city of São Paulo in Brazil, to Buenos Aires in Argentina. This, in conjunction with the link with the Paraguay River, would transform this integrated waterway into the main axis of integration and economic development of the interior of all South America, based on the high-technology “productive axis” of industrial potential that runs from São Paulo to Buenos Aires.

More than anything else, what gives this region its strategic importance is that, despite all the British assaults, it still encompasses the greatest concentration of scientific-technological potential in all Ibero-America. In that sense, special note should be taken of the “science triangle” formed by the Brazilian cities of São Paulo, Campinas, and São José dos Campos—the last two being centers of great importance in various Brazilian military and civilian high-technology projects.

Another strategic feature of the region is the projected route of the planned Brazil-Bolivia gas pipeline (see Figure 3). Once again, it is useful to take note of the actions that have been carried out by terrorist movements in other parts of Ibero-America, in this case the Colombian ELN and FARC, which have made a specialty of bombing Colombia’s Caño Limón-Covenas oil pipeline, which pumps about 200,000 barrels per day of oil.

Another major consideration regarding the Pontal separatist enclave, is that it borders both Argentina and Paraguay, precisely in the trinational region of Iguazu Park, a sort of no-man’s land which serves as a sanctuary for international terrorism and narcotics trafficking. According to the Brazilian Federal Police, the region in which the Pontal is located has already been turned into the principal drug-trafficking route in Brazil.

Parks like Iguazu have been used in other countries to train and supply insurgents from bordering countries, such as the case of the Gorilla Park, strategically located in the Uganda, Rwanda, and Kenya border area. The park served as a sanctuary for armies of the Tutsis and other London-controlled forces, which decimated Rwanda and, later, conquered Zaire.

The MST has begun to invade lands near Brazil’s international borders. First, it targeted a locality in Rio Grande do Sul just ten kilometers from the border with Uruguay, and then another in Mato Grosso do Sul near the border with Paraguay. These are trial balloons, intended to test political and military reactions on both sides of the border. These kind of actions could provoke binational border conflicts, causing geopolitical tensions in the La Plata Basin region, just as London desires. Nor should one dismiss the possibility that the MST’s intention is to provoke a supranational intervention on the part of the United Nations, under the pretext of protecting settlements of supposed “economic refugees,” just as has been occurring in Central Africa.

## British control of the Landless Movement

by Silvia Palacios

In August 1997, Landless Movement (MST) leader Diolinda Alves de Souza travelled to Europe, in search of international backing that could prevent the jailing of her husband, José Rainha, who is considered the Maoist military leader of the MST and, together with Alves de Souza, leader of that movement in the strategically critical zone of the Pontal do Paranapanema. Last year, Rainha had been convicted for the first time, and sentenced to 26 years in prison, for a double murder during land invasions. His wife’s trip clearly revealed the MST’s dependency on a London-centered international support network.

Virtually since the January 1984 official founding of the MST—whose name should more appropriately be the “Mindless Movement”—the British monarchy has provided it with financial backing, while also becoming, through the various foundations the monarchy controls, the leading promoter of an international image of the MST as a movement for social justice.

Other “revolutionary” Ibero-American movements, such as the Peruvian narco-terrorist Shining Path and Tupac Amaru Revolutionary Movement (MRTA), the Revolutionary Armed Forces of Colombia (FARC), or the Zapatista National Liberation Army (EZLN) of Mexico, are better known internationally and also use the “NGO sanctuary” provided by the British Crown; but the MST is a more serious threat to the integrity, not only of Brazil, but of the entire continent. Its close connections to the British oligarchy are key to this (see **Figure 1**).

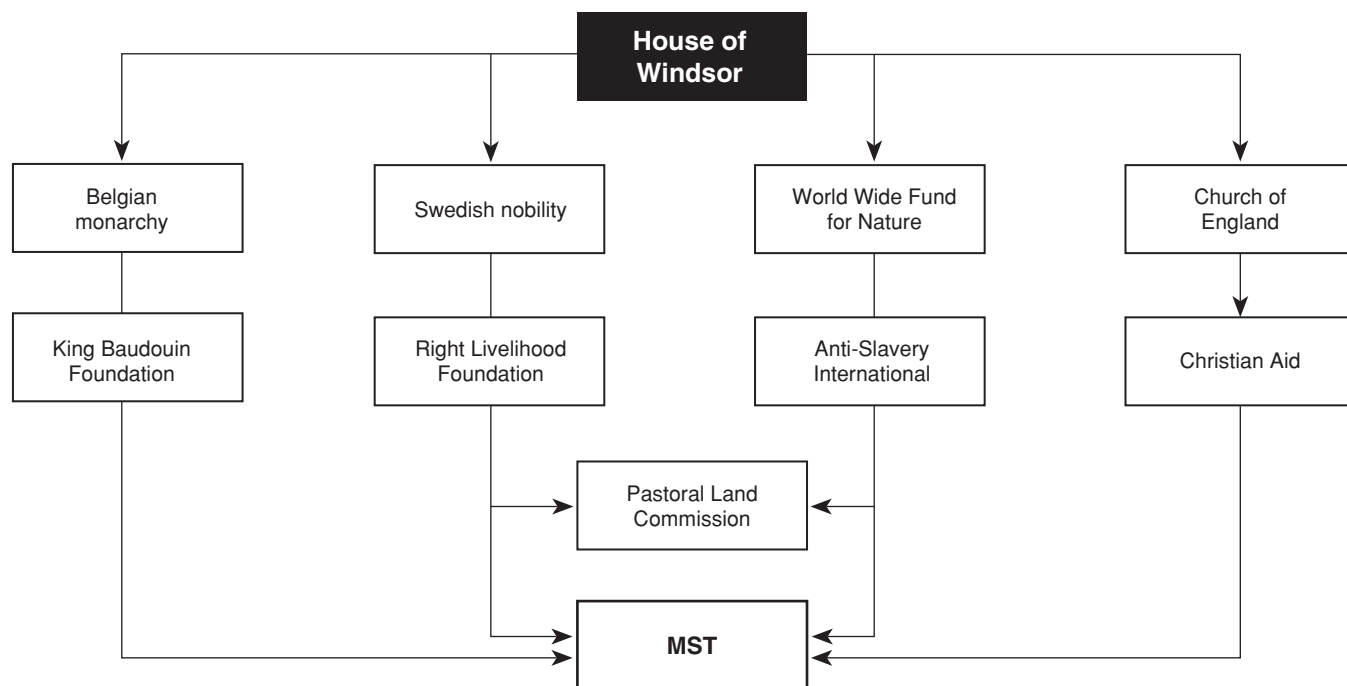
### International support apparatus

Alves de Souza’s trip was sponsored by **Christian Aid** (CA), which declares itself the official philanthropic organization for the 40 churches of England and Ireland, headed by the Anglican Church, whose supreme head is Queen Elizabeth II. Through these links, Christian Aid is an appendage of the **World Council of Churches**, which was founded in 1937 on the initiative of the Anglican Church. Since its founding, the WCC has been a promoter of “world government” causes. The central thesis presented in the memoirs of its founding is entitled, “The Demonic Influence of National Sovereignty,” and was written by Philip Kerr, Lord Lothian, one of the leading members of the British political apparatus that helped place Hitler in power.

In a statement with vast implications, Cardinal Joseph

FIGURE 1

## London controls the MST



Ratzinger, prefect of the Vatican’s Congregation for the Doctrine of the Faith, recently underlined that the World Council of Churches deviates from its mission: “A large portion of the Latin American Catholic bishops lament with me the fact that the World Council of Churches has given great help to the subversive movements, help that perhaps had good intentions, but which ended up being harmful to the paths of the Gospel.”

Christian Aid is also part of the network of Britain’s “invisible” empire, through its seat on the **Crown Agents Foundation**, a recently privatized entity which works in coordination with the Office of Overseas Development, Britain’s infamous colonial leftover (see “Britain’s ‘Invisible’ Empire Unleashes the Dogs of War,” *EIR*, Aug. 22, 1997, p. 10).

In addition to Christian Aid, Alves de Souza’s trip was sponsored by a variety of NGOs, among them **Friends of the Earth** and **Oxfam**, which were heavily involved in the international mobilization that pushed Brazil into creating the Yanomami Indian reserve. In England, Alves de Souza stayed with old friends such as Pierre Sane, head of **Amnesty International**, who gave her the first copy of a special report entitled, “Brazil: Political Accusations against Agrarian Reform Activists.” Together with George Soros’s **Human Rights Watch/Americas**, Amnesty International has warned that, if Rainha is declared guilty in his upcoming second trial, he will

be considered a “prisoner of conscience” and his “immediate and unconditional release” will be demanded. The intent is clearly to try to turn Rainha into a kind of folk hero in “the fight for land in Brazil.” Alves de Souza has agreed with her British hosts that Amnesty International will conduct an international mobilization in the period leading up to Rainha’s trial.

In France, Alves de Souza was received by Danielle Mitterrand, a key figure in the French synarchist apparatus which supports (along with the Schlumberger-De Menil Foundation in Houston, Texas) the cardinal of São Paulo, Evaristo Arns, one of the real commanders of the MST since its founding. Mitterrand was godmother to the marriage of the MST with Mexico’s EZLN, consecrated in a pagan ceremony held in July 1996, at a meeting in La Trinidad, Chiapas. Later, Bishop Tomás Baduino, who recently assumed the presidency of the Brazilian Catholic Church’s **Pastoral Land Commission** (CPT), made public the joining of the MST’s political objectives with those of the EZLN.

MST’s links to Christian Aid date back to 1986, and have translated into substantial financial and political support at key moments. For example, in 1996, with the bloody conflict provoked by the MST in the Amazon area of El Dorado, Domingos Armani, director of Christian Aid’s Brazil project, stated, “The massacre was the direct result of the lack of

agrarian reform.” Christian Aid director Michael Taylor headed a protest campaign in Europe against the Brazilian government, sending a protest letter to Brazil’s President Fernando Henrique Cardoso.

### **Kooks and royals**

Following the MST’s early links to Christian Aid, other organizations of that stripe have followed suit. In 1991, for example, the **Right Livelihood Foundation** (RLF), linked to the Swiss nobility, gave its annual award to the Pastoral Land Commission’s Father Ricardo Rezende. The RLF is part of the British House of Windsor’s apparatus, and is associated with the **Gaia Foundation**, created to spread the pagan theology of the New Age. This support comes as no surprise: The RLF sponsored the research of MST leader João Pedro Stedile, published in his book *The Fight for Land in Brazil*. The Spanish-language edition was published in Barcelona, Spain, by an MST support committee.

The MST is linked to various international institutions primarily through the CPT, dominated by the Theology of Liberation wing of the Catholic Church. It maintains relations with the British oligarchy through the **Catholic Institute of International Relations** (CIIR) in London, which coordinates the activities of the Theology of Liberation worldwide. The CIIR maintains intimate relations with the World Council of Churches. One of its founders was Lady Barbara Ward Jackson, who is responsible for introducing radical environmentalism into certain European Catholic circles. The leaders of the CIIR count among their associates Peruvian theologian Gustavo Gutiérrez and Brazil’s Leonardo Boff, as well as Cardinal Evaristo Arns — all founding fathers of Ibero-America’s Theology of Liberation movement.

One of the members of the CIIR’s network is British Cardinal Basil Hume, who in 1992 granted an award of the **Anti-Slavery International** to CPT mouthpiece and MST ideologue Father Ricardo Rezende. Founded in 1787, the ASI describes itself as “the oldest human rights organization” in the world. Among its leadership are represented such British oligarchical families as the Wilberforces and the Buxtons. Lord Buxton is today one of the vice presidents of Prince Philip’s **World Wide Fund for Nature** (WWF). This is the same international network which created the so-called **Brazil Network**, headquartered in London, whose purpose has been to coordinate the activities of the various NGOs with regard to British campaigns against Brazil.

The Brazilian subsidiary of Brazil Network is the **Institute of Socio-Economic Studies** (INESC), which receives financing from the Crown’s **Canadian International Development Agency** (CIDA), for the purpose of lobbying for their interests within the Brazilian Congress.

In February 1997, the MST received the King Baudouin Award, granted by the royal house of Belgium, which is related to the House of Windsor. The ridiculous argument in favor of the award was that the MST promotes “the socio-

economic development of a Third World country.” This same Belgian monarchy, through King Leopold, promoted Adolf Hitler in the 1930s.

In 1980, the King Baudouin Award was given to Brazilian pedagogue Paulo Freire, the MST’s principal ideologue, whose famous work *Pedagogy of the Oppressed*, a manual to train brainwashed activists and terrorists, has become a virtual bible in every MST camp. Freire, until his recent death, was a member of the editorial board of the magazine *América Libre*, the official mouthpiece of the **São Paulo Forum**. Along with Gnostic existentialist Leonardo Boff and liberation theologian Fray Betto, Freire created the MST’s belief structure, based on pagan worship of “Mother Earth” (see article on Freire, in this section).

The MST was linked, since its inception, to the movement that in Ibero-America promotes the “Black Legend,” attacking Spain for the evangelization of the New World. In the book cited earlier, Stedile argues that injustices in Brazil originated 500 years ago. The MST leaders practice a Gnostic religious cult which combines a justification of violence with worship of the land, and exaltation of the Theology of Liberation in rejection of Christian traditions and Western European civilization. Before each action of the MST, its militants carry out a “mystic,” a ceremony with chants and symbols. They often sing a hymn entitled “500 Years of Black People’s Resistance,” which promises that, through their struggle, they will put out the torch that Christopher Columbus lit on the continent.

More than anything else, this anti-Christian ideology is what identifies the MST with the British Crown.

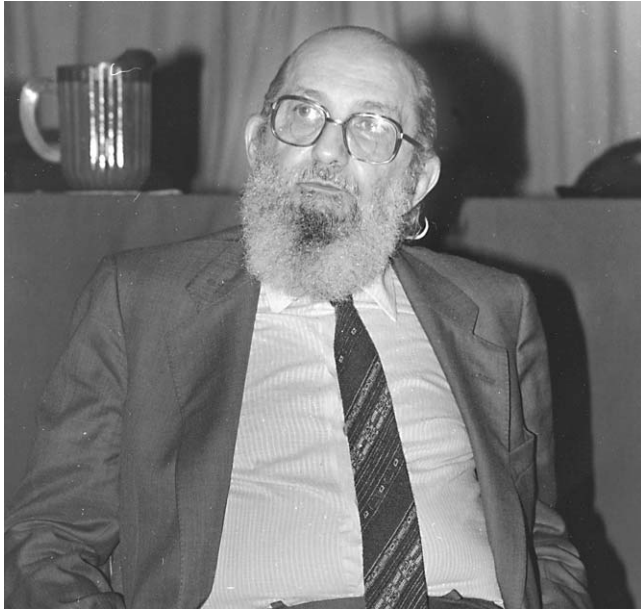
## **Paulo Freire: massacring the mind**

by Dennis Small

*The following is excerpted from a longer report on “London’s Africanization of Ibero-America,” presented at the Schiller Institute-International Caucus of Labor Committees Conference, in Reston, Virginia, on Aug. 31.*

Britain’s real control over Brazil’s Landless Movement (MST), as in the case of Yoweri Museveni’s hordes in Africa, lies more in the realm of the invisible than the visible — more in the realm of ideas, than of money and awards.

In fact, “invisible” is just a manner of speaking, and, in some ways, a misleading one. Ideas are actually far more real, and more potent as historical forces, than the mere individuals or groups which promote them. And they are clearly visible, at least to the mind’s eye.



*Paulo Freire, one of the founding ideologues of the Landless Movement, and the father of “deschooling” in Ibero-America.*

What is the concept of man, of God, and of the created Universe, that the British have promoted as the belief structure of the Musevenis, the Kabilas, and the MST’s of this world?

Take the case of the three founding ideologues of the MST: the Dominican New Age fanatic, Frei Betto; the Franciscan defrocked theologian and all-around lunatic, Leonardo Boff; and the architect of “deschooling” menticide, Paulo Freire. All three are Brazilian; all three are key actors in the global British-orchestrated New Age paradigm shift introduced in the mid-1960s. They are components of a broader Tavistock Institute tapestry, with principal assigned responsibility for Third World menticide.

Freire was a Brazilian “educator” and linguist. He is widely known, especially in the Third World, for inventing the idea of “de-schooling”—that you have to deliberately deconstruct people’s minds, and force them to undergo “class suicide.” He also coined the absolutely meaningless phrase “empowerment.”

Freire was born in Recife, Brazil in 1921, and he died earlier this year. He wrote his doctoral dissertation on “The Philosophy of Education” for the University of Recife in 1959. He was expelled from Brazil after the 1964 military coup, and he went to work for Julian Huxley’s Unesco in Chile during 1964-69. While there, he wrote his most famous book, *Pedagogy of the Oppressed*, a manual for recruiting Jacobin hordes based on menticide, in the same genre as Frantz Fanon’s *Wretched of the Earth*.

From Chile, Freire went to Harvard in 1969-70, where he was a visiting lecturer at the School of Education, and participated in various “field experiments” conducted in poor

regions of the United States. In 1970, he became a Special Consultant to the Office of Education of the World Council of Churches (WCC), operating out of Geneva on their behalf for the next 20-25 years. For our purposes, we may simply describe the WCC as the ecumenical international front operation of the Queen’s Church of England and the British Colonial Office.

In the 1970s, the WCC paid Freire’s salary and deployed him across Africa to work with, and help recruit to, their various terrorist “liberation” movements. As Freire himself was quick to admit: “The World Council of Churches had lent strong support to many African liberation movements even before my participation. I was not the one who initiated the involvement of the World Council with these movements. . . . The World Council never ceased to give assistance to those liberation movements.”

The WCC project included deploying Freire to Dar es Salaam University in 1970-71, the factory where Uganda’s Museveni and company had recently been manufactured. In reality, Freire and Museveni come out of the same cookie cutter. The very 1971 collection of essays from Dar es Salaam which featured a hair-raising essay by the young Museveni promoting “revolutionary” blood-letting, bears an introduction which hails Paulo Freire because he “has elaborated on Fanon’s theory and broken new ground,” adding: “There is a strong case for a new guerrilla armed only with the kind of teaching and learning techniques described by educationalists like Freire.”

Freire went from Dar es Salaam to work with the top leadership of Mozambique’s Frelimo guerrilla fighters, scarcely months after Museveni did his own “field work” with them. What did the WCC have Freire doing there and elsewhere in Africa? He was introducing so-called adult literacy campaigns as an integral part of London’s liberation movements. As Freire himself wrote about his visits to the Frelimo training camps: “The literacy campaigns were under way at the same time as the war for liberation. An important highlight of this training was the emphasis on not dichotomizing the struggles for freedom and literacy.”

Why would the British want to run literacy campaigns in the middle of a guerrilla war? Freire argued that literacy and education could be used to “de-condition” people, to “de-school” them, i.e., to deconstruct their minds, to turn 95% of the population into zombies of the sort pleasing to the British oligarchic plan.

Freire in fact developed a pedagogy which successfully recruited Jacobin hordes by inducing in them British philosophical nihilism, or existentialism, in country after country in the Third World: Mozambique, Cape Verde, and Angola in Africa; Cuba, Nicaragua, and Brazil in Ibero-America. In this he was following closely in the footsteps of the Nazi philosopher Martin Heidegger, the intellectual father of fascist existentialism (including that of the nauseating Jean-Paul Sartre and his protégé Fanon), which is the philosophy of

rage and cultural pessimism which the British have promoted throughout the 20th century.

## Death to Plato

Freire polemicized against Socrates and the Platonic method in education, arguing that that method emphasized the communication of concepts or ideas, rather than supposed knowledge of *things*, that comes from experience: “Socratic intellectualism — which mistook the definition of the concept, for knowledge of the thing defined, and this knowledge as virtue — did not constitute a true pedagogy of knowing. Plato’s theory of dialogue failed to go beyond the Socratic theory.”

As against the Platonic method of hypothesis, Freire countered: “To be an act of knowing, then, the adult literacy process must engage the learners in the constant problematizing of their existential situations. This problematizing employs ‘generative words’ chosen by specialized educators in a preliminary investigation of what we call the ‘minimal linguistic universe’ of the future learners. The words are chosen for their pragmatic value, i.e., as linguistic signs which command a common understanding.”

Against the Platonic view that education consists of inducing the student to re-create concepts or hypotheses in his own mind (for example, the way in which Socrates helps a slave boy discover basic geometric concepts in the *Meno* dialogue), Freire counterposes forcing people to learn only the names of objects — and only of a handful of objects, at that — thus turning them into slaves, and glorifying that condition. This is the “minimal linguistic universe” to which Freire wishes to reduce the human mind.

This is pure nominalism of the most extreme sort: the British Aristotelian view that reality is only that which can be named and labeled. Cardinal Nicolaus of Cusa was devastating on this subject, back in the mid-15th century. In his Platonic dialogue, *The Layman: About Mind*, for example, Cusa argues that the very fact of being able to name something requires a prior activity of Mind, which he calls “the activity of reason.” He elaborates: “Genus and species, insofar as they are matters of naming, are mental constructs which human reason has made for itself.” This prior activity of the creative human mind occurs on a different, and higher level of existence than what it produces: mere names.

Cusa explains: “Mind is the power in us which embraces conceptually the exemplars of all things. . . . Mind is a living substance. Its function in this body is to give it life, and because of this it is called soul. Mind is a substantial form of power.”

In summary of his argument on this point, Cusa says: “Our mind is the image of that infinite being. . . . Knowledge of God, his ‘face,’ is accessible only in mental reality whose object is truth. It is not further accessible except through mind, so that mind may be the image of God.”

Freire, on the other, descends even further into hell than

radical nominalism. Freire believes that language, as such, is a form of colonial oppression that were properly done away with. Pantomime, he insists, is the natural form of communication for Africans — shades of Al Jolson. Freire was so far out, that he had factional brawls with his Frelimo comrades, in the Portuguese colony of Mozambique, because they insisted on teaching his brainwashing literacy campaigns in Portuguese, whereas Freire demanded that it be done in Creole, “a linguistic creation that combines African languages and Portuguese,” which would then become the ersatz national language — in much the same way that Museveni’s masters promoted Swahili.

At points, the debate got nasty. When the revolutionaries from Cape Verde (another Portuguese colony) also wanted to use Portuguese in their indoctrination sessions, Freire retorted: “This is a resistance to re-Africanization, or perhaps a subtle refusal on the part of assimilated Cape Verdians to commit class suicide.” You may not know it, but that is a very serious crime in the terrorist lexicon.

## Boff and Frei Betto

Leonardo Boff, the second of the MST’s three ideologues, presided over the so-called mass at the funeral of his close friend and colleague, Paulo Freire. Boff is, if anything, worse than Freire. Boff is a defrocked Franciscan priest, a schismatic Catholic theoretician of the Liberation Theology and Gaia cults. In a 1994 book, he wrote: “Mankind is in a difficult transition — from the nation-state to the world-state, from the worldwide to the cosmic; from mass to energy to information and communication; from macro to micro, from materialism to holistic spiritualism. . . . We are standing before a new planetary civilization.”

Besides advocating the destruction of the nation-state, and promoting New Age holism, Boff has defended Nazism. This is because, like Museveni and Freire, he is a follower of Heidegger. According to a Jesuit priest present at weekly seminars on Heidegger, Boff would argue: “Nazism can also be a mediation of the absolute. . . . In Heideggerian thought, a person in jail can be more free than a person outside, because prisons are inside the person; human beings attach themselves to their own selves, and not to external reality.”

The third MST ideologue, the New Age guerrilla Frei Betto, is a close friend of Boff’s, and equally committed to destroying Western “rationality” and replacing it with every imaginable form of mysticism and superstition. “In the West,” Betto recently complained, “the universities remain closed to methods of learning and symbolic living, such as intuition, premonition, astrology, tarot, I Ching, and, in the case of Latin America, the religions and the rites and myths of indigenous and African origin.”

Freire, Boff, and Betto: This is London’s ideology of irrationalism and pessimism behind the MST, and which fears nothing so much as the contrary, culturally optimistic worldview imbedded in the Platonic Christian notion of *imago viva Dei*.

## Clinton takes contradictory policies to Kyoto summit

by Marsha Freeman

For months, there has been pressure on the White House from the environmental-hoax lobby and the British government to announce severe cutbacks in this country's so-called greenhouse gas emissions, at the global climate meeting that will take place at the beginning of December in Kyoto, Japan. There has been counter-pressure from energy and other industries, economic policymakers inside the administration, labor unions, and Congress, which have pointed out that cutting emissions would come at the expense of jobs and the standard of living of Americans.

In typical Baby Boomer fashion, President Clinton has put forward a middle-of-the-road compromise in an attempt not to antagonize either side, saying there should be cuts in greenhouse gas emissions, but making them voluntary, and based on "incentives," until the end of the first decade of the next century.

But, the worst compromise the President is making is to give credence to the scientifically incompetent propaganda that man's industrial activity is causing global warming, simply because it is, as he stated, the "overwhelming consensus" in the scientific community. As he should know, having had to deal for years with an "overwhelming consensus" in the media that he is a crook, "overwhelming consensus" is not truth.

As stressed by *EIR*, and by honest and competent scientists around the world, there is absolutely *no* evidence that global warming is occurring. Such climatic changes could never be measured over the span of decades, much less through the nightly TV weather forecasts. Climate, as opposed to weather, is caused by long-term astronomical, orbital, and geologic cycles and processes, measured in tens of thousands of years, which science has yet to fully understand.

By refusing to commit the United States to mandatory industrial emissions cutbacks, and emphasizing that new

technology should be used to reduce emissions, President Clinton has left the door open for the recommitment of this nation to the use of nuclear and other efficient energy conversion technologies, although he chose not to mention more than "new technologies" in energy conservation, in his Oct. 22 speech. His just-concluded agreement with China's President Jiang Zemin, to certify that nation for the import of nuclear power plants from the United States, must be motivated by the science of economics, not the hoax of global warming.

### Floods, malaria, and bunk

The campaign from within the Executive branch to convince the President, the American people, and skeptical Third World governments that their standard of living will have to be sacrificed on the altar of a scientific hoax, has been led by Vice President Al Gore.

Gore kicked off his campaign leading into the Kyoto global climate summit, in a speech in Glacier National Park, Montana, on Sept. 2. There, the vice president warned that the glaciers in the park "are melting away at an alarming rate," a phenomenon, he asserted, which is part of a global pattern.

If we fail to act on global warming, Gore said, "infectious diseases could spread . . . farmers and rural communities could be in jeopardy . . . our seas could rise by one to three feet, flooding thousands of miles of Florida, Louisiana, and other coastal areas." In a dishonest fallacy of composition, Gore said, "We've seen people struck by severe heat waves—more than 400 lives lost in Chicago just two years ago." The truth of the matter is that the lives were lost, not because of global warming, but because elderly people could not afford to turn on their air conditioners, and were too frightened of crime even to open their windows.

The environmental lobby in the White House also orga-



nized a briefing for 100 television weather forecasters on Oct. 1, to work them over on global warming. There, they were told that “the scientific evidence of climate change is solid. . . . The overwhelming majority of the world’s climate scientists have concluded that if we don’t cut our emissions of greenhouse gases, temperatures will rise and will disrupt global climate.”

Left unsaid was the fact that under sworn testimony before the Senate Energy Committee a few years ago, the gurus of this “overwhelming majority of the world’s climate scientists” admitted under oath, that their climate forecasting models were so flawed that, if they were elected officials, they would not vote for any laws based on the conclusion that there is, or will be, global warming.

On Oct. 6, President Clinton attended the White House Conference on Climate Change, at which so-called experts recounted anecdotal stories of people who have “personally experienced” global warming! Vice President Gore compared the fact that people question global warming, to the fact that for 30 years, the tobacco industry denied there was any link between smoking cigarettes and lung cancer.

### **The President’s proposal**

On Oct. 22, the President made his long-awaited policy speech on his proposals for the Kyoto summit. Clinton’s Global Climate Proposal would commit the United States to “returning to emissions of 1990 levels between 2008 and 2012.” Whereas, the global climate mafia and British Prime Minister Tony Blair had been pressuring President Clinton to commit to reducing emissions to 15% *below* the 1990 level, by the year 2010.

“Since it’s a long-term problem requiring a long-term solution, it will be phased in over time,” President Clinton said. He announced that the Federal government will encourage innovation in energy production and the use of resources, by considering \$5 billion in incentives, such as tax breaks, for such activities.

In his speech, the President skirted around the highly contentious issue of how to deal with Third World “polluters” at Kyoto. Bowing to pressure from the Republican-controlled Congress, that developing countries should “suffer” as much as the United States to control nonexistent global warming, but mindful that the largest nations in the world—namely, China and India—have no intention of destroying their potential for industrial development in such a ruse, the President stated that the United States will propose a “flexible mechanism” to meet emission-control targets.

### **The nuclear option**

The President’s Global Climate Proposal should be seen in the context of the political forces that have begun to support his proposal to remove the sanctions against China, which prevent that nation from importing U.S. nuclear energy technology. Every environmental hoaxster has warned that, if China continues to grow economically, it will become the

world’s largest producer of “greenhouse” gases. It has dawned on some, that China proposes to avoid this, not by halting its growth, but by buying nuclear plants.

In the week prior to the President’s statement, even historically anti-nuclear Congressional representatives have been reconsidering their refusal to rely on the nuclear option to solve what they have unfortunately been convinced by “scientific” snake-oil salesmen, is global warming.

In response to the President’s announcement of his Kyoto summit program, the ranking minority member of the House Science Committee, George E. Brown (D-Calif.), who has not been a promoter of nuclear technology, issued a statement on Oct. 22, which, after praising the President’s climate proposal, read: “American technology leadership can ease our transition to a more energy-efficient economy. And it can lead to new economic growth through the export of technologies to other nations, as exemplified by China’s current interest in U.S. advanced design, passively-safe fission reactors.”

### **Better yet, tell the truth**

When President Clinton began his recent tour of Venezuela, Brazil, and Argentina in the middle of October, he brought up his environmental concerns and the danger of global warming in meetings with the three heads of state. On the last day of his trip to South America, at an environmental event in Bariloche, Argentina on Oct. 18, the President stated that the developing nations must pull their weight in the fight against global warming.

Yet, while he stressed that there must be targets for so-called greenhouse gas emissions for these countries, he said that the United States and his administration will not allow emission targets to stop economic growth. “I do not believe that any reasonable person can look at the world of today and imagine the world of tomorrow, and believe that America can gain by someone else’s economic loss. We have an interest in finding a way to grow together,” President Clinton said in Brazil.

For years, the nuclear industry thought that it would regain public support for building nuclear power plants in the United States, by opportunistically trying to “sell” them on the basis of fighting global warming. The result is that the only market there has been for U.S. nuclear plants in the last decade has been in Asia. People who promote environmental hoaxes are interested in cutting world population and standards of living, not building nuclear plants.

When President Clinton began his recent tour of South America, he said that he was coming in the spirit of two Democratic Presidents who preceeded him there, Franklin Roosevelt and John F. Kennedy. In fact, when President Kennedy announced his Alliance for Progress program for Ibero-America, one of the initiatives most important to him was an invitation to Ibero-American students to come to the United States to study and become nuclear engineers, in order to bring this new advanced technology to their nations.

# Brits push eco-fascist crusade vs. Clinton

by Jeffrey Steinberg

In the Oct. 25-26 London *Financial Times*, staff writer and rabid environmentalist Joe Rogaly penned a vicious attack against the Clinton administration, for the President's refusal to dismantle the U.S. economy, by caving in to eco-fascist hoaxes, like global warming. Although the President, in his Oct. 22 speech at the National Geographic Society announcing his policy for the December climate summit in Kyoto, Japan, unfortunately gave credence to the hoax, he nevertheless refused to adopt the draconian greenhouse gas emissions standards being peddled by the Blair government in Britain, and by the rest of the European Union (EU). As a result of the President's refusal to read from a British script, the anti-Clinton venom came bubbling to the surface once again, from Buckingham Palace to 10 Downing Street.

"It is a pity," Rogaly sneered, "that the U.S. is not a member of the Commonwealth. If it were, the 54-nation association . . . could suspend or even expel it. That would teach Washington a lesson. It might then take serious action to curb emissions of greenhouse gases."

From the day that the Blair government was installed by the Privy Council at 10 Downing, it has been mobilized to bully the United States into accepting emissions cutbacks that would decimate what is left of the U.S. industrial base.

At the June 1997 Group of Eight summit in Denver, Colorado, Blair, French President Jacques Chirac, and even a so-called U.S. ally, German Chancellor Helmut Kohl, all ganged up against President Clinton for his refusal to bow to Blair's greenhouse gas emissions proposals.

In a speech at the United Nations on June 23, Blair attacked Clinton, charging: "At Kyoto, industrialized countries must agree to legally binding targets for significant reductions in greenhouse gas emissions during the first decade of the next century. The biggest responsibility falls on those countries with the biggest emissions," Blair said, in a blunt reference to the United States. "We in Europe have now put our cards on the table. It is time for the special pleading to stop, and for others to follow suit."

Blair spelled out his position, since adopted by the EU. The EU, he said, is committed to "reducing greenhouse gas emissions in developed countries to 15% below their 1990 level by the year 2010. In Britain, we will be ready to go further, to a 20% target." Blair praised his predecessor, Margaret Thatcher, for peddling the global warming fraud: "I attacked the last British government for many things, but they

did deliver on the greenhouse gas emissions targets set at Rio. Some other countries cannot say the same, including some of the industrialized nations. I say that our targets will not be taken seriously by the poorer countries until we, the richer countries, are meeting them."

On the same day that Blair delivered his remarks, which the London *Guardian* described as a "thinly disguised attack on America," Blair's attack dog, Foreign Secretary Robin Cook, also lambasted Clinton and the United States, in an address to the world government body. "At the moment," Cook was quoted by the Daily *Telegraph*, "the biggest single problem is that the American public has not yet grasped, that if it continues with its present lifestyle, then it is going to make it impossible for its children or grandchildren to enjoy the kind of environment, and therefore the kind of lifestyle that the Americans have today."

## That deadly virus, Prince Philip

Blair and Cook are singing a royal tune, written by the royal consort and chief operations officer of the Club of the Isles, Prince Philip. It was Philip and his "ex" Nazi cohort, Prince Bernhard of the Netherlands, who launched the World Wildlife Fund (WWF) in the early 1960s, to spread the genocidal pagan dogma of "environmentalism," i.e., the polite version of eugenics and radical Malthusianism. Philip is notorious for his 1988 boast to a German journalist, that, "In the event that I am reincarnated, I would like to return as a deadly virus, in order to contribute something to solve overpopulation."

Prince Philip despises the United States. On May 18, 1990, while in Washington to attend a conference on religion and ecology, co-sponsored by the WWF and the North American Congress on Religion and Ecology, he called for the break-up of the United States into scores of "bio-regions," to be led by local pagan religious sects, which he finds to be far more "realistic" than the revealed religions—i.e., Christianity.

And, at a Washington, D.C. press conference on Oct. 29—right after the Clinton global warming announcement—Prince Philip's WWF released its detailed blueprint for the break-up of the United States. The 680-page report, "North America Conservation Assessment," according to its accompanying press release, calls for the division of the United States and Canada into 116 semi-autonomous eco-regions, crossing state and national borders. WWF is pouring \$10 million into the effort.

Prince Philip's WWF minions, in dozens of well-heeled U.S.-based radical ecology sects, have joined the Blair-Cook chorus, targetting the United States, to create the appearance of "domestic" opposition to the President's position. Given the ferocity of the House of Windsor-led attacks, the President would do well to speak the truth: There is no global warming, so people attending the Kyoto conference ought to have a nice sushi dinner, and go home.

# Nuclear option favored at Senate hearings on accord with China

by Suzanne Rose

Will the U.S. go nuclear again? was a major theme of hearings before the Senate Energy Committee on "Peaceful Nuclear Cooperation with China." The hearings were convened on Oct. 23 by the chairman of the committee, Sen. Frank Murkowski (R-Ak.), to discuss the desire of the Clinton administration to implement the long-stalled 1985 agreement on nuclear cooperation with China.

The Chinese effort to acquire nuclear technology from the United States had been anticipated to be a leading subject of the summit between President Clinton and Chinese President Jiang Zemin. President Clinton had been expected to certify that China has met the conditions for the agreement to be implemented, so that the United States could begin to export nuclear reactor technology.

The agreement has the historic potential, in conjunction with a reform of the monetary system, to begin reestablishing technology transfer as the basis of productive relations with developing economies, and the transformation of the U.S. economy itself back to high-technology manufacturing.

The drive to revive this most efficient, and essential, form of energy production will have to take on directly the decades of brainwashing against high-technology energy, which has taken over the United States, destroying *rationality*, as well as the industry.

The energy requirements of China, the world's only physically growing economy and most populous nation, which are at issue in the implementation of the agreement, could, ironically, spur the return of nuclear energy to the United States. The expansion in the United States of nuclear energy, the world's safest and most efficient form of energy, has long been sabotaged by the Malthusian environmentalist movement and the speculative financial policies of London and Wall Street. William Martin, of the think-tank, Washington Policy and Analysis, testified before the committee hearings that "by helping China, it may help the U.S. return to nuclear."

In contrast to the United States — which, under the insane "post-industrial society" policy, has closed down much of its manufacturing and agricultural capacity, and therefore has no need for advanced energy sources — China is, according to a memo provided by committee staff, installing more electricity capacity over the next ten years than any nation in history has done in a comparable time period, to meet the requirements of raising the living standards of the population.

The potential which China's demands have to shift the anti-nuclear attitude in the United States, was demonstrated by the comments of Sen. Dale Bumpers (D-Ark.), who is known for his environmentalism. Bumpers told the hearing that he was convinced that the nuclear agreement with China was the way to go.

The panelists at the hearing included Robert Ebel, director of Energy and National Security of the Center for Strategic and International Studies at Georgetown University; Robert Gallucci, dean of Georgetown's Foreign Service School; William Martin, chairman, Washington Policy and Analysis; and Joe Colvin, president, Nuclear Energy Institute. They painted a grim picture of the state of the nuclear industry in the United States, while describing the enormous potential from meeting the needs of China.

Senator Murkowski, the committee chairman, pointed out that the United States has built no new nuclear plants since 1975. It was pointed out by others that the plants in existence are being phased out. The deregulation of utilities is undermining the ability to maintain a rate structure to support nuclear plants. Twenty-six plants have run out of space in which to store their spent nuclear fuel, and the Carter administration prohibited reprocessing.

Under the present constraints of the Environmental Protection Agency, etc., we will be allowed no coal, no hydro-power, and no nuclear energy, said Murkowski. "We need a dose of realism," he said. On the other hand, China intends to double its GNP by the year 2010. To do this, it needs massive amounts of energy. According to the panelists, to meet its goals of having 20,000 megawatts of nuclear capacity by the year 2010, China would have to order two new reactors each year.

They want to select from U.S. light-water reactor designs to build families of plants using standardized designs, because they are the safest and have been tested internationally. Every 1,000-megawatt nuclear unit ordered, means 15,000-30,000 U.S. jobs and \$1-2 billion in exports, according to the testimony — and these are professional, high-salary jobs in manufacturing.

## Wrong argument

Unfortunately, the hoax of global warming provided those discussing the issue at the committee hearing (who must have

known better) with the rationale for the necessary turn toward nuclear energy in the United States and China. It was said by panelists and senators alike, that the targets for reducing so-called greenhouse gas emissions recently released by President Clinton, could not possibly be met without nuclear energy, even though there is no scientific evidence that global warming exists, much less that links the carbon dioxide emissions of fossil fuels with the so-called effect.

It was rightly noted that China needs to reduce its reliance on coal, from the standpoint of energy efficiency and transportation costs. China is currently the largest producer and consumer of coal, much of which is poor quality and causes pollution. Its current supplies of natural gas and oil fall far short of meeting requirements, the committee was told. "Energy is the motor of development in China," said panelist Bill Martin. "They need energy and we can provide it."

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## Documentation

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*From a memorandum prepared for the Oct. 23 hearing by congressional staff:*

... It is ... important to stress the fact that China will develop its civil nuclear power infrastructure with or without the participation of the United States. Currently, China has three operational nuclear power reactors, including one indigenous design and two French reactors based on an older U.S. design. Eight additional reactors are under construction or on order, including two indigenous reactors, two Canadian reactors, two French reactors, and two Russian reactors. China plans to install 50,000 megawatts of new nuclear capacity by 2030, and hopes to standardize around a single design. A Chinese decision to standardize around a modern U.S. reactor design would be beneficial from the standpoint of nuclear safety, not to mention the positive implications for U.S. jobs and exports. A recent study by the Center for Strategic and International Studies suggests that U.S.-China nuclear exports could reach \$1.65 billion per year in the near term, supporting an equivalent of 25,400 full-time U.S. jobs. ...

China, already home to 1.25 billion people or roughly 20% of the world's population, is growing at the rate of 1.2 million people *per month*. Economically, they are growing even faster with rates of growth during the 1990s running from 8-13%. With an installed capacity of 236.5 GW(e), China only ranks 80th among the nations of the world in per-capita energy consumption. To meet its growing energy demand, China has installed more new electric capacity in the past ten years than any nation in history over a comparable time period. 300 GW(e) of capacity is expected to be in place by the year 2000, and China has established a goal for a total of 511.5 GW(e) to be in place by 2010. ...

*From a September 1997 report issued by the Center for Strategic and International Studies (CSIS), "U.S.-China Commercial Nuclear Commerce." These excerpts are taken from Appendix I, "Potential U.S. Jobs Resulting from China Nuclear Reactors Sales."*

China has established for itself a very ambitious program for expanding its electricity generation from nuclear energy plants. [2010—20,000 MW of nuclear generating capacity; 2020—50,000 MW; 2050—150,000 MW.]

Although these goals are subject to revision in the coming years, nonetheless the commitment is massive. ...

If the goal for 2020 of 50,000 megawatts of nuclear generating capacity is to be met, the Chinese will need to procure an additional 41,200 megawatts of nuclear generating capacity beyond what is already operating or on order. If the capacity is to be available and operating by the year 2020, however, all nuclear plant orders would have to be placed by 2014, allowing for six years from ordering a plant until it begins operating. In other words, if China is to meet its 2020 goal, orders must be placed for just over 2,400 megawatts per year on average from 1998 to 2014. Further, to meet the 2050 goal, the order rate would have to increase to 3,300 megawatts per year after 2014. ...

To put all this in perspective, a nuclear plant consisting of twin units (nuclear plants are always ordered in pairs, for economic reasons) would provide between 2,000 to 2,800 megawatts, depending of course on the size of the reactors chosen. Thus, to meet its 2020 goal, China would effectively need to place an order for a new nuclear plant every year, for the next 17 years. ...

... The U.S. Department of Commerce periodically provides data on the number of U.S. jobs supported by goods and services exports. The latest report (November 1996) states that the average output per job (for all goods and services exported from the United States) was \$64,700. The Commerce report also notes that export-supported jobs produced salaries that were, on average, 13% higher than non-exporting jobs in the United States. ...

Inverting the \$64,700/job relationship indicates that every \$1 billion in exports supports more than 15,400 jobs. Thus, exporting more than \$1.65 billion per year to China in nuclear-related goods and services would support over 25,400 *full-time equivalents*. Actually, only a fraction of the individuals would be devoting 100% of their time to work on China export activities. The vast majority of individuals would be performing other tasks within their companies. Thus, in reality there would be hundreds of thousands of U.S. employees that would owe some part of their job to the support of nuclear trade with China. ...

This evaluation ... does not attempt to estimate the export market that would also result from supplying the goods and services needed to support the operation and maintenance of all these new nuclear plants. ... This will likely prove to be a very substantial market in itself.

# CIA debates Brits' Cold War perfidy

by Jeffrey Steinberg

A Central Intelligence Agency-sponsored forum, convened to assess a newly released volume of early Cold War national security documents, erupted into a surprisingly candid discussion of the perfidious role of Great Britain in manipulating the start of the Cold War. The impromptu discussion took place during a day-long symposium, "Assessing the Soviet Threat: The Early Cold War Years," which took place on Oct. 24, in the auditorium on the CIA's Langley, Virginia campus. Approximately 400 retired CIA officers, academics, and researchers attended the event, which was the sixth in a series of such public conferences sponsored by the Agency's Center for the Study of Intelligence.

The event featured a number of prominent speakers, who were critical players in the formative years of the CIA, including George Kennan, Robert Bowie, and Paul Nitze. William Hyland, who served in the CIA for many years before becoming head of State Department intelligence, and later, edited the New York Council on Foreign Relations' journal, *Foreign Affairs*, was also a featured speaker.

## Philby, Maclean, and Burgess

The conference was organized around three panels, dealing with the Soviet threat in eastern Europe, western Europe, and East Asia during 1946-50. The panelists were asked to review 200 newly declassified Central Intelligence Group (CIG) and Central Intelligence Agency (CIA) estimates and daily briefings, prepared during the Truman administration, to assess the effectiveness of the nascent postwar civilian intelligence service, in forecasting such monumental events as the Soviet takeover of countries in eastern Europe, the advent of the thermonuclear stalemate, the North Korean invasion of the South, the Chinese Communist takeover of the mainland, the Mao-Stalin relationship, and the Soviet efforts to install communist governments in several crucial western European countries.

Throughout the symposium, and particularly during the discussion of early-Cold-War efforts by the United States to roll back Soviet advances in eastern Europe, the audience was reminded that a trio of high-ranking British intelligence officers, posted in Washington, D.C., had betrayed America's most ambitious secret operations to Moscow. H.R. "Kim" Philby, Guy Burgess, and Donald Maclean had served

in key liaison posts to the Central Intelligence Group and its successor, the CIA. All three were Soviet spies, penetrated deep into the British security elite. Or were they?

No one at the symposium, neither the panelists, nor the members of the audience who had brief opportunities to make comments or ask questions at the close of each panel, went so far as to directly accuse any of the three men of acting on behalf of British geopolitical interests, when they betrayed American secret operations. However, at the close of the second panel, on the early Cold War years in western Europe, Dr. Charles G. Cogan, the former head of the CIA's Near East Division of the Directorate of Operations, now a professor at the Harvard University Center for International Affairs, raised the question of whether the British had intentionally manipulated the United States into the Cold War against Stalin, at a point when the United States was still in a position to forge some kind of postwar partnership with Moscow.

Dr. Lloyd Gardner, a history professor at Rutgers University, one of the panelists, acknowledged that a whole school of historiography exists, that argues that there was a real possibility of World War III breaking out, shortly after the end of the World War II, *between the United States and Great Britain*, over the issue of Britain's commitment to reestablish its pre-war colonial empire.

Dr. James Hershberg, former head of the Cold War International History Project at the Woodrow Wilson Center of the Smithsonian Institution, pointed out that there were extensive discussions between Stalin and several of his top foreign policy aides, over the issue of how the Soviet Union might exploit the "inter-imperialist" rivalry between the United States and Britain. One recently obtained Soviet diplomatic communiqué to Soviet Foreign Minister Molotov and Stalin argued that a war between the United States and Britain was "inevitable."

Another questioner from the floor added that even President Truman was completely taken by surprise by Winston Churchill's "Iron Curtain" speech in Fulton, Missouri, which was aimed at manipulating the United States into a conflict with Stalin, one that even Truman was not then committed to. Professor Gardner cited a book-length study of the Churchill intervention, that made the strong case that Britain had manipulated the United States into the Cold War.

The speakers who argued that Britain's perfidy against U.S. strategic interests had shaped the early moments of the Cold War and locked the United States into a still-avoidable break with Russia, were by no means in the majority at the symposium. However, the surfacing of the debate over the rarely challenged Cold War mythology, and the sanctity of the Anglo-American special relationship, inside the headquarters of America's postwar intelligence community, is a sign of mental health at a moment when the warfare between Washington and London has returned to center stage in the post-Cold War strategic drama.

## Maastricht austerity gets Domenici's backing

On Oct. 21, the Senate Budget Committee, chaired by Pete Domenici (R-N.M.), held the first of three hearings on the impact of the impending European Monetary Union on the United States. The austerity mandated by the Maastricht Treaty, under the strict budget and monetary guidelines imposed as conditions for joining the EMU, has led to mass unemployment in Europe, and the dismantling of the world's most advanced system of health care and other social services.

In his opening statement, Domenici said that "the process of getting to a single currency in Europe and, more importantly, maintaining that currency, must force fundamental structural changes in public pensions in Europe. These changes will provide the U.S. with a virtual real world experience in how to, or how not to reform public pension programs."

Domenici said he was hopeful about the monetary union, because "it mandates prudent monetary and fiscal policy, which should result in lower inflation rates and lower borrowing costs than would otherwise have been the case." He didn't think the United States should be worried about the EMU, "because it is likely to produce many economic benefits for the U.S. However, I think we should be aware of potential U.S. vulnerabilities. . . . It makes sense to me that we should redouble our efforts to boost the U.S. savings rate and decrease our reliance on foreign capital."

The chief European witness, Director General for Economic and Financial Affairs of the European Commission Giovanni Ravasio, backed up Domenici's confidence in austerity. His remarks demonstrated that such austerity is the underlying feature of monetary union, designed to achieve balanced budgets, and even budget

surpluses, which, he said, is one of the objectives, not just to reduce deficits to the 3% of Gross Domestic Product target level.

On unemployment, Ravasio said that structural reforms will be needed to overcome "rigidities" in the labor market, one of them being "high wage costs." He said, "The loss of the exchange rate instrument will increase pressure and need for labor market reform in order to create the necessary [budget] flexibility." He reported that pension costs are growing 3-4% annually but that there is a "strong need to reform the pension system, otherwise budgetary discipline will be hard to ensure." Among the reforms being considered are indexation changes and cuts in benefit levels.

## Disputes hold up appropriations bills

On Oct. 22, contentious debate over issues unrelated to appropriations bills forced the House to extend the continuing resolution that expired on Oct. 23, to Nov. 7. (A CR allows vital programs to be funded, pending passage of budget legislation.) The Senate followed suit the next day. House Appropriations Committee Chairman Bob Livingston (R-La.) explained during floor debate, that action had been completed on only five of the 13 spending bills in the three weeks since the original CR was passed.

David Obey (Wisc.), the ranking Democrat on the Appropriations Committee, lashed out at those in the Congress who have been holding up agreement on the bills. He said that there were "four issues remaining on four appropriations bills, which, if left to this committee, could be resolved within a week." These issues include a national education testing program

supported by President Clinton, and a school vouchers program that the Republicans have inserted into the D.C. Appropriations bill, which is facing a veto threat, both of which are outside the appropriations process itself. "So it seems to me," Obey said, "that there is no reason whatsoever to continue this session or to pass this CR, except for the fact" that a few lobbyists and a few Republicans "would rather hold their breath than get the people's work done."

## Creditors favored in bankruptcy reform bill

On Oct. 21, Sens. Charles Grassley (R-Iowa) and Richard Durbin (D-Ill.) introduced a bill to reform the consumer bankruptcy system. The bill follows a hearing of the Judiciary Administrative Oversight and the Courts Subcommittee, chaired by Grassley, which took testimony on the recently released report of the National Bankruptcy Review Commission.

The crisis in the consumer bankruptcy system (over 1.3 million bankruptcies were filed in 1996) flies in the face of false claims of prosperity. "While there's not much agreement about the root causes of the rise in consumer bankruptcies," Grassley said, "it's obvious that Congress needs to do something now, before the economy takes a downturn, to reverse this trend." The bill targets "casual bankruptcies" by giving the creditor more ability to get a bankruptcy case decided in its favor or dismissed outright. "Thus, there will be an army of trustees looking for debtors who shouldn't be in bankruptcy," said Grassley.

Grassley, mindful of what it takes to get a bill passed, added, "the bill doesn't make ability to repay" the only factor in determining cases. "Instead,

each debtor's individual circumstances will be examined. In this way, our bill avoids the injustice which can accompany a crude formula with practically no exceptions." The bill also includes a title dedicated to protecting consumers from abusive conduct by creditors.

Durbin blamed the rising number of bankruptcies on "the proliferation of risky credit." He said, "Merely making bankruptcy abuse harder to get away with is only a small part of the equation. Another part is preventing bankruptcies in the first place by encouraging more responsibility from banks, as well as consumers."

## Senate gridlocks over campaign finance reform

Senate Democrats have made good on their threat to shut down regular business in the Senate without an agreement on campaign finance reform. The largest bill caught in the logjam is the Intermodal Surface Transportation Efficiency Act reauthorization. When the bill came to the floor on Oct. 8, Majority Leader Trent Lott (R-Miss.) used a parliamentary maneuver to introduce the maximum number of amendments to the bill allowed by Senate rules, in order to prevent the Democrats from adding campaign finance reform to the bill. The result was that for the entire week after the Columbus Day recess, there was little debate and no movement on amendments.

Minority Leader Tom Daschle (D-S.D.) indicated on Oct. 20 that another bill likely to be stalled is the fast track trade legislation. He said that it wouldn't come up until the highway bill is resolved, and "even though I think the President feels very strongly about fast track, we're not in a position to allow that to move ahead, either,

until we can get some kind of an understanding about how we proceed on campaign finance reform." Daschle confirmed, however, that if Lott were to agree on a date to bring up a campaign finance reform bill, say, in January or February, the Democrats "would not amend anything" and take it off the table for now.

A third cloture vote on the transportation bill failed on Oct. 28, leading Lott to say that the bill was probably dead until sometime next year, leaving states without any guidance on highway programs.

## Internal Revenue Service reform gains momentum

On Oct. 22, by a vote of 33-4, the House Ways and Means Committee passed the Internal Revenue Service Restructuring and Reform Act of 1997, after the Clinton administration reversed course and endorsed the bill. The bill was an outgrowth of the work of a bipartisan task force chaired by Sen. Bob Kerrey (D-Neb.) and Rep. Rob Portman (R-Ohio).

The bill would establish an IRS oversight board, which would include a substantial number of members from private life; expand electronic filing of tax returns; establish a "Taxpayer Bill of Rights"; and expand Congressional oversight.

Pressure on the Clinton administration to endorse the bill increased after Congressional Democrats announced support for it. Minority Leader Richard Gephardt endorsed the major provisions of the bill on Oct. 21, but he called it a "partial solution." He said, "The real solution is abolishing the IRS code and starting over building a tax system that's fair and makes sense. A tax code that allows some people to make decisions based

on what's in their family's best interest, not because of some tax gimmick or loophole."

On the Senate side, Minority Leader Tom Daschle (D-S.D.) endorsed the bill the day after Gephardt. "The bottom line for the IRS is that we've got to protect the taxpayer," he said. He echoed the words of Treasury Secretary Robert Rubin from the day before, that the administration, "through its restructuring of government, reinventing government, has voluntarily and unilaterally taken a lot of actions that I think deserve a great deal of praise."

## House probe of Sanchez election grinds on

On Oct. 24, the House Oversight Committee voted on party lines to ask California Secretary of State Bill Jones to verify the GOP's conclusion that 303 non-citizens voted illegally in the election in California's 46th district where Loretta Sanchez (D) defeated incumbent Bob Dornan (R) by 984 votes. The committee action followed by one day a Democratic attempt to end the investigation by a vote of the full House.

The Democrats have become increasingly noisy in their bid to end the investigation, claiming, as Minority Leader Richard Gephardt (D-Mo.) did, that "there has not been evidence or proof presented by the committee or the task force [set up to investigate the election] which would indicate that Ms. Sanchez was not elected by a majority of the people voting in the 46th District" last November. Gephardt was the sponsor of a preferential resolution demanding a formal end to the investigation by Oct. 29. The resolution was defeated on a near-party-line vote of 222-204. Michael Forbes (R-N.Y.) joined with the Democrats, and James Traficant (D-Ohio) voted with the Republicans.

# National News

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## Spannaus exposes Wolf, Gilmore hypocrisy

A week shy of Virginia's gubernatorial election, LaRouche Democrat Nancy Spannaus blasted U.S. Rep. Frank Wolf (R) and his ally, Republican gubernatorial candidate Jim Gilmore, for their rank hypocrisy, under color of "fighting for human rights" and "protecting religious freedom." Spannaus is campaigning for the congressional seat currently held by Wolf.

In an Oct. 27 statement, Spannaus called Wolf a "British tool," saying, "not only is he using phony human rights complaints to try to drive a wedge between the Presidents of the U.S.A. and China—an act which could lead to the destruction of the only available effective partnership against the British at a time of financial blowout—but he is supporting the most vicious anti-human rights regimes in the world.

"Start with Tibet," she said, referring to the pet projects of Lady Caroline Cox, head of Christian Solidarity International, whose U.S. board includes Wolf. "A close look at Tibet under the Dalai Lamas shows that it was a feudal dictatorship, where people were treated like property, mutilated for punishment, and denied nearly all access to progress. This horror show Frank Wolf calls 'freedom of religion.'

"By imposing its program of modernization of industry and agriculture on Tibet, China has actually vastly improved human rights there. And, in carrying out its war against hunger and poverty in the rest of its country, China is advancing in the area of human rights more rapidly than any other nation in the world.

"Then, there's Virginia," continued Spannaus. "Under Frank Wolf's friend and associate Jim Gilmore and Gov. George Allen, gross abuses of human rights are going on in the prisons. . . . At least five prominent political prisoners are being held—LaRouche associates Michael Billington, Anita and Paul Gallagher, Laurence Hecht, and Donald Phau. . . .

"In China, as a recent human rights delegation found out, people can inspect conditions in the prisons. In Virginia, the Allen

administration won't let any media inside—unless it's to watch an execution.

"If Jim Gilmore is elected in the upcoming gubernatorial election, Virginia is going to become even more of a fascist police state—with the prisons opened wide for private industry, to utilize a mass of prisoners who have been incarcerated with no parole. Frank Wolf supports this prison labor; he only opposes those abuses which his British bosses in Christian Solidarity International oppose."

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## Albright: U.S. rejects 'clash of civilizations'

Secretary of State Madeleine Albright polemized against the the "Freedom from Religious Persecution Act," co-sponsored by Rep. Frank Wolf (R-Va.) and Sen. Arlen Specter (R-Pa.), during a speech on Oct. 23 at Catholic University, as unprincipled and damaging to U.S. foreign policy. "There are some who see, in the rivalries that exist in the Balkans and elsewhere, in the Middle East, the Gulf, Africa, and Asia, the potential for a vast future clash of civilizations, in which differences not only of spiritual tradition but of culture, history, and ideology divide the world into bitter contending camps.

"The United States has a different view," Albright declared. "We are the defender of no one faith, but the respecter of all and of the right of all to proclaim and exercise faith. We are friends with nations in which the predominant religion is Buddhist; and others where it is Christian, or Hindu, or Islamic, or Jewish. We are, ourselves, a nation of all these faiths and more. . . .

"In our policy towards other nations, we do not act or judge on the basis of religion or cultural tradition, but on behavior."

Albright said that, therefore, "we reject stereotypes." She gave examples of acts of terrorism by Hindu separatists in Sri Lanka, and Kurdish separatists in Turkey. "We have seen a Jewish man who had been raised in the United States murder 29 Arabs while they were at prayer in a Hebron mosque," adding, "we have heard Serbian leaders justify the campaign of ethnic cleansing and mass rape inflicted upon Muslims in Bosnia

as a defense, in their words, of 'Christian Europe.'"

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## Health care fight heats up in Maryland

In an interview on Oct. 24 with the weekly newspaper *New Federalist*, Carol Bragg, the president of the Professional Staff Nurses Association, said that the nurses voted on Oct. 23 to authorize another strike against Dimensions Health Corp., which has now replaced ten of the nurses who struck against Dimension's four hospitals in Prince George's County, on Oct. 17-18. The nurses, who have been working without a contract or cost-of-living adjustment for three years, initiated the job action over cutbacks that are threatening patient care.

Furthermore, Bragg reported that surgeons at the four facilities are supporting the fired nurses, by withholding surgeries or threatening to do so unless the nurses get their jobs back. A petition is circulating to fire the director of nurses, who has pushed for the replacement of strikers.

Meanwhile, the county, which borders Washington, D.C., is closing all of its public mental health clinics as of Oct. 30, and is telling hundreds of chronically mentally ill residents, many of them poor, to seek private treatment. At least 1,000 people must find new providers. Art Thacher, the county's health officer, told the *Washington Post* that the county's program—an excellent one in which staff was well paid and patients were well taken care of—"could not be sustained in a managed-care environment."

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## Amtrak strike deadline extended to Nov. 6

The Brotherhood of Maintenance of Way Employees has extended its strike deadline against Amtrak to Nov. 6, at least temporarily averting a walkout that would have stranded hundreds of thousands of commuters along the Northeast corridor from Boston to Washington. This is the second time the



union has extended the deadline for a week.

The union agreed to the extension at the request of Transportation Secretary Rodney Slater. Congress appears ready to approve legislation that would force the two sides to submit to binding arbitration, in case a settlement is not reached. Congress is also considering measures which would repeal labor protections for some 20,000 Amtrak workers, according to the AFL-CIO. The Maintenance of Way employees are seeking a wage increase similar to that recently gained by similar employees at the nation's major freight railroads.

After the first extension, on Oct. 21, BMW chairman Jed Dodd released a statement, saying: "We have been without a new agreement for almost three years. For three years Amtrak has stalled and shown nothing but bad faith, while the standard of living of our membership continues to decline. . . . Our desire is to reach an agreement, and if we can avoid a strike by extending the deadline an additional week to reach an agreement, it is worth the additional delay."

In August, a threatened strike was averted, when President Clinton appointed a Presidential Emergency Board to make recommendations to resolve the dispute, and established a cooling-off period.

## Earth First! terrorizes Congressional staffers

Sixty environmentalist terrorists from Earth First! assaulted the Eureka, California office of U.S. Rep. Frank Riggs, on Oct. 16, because he supported water-management legislation. Barry Clausen, an investigator who, at one time, had infiltrated Earth First! and exposed its relationship to Greenpeace, reported, "There was a loud boom in the lobby of the office. The boom was loud enough to shake the building and rattle windows." One staff member said he had thought "a bomb had gone off" and this was "Oklahoma City all over again." Another staffer called the police.

The Earth First! commando was hooded and wore black combat fatigues. Clausen's report quoted one witness: "I went around the corner of the building to witness a white

male reach up to his face and pull 'something' off his head. I concluded it to be a ski mask. The white male held a walkie-talkie and said, 'It's a green light. It's a "go." Let's go.' "

According to Clausen, "the loud boom that was heard was a very large, very heavy tree stump that had been carried into the office and dropped." In addition to the tree stump, the terrorists covered the offices with six inches of sawdust and woodchips. Police drove the eco-terrorists from the building with pepper spray and arrested four.

## Texas bishops condemn death penalty

All 21 of Texas's Roman Catholic bishops issued a statement on Oct. 20 calling on Texas to abandon the death penalty. The statement charged that Texas is "usurping the sovereign dominion of God over human life" and thereby contributing to "a climate of violence." "We sympathize with the profound pain of the victims of brutal crimes. Nevertheless, we believe that the compassionate example of Christ calls us to respect the God-given image found even in hardened criminals." The bishops also said the death penalty is not a deterrent to crime, has racist overtones, and costs millions of dollars.

So far in 1997, Texas has executed 31 men, the highest number in the state's history and by far the most in the United States. Five more are scheduled to die this year. A spokeswoman for Gov. George W. Bush would only say that "Governor Bush is committed to upholding the law of Texas."

In Massachusetts, Cardinal Bernard Law wrote a commentary for the *Boston Globe* on Oct. 27, titled "Death Penalty Is No Answer," anticipating a state House of Representatives vote to re-instate the death penalty in that state. He emphasized that capital punishment "cannot be a collective act of revenge. . . . The frenzy of the lynch mob cannot be forgotten. . . . We must not allow ourselves to be caught up in the spiral of violence. Violence begets violence. Capital punishment is really no answer."

**SPINELESS** former Virginia Gov. L. Douglas Wilder (D), the nation's first black governor, refused to endorse the Democratic candidate, Don Beyer, against Confederate Republican Jim Gilmore, even at the request of President Clinton. Wilder is widely known for his refusal to act on the well-supported petition of clemency for political prisoner and LaRouche associate Mike Billington, which came before him before he left office.

**BOB WOODWARD** is writing a new book on Al Gore, reported the *Wall Street Journal* on Oct. 24. Gore's allies are concerned that one part of the book will focus on Gore's lobbyist friend Peter Knight, says the *Journal*.

**PAULA JONES** refuses to settle her phony sexual harassment suit against President Clinton out of court because she would lose lucrative publishing and movie contracts. "I honestly think the plaintiff and those who are really controlling her have decided the best possible marketing plan for books or movies would be a circus trial," said Robert Bennett, the President's lead counsel, on Oct. 23.

**'NATIONAL REVIEW'** editor John O'Sullivan abruptly resigned his position in October, to go work for the New Atlantic Initiative, co-chaired by Margaret Thatcher and Henry Kissinger. Since 1979, O'Sullivan has passed from the Heritage Foundation, to the London *Daily Telegraph*, to the *New York Post*, to being an adviser to Thatcher, before ending up at William Buckley's *National Review*.

**JACK KEVORKIAN'S** latest gruesome proposal is to cannibalize the bodies of his victims to sell their organs for transplant, he announced on Oct. 23. The plan would involve having Geoffrey Fieger, Kevorkian's attorney, arrange the sale of the "harvested organs" to the highest bidder.

### *Throwing gasoline on a fire*

The world's financial and monetary system came dangerously close to melting down in the last days of Black October, the system saved—only seemingly—when governments and central banks threw huge amounts of money into the breach to stop the collapse. Their efforts did stop the immediate meltdown (as of this writing, the system is still standing), but they did not solve the problem. In fact, they only made it worse, by increasing the size of a speculative bubble, the existence of which is a dire threat to every man, woman, and child on the planet.

LaRouche's comparison of the latest "bailout" to throwing gasoline on a fire, stems from his scientific understanding that the financial bubble grows by looting the physical economy, in the same way that a parasite grows by feeding off its host. The actions of Federal Reserve Chairman Alan Greenspan and company, increase the rate of cannibalization of the productive sector of the economy, and decrease the standard of living of the population; thus their "success" in temporarily postponing an inevitable collapse, makes that collapse all the more certain.

To understand why the very existence of this bubble is deadly, one must understand that the science of economics depends upon mankind using the power of reason to develop and deploy, at ever increasing rates, technologies that increase the productive power of human labor, thereby increasing the rate at which society can produce wealth. A sound economy must therefore be organized to develop the power of reason in each person, and those minds must be put to work pushing back the frontiers of science and designing and building new technologies to put the resulting scientific discoveries into action. In a sound economy, a majority of the labor force would be involved in the physical production of goods, research and development, infrastructure projects, or essential services such as education and health care. We would be developing nuclear fusion, magnetic-levitation transportation systems, and building new cities on Earth and in space, with each generation more advanced and wealthier than its predecessors.

Contrast that type of society to today's society, dominated by the British Empire-centered international financial oligarchy, which treats the world as if it were their private plantation. Need more money? Work the slaves harder! Too many mouths to feed? Kill off some slaves, preferably by working them to death, or getting them to kill each other! Keep them in line, by making them stupid, terrified, and little!

The continuation of the financial bubble, like the plantation system, depends upon the ability of its controllers to suck wealth out of the economy at an ever-increasing rate. But this is a self-limiting system, in that the more the physical economy is drained, the less wealth is available for future looting—inevitably, the amount of money available to the bubble will be less than is required to keep it growing, and the bubble will collapse.

That is the situation facing Greenspan and his comrades. There are, conservatively estimated, some \$100 trillion in derivatives outstanding in the world today, with an annual turnover of financial instruments worldwide exceeding \$1 quadrillion (\$1,000 trillion). To service this market, requires an ever-increasing amount of cash, which must be taken out of the physical economy. Money that should go into education, health care, infrastructure-building, research and development, and related essential functions, is instead being diverted into the bubble, weakening the productive sector while increasing the financial claims against it. Like the proverbial 1,000-pound flea on the 50-pound dog, the system is unsustainable.

The U.S. economy illustrates the point. Since about 1970, the productive side of the U.S. economy has declined by some 50%, while the financial claims against that economy have risen hyperbolically: In 1970, there were \$2.50 in financial claims for every dollar of Gross National Product, whereas today there are some \$8.80 in claims for every dollar of GNP. Today, there are \$66 in claims for every \$1 of the M1 money supply, and \$13.75 in claims for every dollar of M3. Inflating those claims, as Greenspan and company did on Oct. 28, only makes the crisis worse.

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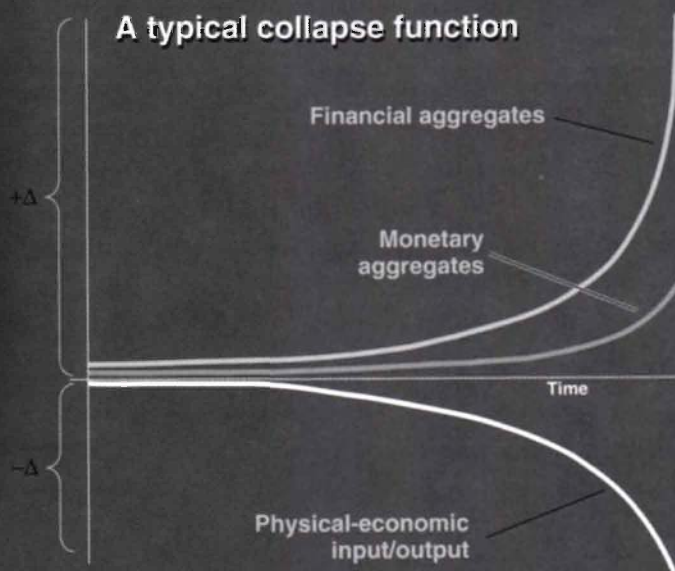
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