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Executive Intelligence Review

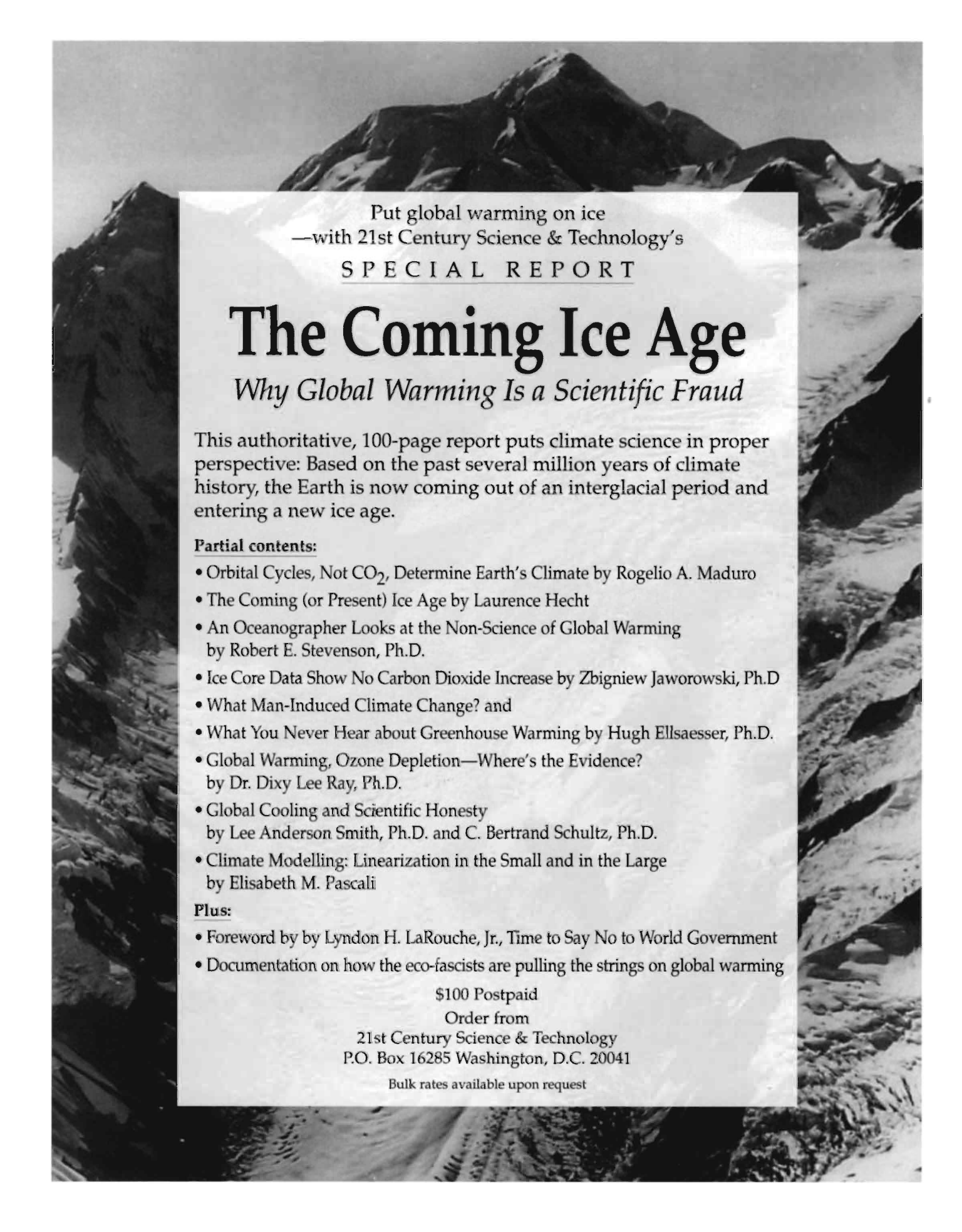
May 1, 1998 Vol. 25 No. 18

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Scandal-ridden Starr should be fired now

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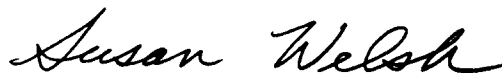
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## From the Associate Editor

**I**n his discussions of the conceptual framework for a New Bretton Woods system, Lyndon LaRouche frequently emphasizes one important correction to the original Bretton Woods approach: We must adopt *national banking*, as opposed to *central banking*. This point goes to the heart of why the sovereign nation-state is indispensable for the transmission of human creative discoveries, to foster the development of science and technology, and the progress of society as a whole.

The work of U.S. Treasury Secretary Alexander Hamilton is of singular importance in this context. “If you don’t approve of Hamilton,” LaRouche writes, “you have chosen, probably, to die of economic chaos world-wide.” The revival of Hamilton’s ideas in Brazil, with the publication in 1995 of the first Portuguese translation of Hamilton’s *Report on the Subject of Manufactures* (with a prologue by LaRouche), is the subject of our *National Economy* feature in this issue. We present a preliminary outline of the history of the Hamiltonian faction in Brazil: the advocates of the American System of political economy, as against British free trade. In future issues, *EIR* will have a great deal more to say about the hitherto almost unknown history of the pro-Yankee, anti-British forces in Ibero-America: the networks of Hamilton, Henry Carey, and Friedrich List. Indeed, we shall show that there is no patriot in Ibero-America who is not also pro-American, in that specific sense.

Our second major feature this week is the transcript of a fascinating dialogue between LaRouche and a group of Italian scientists, mostly physicists involved in “cold fusion” research. The discussion ranges from specialized matters involving quarks and longitudinal force, to issues that are on the minds of all of our readers: “What does the stock market rise signify? When is the crash going to come? Will it be worse in my country, or somewhere else? Does Clinton have enough guts to fight the oligarchy? Why do you attack the British?” Reading “over the shoulders” of LaRouche and his Italian interlocutors, will give you new insight into these vital questions, as seen through the eyes of a master statesman.



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## In the aftermath of G-22, new catastrophe looming

by Jeffrey Steinberg

On April 23, the Singapore *Business Times* published an editorial, perfectly summing up the previous week's Group of Seven and G-22 economic summits in Washington, D.C. "The East Asian economic turmoil, by uncovering weaknesses in the foundations of the global financial system, has produced a healthy debate on creating mechanisms to prevent and contain future crises," the editorial began. "But ironically, they are being presented at a time when it is all but obvious that any attempt to implement any of them will be constrained by unresponsive national governments and unpredictable financial markets. . . . And while it is hard to argue with [U.S. Treasury Secretary Robert] Rubin's call to ensure that private investors pay at least some of the costs of their mistakes, no one has yet devised an acceptable and workable formula for doing this."

The authors zeroed in on the problem that surfaced most visibly at the G-22 meeting on April 16, according to reports that *EIR* received from several participating governments: "These and other obstacles on the road to global monetary reform demonstrate that, impressive as the new architectural designs may be, the building blocks to put them into effect are not yet in place. . . . There is no paucity of ideas; what is lacking is the will to do what is necessary."

The lack of will, or, more precisely, the unwillingness on the part of key participants in the G-7 and G-22 meetings to stage an open policy brawl over the need for a New Bretton Woods "global financial architecture," leaves the world careening ever more rapidly toward the kind of global financial explosion and new Dark Age that Lyndon LaRouche has been warning of for years.

This view was echoed in the April 18 speech by Malaysian Deputy Prime Minister and Finance Minister Anwar Ibrahim, in New York City. Ibrahim was speaking in his capacity as

the new chairman of the World Bank-International Monetary Fund (IMF) Development Committee, at a meeting of the United Nations Economic and Social Council. The Asia financial crisis has taken the region "from Paradiso to Inferno in a matter of months," he said. "It's unfair, it's altogether unjust simply to blame the governments . . . for the crisis. . . . If the fundamental flaws in the global financial system . . . such as the unpredictability of the international capital markets and the systemic fragility of the international monetary system . . . are not remedied soon, the world is headed for a series of financial convulsions of increasing severity."

Ibrahim had met for 45 minutes with Treasury Secretary Rubin the day before he delivered the New York speech.

### Hidden dangers

There is no doubt that Ibrahim's speech echoed the sentiments of Secretary Rubin. According to a half-dozen participants in the G-22 Madison Hotel meeting of April 16 who spoke to *EIR* afterwards, Rubin stressed that the so-called "Asia crisis" was just a manifestation of a global systemic crisis that jeopardizes every nation. He reiterated his "not one nickel" to bail out the banks formulation, which he first stated publicly on Dec. 24, 1997, and later in a speech at Georgetown University.

According to one G-22 participant, Rubin laid out a series of concrete proposals. He stressed the danger of hidden, off-balance-sheet derivatives and other liabilities, which must be fully exposed, or else no new financial architecture can be solidly established. The fact that Rubin cited derivatives as one potentially devastating source of global financial instability, is of significance. *EIR* has shown that the \$140 trillion derivatives bubble is so enormous that it proves the folly of even attempting a hyperinflationary bailout of the banks.



*Treasury Secretary Robert Rubin (left) enters the Madison Hotel in Washington, for the meeting of the Group of 22 on April 16.*

The most public feature of Rubin's remarks to the G-22 finance ministers and central bankers was his attack on the hedge funds and other currency speculators, who bear the greatest responsibility for the collapse of the "Asia Tiger" currencies since February 1997.

While Rubin, as well as the representatives of several Asian countries, put the question of fixed exchange rates on the table, there was no serious deliberation, and certainly no agreement on the matter.

To his credit, Rubin stressed that there can be no bailout of the banks, and therefore, new provisions must be made for orderly bankruptcy reorganization of leading financial institutions and whole national economies. Rubin stressed that, in the rush to globalize financial markets, the role of sovereign nation-states in world economic affairs had been diminished to a dangerous extent. Therefore, it was essential for bankruptcy reorganization guidelines to be established, based on cooperation among nations, not through a supranational bankruptcy court, or similar world federalist institution. Rubin also stressed that the old financial architecture had proven to be a very unjust system, favoring certain nations and causing great hardship to others. He urged that the 21st century "new architecture" should be a "more just international economic order."

While these ideas are certainly appropriate, several European and Asian participants in the G-22 meeting complained that the framework had not been laid for a serious discussion

of the New Bretton Woods proposal, most famously associated with Lyndon LaRouche, and increasingly cited by other world leaders in the run-up to the April 16 event. As one Asian participant put it, "We would have come across like Don Quixote," if we had raised the Bretton Woods proposal.

It was the case, according to one European participant in the G-22 meeting, that the abject failure of the IMF to adequately deal with the Mexico crisis of 1995 or the Asia crises of 1997, was a hot topic of discussion.

### **British obstruction**

U.S. officials involved in the G-7 and G-22 sessions noted, with some frustration, that the British delegation was out to obstruct any discussion of curbing the speculators (the IMF issued a report in mid-April exonerating the hedge funds of any responsibility for the Asian currency crashes—see *Documentation*), or advocating any kind of currency regulation. The German and French delegations, while backing Rubin, the Japanese, and several Association of Southeast Asian Nations (ASEAN) participants, on the pivotal role of the speculators in triggering the Asia crisis, balked at any talk of "new architecture," preferring instead to defer any such discussion until the European Monetary Union is fully in place—next January!

One of the clearest indications of the level of unreality that prevailed at the otherwise useful G-22 session, was the

implementation aspect. Three task forces were created, to conduct ongoing studies of the crisis. Their written recommendations are not even scheduled to be submitted until October.

Long before October, the global financial collapse will have gone through several more phases, bringing suffering and death to millions all over the globe.

In fact, within days of the G-7, IMF Interim Committee, and G-22 events in Washington, there were renewed signs of an imminent market crash. But this time, the warnings pointed to the United States and Europe, where the stock exchanges have gone through another bout of "irrational exuberance."

The April 18 London *Economist* published a three-page feature on "America's Bubble Economy." In an accompanying editorial, the *Economist* wrote, "This week's spring meetings of the IMF and the World Bank were dominated by talks about the slump in Japan and how to prevent another financial crisis like that in East Asia. These subjects certainly still matter. But is asset-price inflation, especially in the United States, that now poses a potentially bigger and more imminent threat to the global economy?"

On April 22, the *Financial Times* editorially warned that in addition to the grave crisis of the Japanese banking system, equally worrisome is the overheating stock market bubble in the United States and Europe. This bubble is "unsustainable," it said, especially given the highly leveraged and fragile state of the world economy.

Privately, traders in London have told *EIR* that they anticipate a major Wall Street collapse before July. Lyndon LaRouche has warned of a 30-40% "correction." Already, major American corporations, such as Boeing, are posting huge declines in their quarterly profits, largely because of deferred or cancelled Asian orders. According to data released by the U.S. Commerce Department on April 20, U.S. exports to eight major Asian trading partners fell by more than 22% in the first two months of 1998. Trade with Indonesia fell by 64.2%.

A London source told *EIR* on April 21, "I've seen a total shift in the last two weeks on the U.S. market. Now the debate in financial markets is not if the Fed raises rates in the near future, but, rather, when. And when they finally do, it will unleash global pandemonium far worse than in the bond markets after February 1994. . . . Margin debt in the U.S. is now at a record high, some \$130 billion, a year-to-year rise of more than 30%. . . . When the market finally does crash, at least a few trillions in values will disappear very fast."

In Southeast Asia, this financial crisis is taking the form of starvation. Collapsed currencies in Indonesia and Malaysia, in particular, are fueling fears of food shortages and social chaos. In eastern Europe, the global collapse has become apparent through an epidemic increase in AIDS, in part caused by dramatic increases in illegal drug use. Under these circumstances, the need for a New Bretton Woods call is becoming clearer by the minute.

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## Documentation

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# Titanic sails ahead, toward the iceberg

### Warnings by world leaders

**French Interior Minister Jean-Pierre Chevènement**, in an interview with the April 16 German weekly *Die Woche*, criticized the alleged soundness of the European Monetary Union (EMU) project as an "impression, which the technocrats want to create." He said, "I believe it is like the *Titanic*. The sea is calm, the dining salon is superb, everything is very comfortable and full of luxury. The orchestra plays, it's a dream. But the ship is charging at full steam toward the pack ice. By the time we see the iceberg, perhaps it will be too late."

Chevènement added, "Nothing is secure. We have entered an extremely dangerous zone, with the ship's speed ever increasing, and the number of icebergs as well."

He warned of "asymmetric shocks" created by the absence of exchange-rate flexibility within the EMU zone, with each nation blaming its difficulties on its neighbor. The fight against mass unemployment will not be among the priorities of the monetarist European Central Bank, so a counterbalance should be created: a "growth pact," and a "strong European economic government." Only that could secure annual growth rates of 3.5-3.75%, which, after five or six years, would reduce unemployment to 7.5% of the working-age population in Europe.

This counterbalance is not yet in place, leaving the EMU in a situation resembling that of the *Titanic*, he repeated. "One can only pray and sing, 'Nearer My God to Thee.' . . . This is a hymn that was played by the orchestra on the *Titanic*. Very courageous, that orchestra."

**Malaysian Deputy Prime Minister and Finance Minister Anwar Ibrahim** said that "the world is headed for a series of financial convulsions of increasing severity," in a speech in his capacity as chairman of the World Bank/IMF Development Committee at the UN Economic and Social Council Meeting in New York City on April 18.

"The Committee paid particular attention to the social aspects of the Asian crisis," he said. "They stress the need to strengthen social safety nets and the importance of shielding budget expenditures directed at the poor. Millions of people will be thrown back into absolute poverty unless steps are taken to protect the most vulnerable."

"There is a close link between structural issues and the resolution of the crisis. The Bank must strengthen further its skills in the financial sector, corporate restructuring and



governance, and poverty reduction and social sustainability. One of the lessons of the crisis is that it is a great mistake to focus on the macroeconomic issues without reference to these crucial factors. . . .

“It is unfair, if not altogether unjust, simply to blame the governments of affected economies for the crisis. From a near miracle to a near disaster; from Paradiso to Inferno in a matter of months. A decade of rapid growth has unhinged their governing systems, and they have committed themselves to reform, and continue to make the necessary adjustments. Their concerns, particularly in Asia, in reducing the poverty of hundreds of millions of people, is unprecedented in history. However, it has taken a long time for the world to acknowledge that the international financial architecture is equally, if not more, culpable. The fundamental flaws in the global financial system—such as the unpredictability of the international capital market, the destabilizing impact of short-term capital flows, and the systemic fragility of the international monetary system—need to be remedied, so as to avoid in future the world’s financial convulsions of increasing severity.

“All the basic assumptions about growth and development, the free-market theology, and the role and effectiveness of multilateral institutions are under challenge. National economies need to institute significant economic and social reforms. At the same time, the fissures in the international financial architecture must be mended. No matter how robust a nation’s financial system, it will not be able to insulate itself from external shocks and systemic risks, particularly those originating from short-term capital flows. The international financial system must also address the problem of moral hazard, and ensure that both borrowers and lenders are held accountable. . . .”

**Thailand’s Prime Minister Chuan Leekpai** opened a meeting of the UN Economic and Social Commission for Asia and the Pacific (ESCAP) in Bangkok, by warning that the economic and financial aspects of the Asian crisis serve “as only a prelude to a host of other problems, ranging from rising unemployment to increasing pressures upon our society as a whole, be it in health care, education, and social services in general,” *The Nation* reported on April 20. With over half the world’s population, Chuan said, “it is time we viewed people as more than just resources, more than cheap labor to fuel Asia’s growth machine. It is time we viewed people not as the means to development, but as the end.”

**Indonesian Foreign Minister Ali Alatas**, speaking at the ESCAP meeting in Bangkok, called for a “framework of surveillance and supervision” over private international capital flows, according to the *Journal of Commerce* on April 21. “In this era of global movements of money and capital, private financial flows cannot be left entirely to market forces without incurring tremendous risks,” Alatas said.

He warned that if there is no recovery soon, “the economic, social, and political repercussions on the region as a whole could be devastating.” “Worse,” Alatas continued, “driven by globalization and interdependence, the contagion effect could reach global proportions.”

**UN Secretary General Kofi Annan** warned about the effects of globalization, in an address before the ESCAP meeting, in Bangkok on April 18. The social and political consequences of the Asian economic crisis “are vivid proof of the risks that come from the benefits of globalization. They are also stark evidence that closer cooperation between the UN and the Bretton Woods institutions is imperative. The question to be addressed is whether we can find ways to preserve the benefits of open financial markets while reducing the risks of crises and designing tools to deal with them that will be less costly . . . in human terms,” he said.

He questioned the impact of IMF recommendations to crisis-struck countries in Asia, warning that “short-term concerns can lead to a neglect of the fundamentals of longer-term development.” He expressed concern about “the harsh toll these crises impose on an entire citizenry,” and warned that “the collateral damage” is far greater in developing countries, where “the hardest hit are usually the most vulnerable. . . . There is a real risk that successes built up over years in reducing poverty will be reversed. The United Nations has a role to play both in easing the impact of such crises and in the longer-term preventive aspects.”

### **IMF defends the speculators**

The *World Economic Outlook*, a report released on April 13 by the International Monetary Fund, comes to the aid of speculators and hedge funds, and against sovereign countries defending their currencies against predators. “Should hedge funds be subjected to greater regulatory and disclosure requirements?” asks the IMF paper. The answer is: No. “Regulators in the U.S. and United Kingdom, where the most important hedge funds operate, see little need for a specialized policy response to regulate and limit the funds’ activities in order to increase financial market stability.”

Why? because the hedge funds assault only countries that deserve it. “In the prevailing view, hedge funds that take short positions against foreign currencies do so in response to evidence of inconsistent policies likely to render currency pegs unsustainable.” In fact, these funds have a “stabilizing” function. “Insofar as hedge funds buy sharply depreciated currencies in the wake of a speculative crisis, they are sources of liquidity and stabilizing speculation that dampen market fluctuations. . . . It is not clear, therefore, that discouraging positions taken by hedge funds would reduce volatility in currency or other asset markets. The most important action policymakers can take to protect their economies is to avoid offering one-way bets in the form of inconsistent policies and indefensible currency pegs.”

The IMF concludes that it is virtually impossible for any government to protect against these pirates.

### Press commentary

*Ta Kung Pao*, a Beijing-owned daily newspaper published in Hong Kong, editorial, "The International Financial System Must Be Reformed," April 16:

The editorial cites the IMF's report exonerating the international hedge funds (see above), which, *Ta Kung Pao* states, "reveals that the international community can do nothing to repel attacks by all sorts of private funds, which . . . try to gain the greatest possible profit, to say nothing of the hedge funds, which have headquarters in the United States and Britain, and are registered in Bermuda and the Cayman Islands, paradises of tax evasion.

"Analysts have pointed out that the flow of private funds stimulated by the growing market economy and capital liberalization has posed a major threat to the national monetary and financial system. Some people refer to this new phenomenon as the '21st century-type crisis.' More and more people have realized that to avoid the recurrence of financial turmoil, it is necessary to reform the international financial system."

The editorial describes the most important recent events in the discussion on changing the "international financial infrastructure," including Japanese Deputy Finance Minister Eisuke Sakakibara calling "for setting up a new international system similar to the Bretton Woods system."

"All these tasks cannot be accomplished by relying upon the existing international financial leaders, nor by pursuing traditional fiscal and monetary policies," *Ta Kung Pao* continued. "On the other hand, some people have said that since the system established by the Bretton Woods Agreement has collapsed, the role that the IMF can play and the authority that the body has to get involved in the internal affairs of various countries, are open to question."

*The Star*, Malaysia, April 18:

The newspaper focusses on Malaysian Deputy Prime Minister and Finance Minister Anwar Ibrahim's 45-minute meeting with U.S. Treasury Secretary Robert Rubin on April 17. Anwar reportedly told Rubin that "transparency and disclosure" in the financial sector is a two-way requirement for lenders and borrowers, adding that, for example, European and U.S. banks should be made "transparent" regarding whom they are lending to, particularly in the case of currency speculators and hedge funds. Anwar reiterated to Malaysian journalists in Washington, that joint steps to ensure regulation and transparency of international currency trading are necessary, and that he hoped a financial system would evolve which was fair and could rein in activities of speculative currency traders.

*The Nation*, Thailand's English-language daily, on April 19 reported on the interventions of ASEAN members Malay-

sia, Indonesia, Thailand, and Singapore at the G-22 meeting in Washington. The first three are credited with insisting that reforms would be meaningless if markets remained open to manipulation from excessive currency speculation and short-term capital flows. *The Nation* sums up the G-22 meeting as "aimed at forging a durable global financial system that can withstand upheavals like that which sent Asian stocks and currencies crashing and slammed the brakes on the region's rapid economic growth." It adds that all attending, agreed that it was "critical" to have a more resilient global financial system.

Indonesia's Finance Minister, Fuad Bawazier, said the pace of financial reforms should be based on economic maturity, given that conditions are different in each country, however, "we are walking in the same direction." He also said adopting reforms is difficult when developing countries cannot get data on short-term capital, which can be "swift and dangerous" at times. Malaysia's Anwar, as well as officials from Thailand and Singapore, all seconded this line of attack on volatile short-term capital flows.

*Singapore Business Times*, editorial, April 23:

Reporting on the meetings in Washington the week of April 13, the editorial states, "The East Asian economic turmoil, by uncovering weaknesses in the foundations of the global financial system, has produced a healthy debate on creating mechanisms to prevent and contain future crises."

"But ironically," the editorial says of these proposals, "they are being presented at a time when it is all but obvious that any attempt to implement any of them will be constrained by unresponsive national governments and unpredictable financial markets. Take the case of Japan. There is little doubt that the floundering Japanese economy has become a major impediment to the resolution of the East Asian financial crisis as well as a threat to the health of the global economy. While the U.S. and other G-7 nations have been pressing Japan to stimulate its economy and restructure its financial institutions, the anaemic response from the political and economic elites in Tokyo has only encouraged investors to hammer down the yen, to the further detriment of both Asia's economies and global exchange rate stability. Indeed, the Japanese case, as well as the very evolution of the East Asian crisis, raises major doubts about the ability of supra-governmental institutions like the IMF to force national authorities to make much-needed major changes in economic and financial arrangements and policies.

"These and other obstacles on the road to global monetary reform demonstrate that impressive as the new architectural designs may be, the building blocks to put them into effect are not yet in place. . . . There is no paucity of ideas; what is lacking is the will to do what is necessary. Until this changes, the discipline of the markets will, by default, continue to be the only way in which errant governments and investors can be persuaded to do the right things."

# Asian national economies are descending into the Inferno

by William Engdahl

While much global attention since late last year has been put on the financial aspects of the alarming collapse of currency and stock market values throughout much of Asia, including Japan, relatively little attention has been paid to the physical economic dimension of the crisis in what only 12 months before was the world's fastest growing industrial region.

One reason for this lack of attention to the economic devastation is the complex nature of the delayed effects of the financial shocks. In January, most of the world's so-called leading economists and financial press were confidently predicting a flood of cheap Asian exports into the markets of Europe and North America. Some even issued dire warnings of a \$300 billion annual U.S. trade deficit as a consequence. This could have triggered a catastrophic collapse of confidence in the dollar. Yet, it has not materialized; today, the deficit stands at a none too admirable \$160 billion.

Outside select areas such as computers and electronics, the world has yet to see any Asian export offensive. Why? The answer sheds light on the ominous nature of the present global crisis. "Traditional textbook economic theory projects a positive boost in exports if a country devalues its currency," said a director of a European central bank in a recent interview. "But the models are based on a devaluation of a normal 10-15%. In Asia, we have seen unprecedented collapses of 40%, 50%, to more than 70% for Indonesia's rupiah. This in the space of only weeks, not years. It is now clear when we have shocks of such a huge magnitude, entire national economic structures are being destroyed. Indonesia, for example, cannot buy the imported parts or components to make final assembly for its exports. Prices of some imports in rupiah are up 300% in six months. The economy is grinding to a halt."

## The depth of the collapse

Some recent data for various Asian economies illustrate the depth of the collapse of economic structures under way. On April 16, it was announced that four Indonesian electric power projects are on the brink of default on \$885 million in bonds, unless the government intervenes and supports the power companies. The debts are in dollars, and the rupiah fell some 74% in value compared to the dollar after last August, making it impossible for the power companies to service their

debt. The collapse of the domestic banking system, a severe drought, and soaring food prices are creating a social tinderbox. In recent weeks, prices of basic foods, including rice, have soared in some areas of Indonesia by 200-300%, putting the economy on the brink of hyperinflation. The World Bank recently issued an estimate that another 20 million Indonesians, in the country of some 210 million, will likely be forced into poverty. That would put the number of those in poverty at more than 20% of the population. Poverty is defined as living on \$2-3 per day.

In the past 25 years, as the World Bank noted, Indonesia had succeeded in reducing the percentage of the population living in poverty, from 60%, down to 11%, a remarkable advance. Much of this had been in the large cities like Jakarta, where unemployment has doubled from 4.4 million to 8.7 million since the crisis began last July. Indonesian companies are being bankrupted by the collapse of the currency, and left unable to service their dollar debts. Lack of trade finance has all but halted any trade by the world's fourth most populous nation. Because of the national wage freeze in effect since 1997, and an inflation rate of 50%, real wages will be slashed by half for those fortunate enough even to have a job.

In South Korea, a member of the Organization for Economic Cooperation and Development (OECD), and formerly the world's 11th largest industrial nation, the situation is similarly catastrophic. Despite a creditor reorganization agreement between the Korean *chaebol* industrial companies, foreign banks, and Korea's government, extending the due date (at an added interest cost, of course) for \$23 billion of Korea's \$160 billion foreign debt, that is only a small part of the problem. The Korean currency, the won, is down some 40% since last November, and the next chunk of foreign debt comes due at the end of May to early June. Lack of any recovery in the won makes it impossible for Korean companies to repay the dollar or yen debts, and paralyzes them from undertaking urgently needed restructuring or export initiatives.

Since this past November, when the crisis hit Korea full force, Korean companies have gone bankrupt at a rate of 2,000 per month. According to Korean officials, high interest rates, a condition demanded by the International Monetary Fund

(IMF) to “stabilize” the won, have accelerated the rate of company failures. Seoul is now in an open policy fight with the IMF and the World Bank over Korean plans to use a small part of the \$60 billion IMF and World Bank rescue funds to help stabilize critical *chaebol* industrial groups. To date, major economic disruptions have occurred in Korea’s economy, as smaller parts suppliers to the large *chaebol*, such as Daewoo or Samsung, have gone bankrupt, disrupting a far larger production flow. World Bank President James Wolfensohn reportedly told Korea, “No public funds for bailing out industry.” But, there are ample funds, it would seem, for bailing out reckless foreign lender banks in Paris, London, and Tokyo.

As recently as February, the IMF projected Korea’s economic growth for 1998 at 1%. In 1997, it was 5.5%. Today, the IMF has been forced to lower growth estimates to -0.8%. Korean companies, mainly small and medium-sized, are going bankrupt at a record pace, and the entire chain of production is being damaged as a result. Until April 21, a national strike of 14,000 workers at the bankrupt KIA Motors Co. was protesting a threatened takeover and mass layoffs at the automaker after it went under several months ago. IMF conditions for releasing some \$60 billion to bail out Korea include demands for savage industry restructuring, which will drastically increase unemployment in coming weeks.

Malaysia, which set a national goal to bring the country into the ranks of the industrialized OECD by 2020, is being forced to slash new spending on infrastructure. The government has cancelled some \$18 billion in projects because of the crisis. Construction jobs this year will contract by -0.5%, the first negative growth after years of job growth at the rate of 11-14%. A monorail transport project in Kuala Lumpur, a 221 kilometer mountain highway linking the interior to the capital, the Bakun Dam, an international airport in the north, and a 95 km bridge across the Malacca Strait, have all been cancelled or delayed indefinitely.

## The crisis hits Japan

The economic impact of the Asian crisis is stark in the case of Asia’s largest industrial economy, Japan. In 1997, some 40% of all Japanese exports went to Asian countries, including China. Japan enjoyed a huge trade surplus, but that is now collapsing and threatening the economy with a new wave of crises.

In March, Japan’s trade with the rest of Asia dropped 25%, compared with a year earlier. The March trade surplus with Thailand fell 81%, and with Korea, 65%. The Asian economies are simply unable to finance needed Japanese machine tools and other imports for their own economic growth. In many cases Japan exports sub-components for Asian assembly of cars, computers, and manufactured goods.

One vital example is the area of semiconductor equipment, the sophisticated machines used to produce the computer memory chips such as DRAMs. Last year, South Korean companies imported 20% of all Japanese equipment manufac-

ture. In the past four months, Korean imports of the sophisticated chips equipment has collapsed. New orders for the industry in Japan were down 31% in January, with no bottom in sight.

The impact of the Asia crisis on Japan’s depressed economy as well is devastating. Despite historic record lows in Bank of Japan interest rates of 0.5% since 1995, and despite a Weimar-style printing of money at an annual rate of more than 51% in recent months, Japan’s economy continues to descend into depression, bankruptcy, and price deflation, in its worst crisis since the 1920s. One simple reason for this plunge is that Japanese banks, still choking on more than \$1 trillion in bad loans to construction and other companies from the wild 1980s “bubble economy,” are desperately calling in their loans to domestic Japanese companies, forcing many into bankruptcy for lack of funds. In the year ended March 31, according to Tokyo Shoko Research, a record 17,300 Japanese companies, with assets of \$107 billion, went under, a rise of 57% on the year. It estimates that bankruptcies this year will be even worse. Hardest hit will be Japanese construction companies, where banks are already refusing to roll over old debts. Large automakers, such as Mazda and Mitsubishi Motors, are in serious trouble, and several large steel companies, including Kobe Steel and NKK, may go under if Japan’s economy does not rapidly reverse direction.

## A collapse of capital inflows

Japanese banks, reeling from the domestic problems, are also the world’s largest creditors to the collapsed Asian countries, with some \$253 billion in Asia loans. The banks, fearing more bad loans, have refused to extend any new credit to Asia, making recovery there almost impossible. In the past seven years, Japanese banks had financed 60% of all project construction in Asia. All Asia is now suffering from a collapse of capital inflows since the crisis last summer.

One of the starkest signs of the devastation to the physical economies of Asia in recent months, has been the emergence of primitive barter trade, a desperation attempt to try to avoid complete trade collapse within Asian economies. Thailand, unable to pay for new F-18 fighter jets, has bartered them to Kuwait, which will pay in oil to the Thai Petroleum Authority. Indonesian airplane producer IPTN will deliver 40 propeller jets to Korea, Thailand, and Malaysia. Thailand will pay in rice, Malaysia with cars. A South Korean government delegation is in Indonesia to discuss barter of Korean electronics, cars, and textiles in exchange for Indonesian oil, rubber, wood, and coal.

The resort to medieval and inefficient barter is a consequence of the cut-off of most trade finance in the region, as domestic banks struggle with bankruptcy, and foreign banks fear the risk of new trade lending. The effect on the economies of East Asia, Japan, South Korea, and the rest of the world are only slowly beginning to be felt. In coming months, that impact will become clearer.

# U.S. exports plummet as 'Asia crisis' hits

*The impact of the Asian financial crisis is beginning to hit the U.S. physical economy. Richard Freeman reports.*

The Asian phase of the world financial disintegration, plus the implementation of International Monetary Fund (IMF) conditionalities in many Asian nations, is decimating U.S. export trade. Despite assurances by Wall Street experts, that "the Asian crisis will have no appreciable effect on the United States," just the opposite has occurred.

Eight top trading nations in Asia—South Korea, Thailand, Malaysia, the Philippines, Indonesia, Taiwan, Singapore, and Hong Kong—now have economies that are too battered, or currencies that are too devalued, and, thus, too cheap, to purchase American goods. In several nations, the IMF has forced the cancellation of infrastructure projects, which has led these nations to cancel orders for U.S. capital goods and machine tools. At the same time, U.S. exports to China and Japan are also falling.

These developments are a major reason that in February, the United States registered an \$18.57 billion monthly trade deficit in physical goods (excluding services), the largest in history. All of this became apparent on April 17, when the Commerce Department released U.S. trade figures for February.

**Table 1** shows the level of U.S. exports to the above-mentioned eight leading Asian trading nations, plus Japan and China, for December 1997, January 1998, and February

TABLE 1  
**U.S. exports to Asia**  
(millions \$)

	December 1997	January 1998	February 1998	% change (Dec.-Feb.)
Taiwan	2,235	1,651	1,610	-28.0
South Korea	1,680	1,096	1,128	-32.9
Singapore	1,443	1,180	1,378	-4.5
Hong Kong	1,317	1,024	1,056	-19.8
Malaysia	851	902	658	-22.7
Philippines	601	585	583	-3.0
Thailand	538	557	417	-17.8
Indonesia	478	275	171	-64.2
Subtotal	9,143	7,269	7,001	-23.4
Japan	5,265	5,143	4,643	-11.8
China	1,235	1,212	1,056	-14.5
Grand total	15,643	13,624	12,700	-18.8

Source: U.S. Department of Commerce, Bureau of Census

1998. It also shows the percentage of change in the volume of exports between December 1997 and February 1998.

Between December 1997 and February 1998, U.S. exports to Indonesia plummeted by nearly two-thirds; to South Korea, by one-third; to Taiwan, 28%; and to Malaysia, 22.7%. America's exports to these eight nations as a whole fell from \$9.14 billion in December 1997, to \$7 billion in February of this year, a fall of 23.4%. Some nations, to which the level of U.S. exports fell only moderately between December 1997 and January 1998—Malaysia and Thailand—saw the bottom drop out of the market in February.

Most important is that U.S. exports to Japan and China took a large dip during February.

U.S. exports to the 10 major Asian trading nations, between December 1997 and February 1998, fell 18.8%.

**Table 2** reports the yearly change. Comparing February 1997 to February 1998, U.S. exports fell 14.8% to Japan, 18.0% to Thailand, 43.1% to South Korea, and 52.1% to Indonesia.

Overall, U.S. exports to Asia account for 30% of all U.S. merchandise (physical goods) exports, and 40% of all U.S. agricultural exports. In the U.S. economy, one in five goods-producing jobs depends on exports.

## Largest monthly physical goods deficit

To mitigate the effect of the sharp drop in U.S. exports to Asia, U.S. businesses and farms have attempted to increase exports to other parts of the globe. U.S. exports to the rest of the world rose from \$63.71 billion in December 1997 to \$64.31 billion in February 1998, a rise of a mere nine-tenths of 1%. That is, the rest of the world barely absorbed a tiny

TABLE 2  
**Year-on-year fall of U.S. exports to Asia**  
(millions \$)

	February 1997	February 1998	% change
Japan	5,452	4,643	-14.8
Thailand	509	417	-18.0
South Korea	1,984	1,128	-35.6
Indonesia	357	171	-52.1

Source: U.S. Department of Commerce, Bureau of Census

increase in U.S. exports.

But, this trend can readily change for the worse, because the world financial disintegration now wracking Asia, is going to strike Brazil, other nations of Ibero-America, and the rest of the world.

Already, for the period between December 1997 and February 1998, the sharp drops in U.S. exports of goods and services to Asia has accounted for an overall drop in U.S. exports. Just as important for an import-dependent America, during this period, overall U.S. imports of goods and services also fell.

If we concentrate on just the trade in physical goods, leaving services aside, then the fall in exports is quite dramatic. In December 1997, the United States exported \$58.41 billion worth of physical goods; in February 1998, exports fell to \$55.61 billion, a drop of 4.8% in just two months. In the same period, imports fell from \$76.12 billion to \$74.17 billion, a fall of 2.6%. But, because exports contracted more sharply than imports, this further widened the already existing U.S. physical goods deficit. In February, the U.S. physical goods trade deficit reached \$18.57 billion, the highest monthly figure in U.S. history.

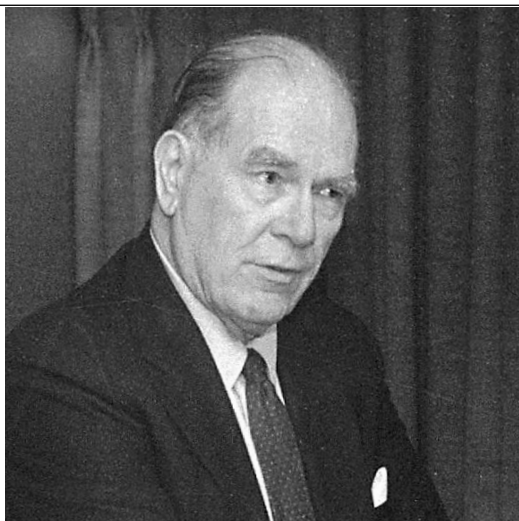
Last year, the United States registered a record \$198.98 billion physical goods trade deficit. Based on the trend of January and February, this year's physical goods trade deficit will be higher still, and as the financial disintegration hits

Ibero-America and elsewhere, the U.S. physical goods trade deficit could reach a quarter-trillion dollars. This represents, in effect, a bailout from the rest of the world to the U.S. economy. Normally, an industrial nation should run a *physical goods surplus*, based on its export of machine tools, power stations and transmission lines, infrastructure building machinery, and other capital goods, to developing nations. That the United States is not doing so, reflects a profound flaw.

### Inadequate response

The U.S. government is attempting to address the problem of U.S. trade with Asia. In mid-April, the U.S. Department of Agriculture announced a package of \$400 million of credits to South Korea, to enable that nation to import agricultural products, and attempt to prevent falling nutrition levels and social dislocation throughout the country. While well intentioned, as a local solution to a broader crisis, this will prove insufficient. Earlier in the year, the United States extended food and other import credits to South Korea, but U.S. exports to South Korea still fell between December 1997 and February of this year by one-third.

The problem is, that piecemeal measures will not save a system that is in a state of acute, breakdown crisis. Until the speculative bubble is popped, and the system reorganized to promote productive industry and commerce rather than speculation, no end to the crisis is in sight.



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# Neurolab opens new pathways for studying the life sciences

by Marsha Freeman

The April 17 launch of the Space Shuttle Columbia, carrying the Neurolab laboratory, is the third Space Shuttle mission dedicated to studying the impact of microgravity on living systems. The flight is scheduled for 16 days, to provide the maximum time in space that the Shuttle allows, for each of the 26 Neurolab experiments on board. If there is an adequate supply of consumables, NASA will give the go-ahead for a 17th day in orbit. Every experiment on Neurolab will provide valuable insights that will further the understanding of the development and functioning of the brain and nervous system.

The previous life sciences Space Shuttle missions included experiments to investigate a broad range of effects produced by the unique environment of space. This mission will focus specifically on the nervous system, including the brain, the spinal cord, nerves, and the sensory organs. The idea for the mission originated in 1991, after it had been declared that the 1990s would be the "Decade of the Brain."

It has been known for many years that when astronauts enter Earth orbit and weightlessness, there is a process of adaptation. Some of the adaptation symptoms are an inconvenience, such as the redistribution of bodily fluid, which pools in the lower extremities on Earth but evens out in space, producing a bloated and stuffy feeling in the head. Some adaptation effects are at least partially disabling, such as queasiness and spatial disorientation, which can interfere with normal activity.

NASA has long sought to uncover the causes of space adaptation syndrome, with the goal of developing prophylactic measures to eliminate the discomfort for space travellers. And, there are other aspects of the adaptation of the body to space that are not a problem in orbit, but manifest when the astronaut returns to the gravity of Earth.

These include bone decalcification, immune system diminution, orthostatic intolerance (the inability to stand up without feeling faint or dizzy), and vestibular (balance and position) disturbances. Understanding these changes could lead to mitigating their effects, shortening the period of readaptation to Earth's gravity that astronauts now undergo. For future missions, scientists must understand the physiological impact of partial Earth gravities that are encountered on the Moon and Mars.

Previous experiments indicate that there may be physiological changes in the brain and nervous system of an adult

under the influence of microgravity. There may well also be fundamental, and perhaps irreversible, changes in the nervous systems in neonates placed in weightlessness, which could have profound implications for future generations born on the Moon or Mars.

Because many of the symptoms suffered by healthy space travellers mimic the symptoms suffered by the elderly in the course of the aging process, or by the infirm due to disease, the National Institutes of Health was a partner with the space agency for this Neurolab mission, to participate in experiments, as were eight nations in addition to the United States.

## Man in space

The nervous system controls blood pressure, maintains balance, coordinates body movements, and regulates sleep. All these are areas that are affected by space flight. There are four Neurolab teams that will use crew members as subjects in 11 experiments, in order to study the autonomic nervous system, sensory motor performance, vestibular functions, and sleep.

The autonomic nervous system controls involuntary functions, such as heartbeat, respiration, and blood pressure. The orthostatic intolerance suffered by about 60% of astronauts after a mission, and many elderly persons, is the result of a lack of blood flow to the brain. In Neurolab, the crew will carry out a set of tests to measure blood pressure, and also blood flow to the brain, to determine how they are affected by microgravity. High-frequency sound waves will be used to show how blood flow to the brain is regulated, and a small needle placed just below the knee will measure the nerve signals travelling from the brain to the blood vessels, to indicate how the autonomic nervous system is functioning.

A number of experiments on Neurolab will examine the adaptation of sensory motor functioning. On Earth, when you catch a ball, the brain receives information from the eyes, inner ear, and nerves in the joints and muscles to coordinate your movement. In doing so, it takes the effect of Earth's gravity into account.

We know that the central nervous system does adapt to weightlessness, but on Neurolab, for the first time, precise measurements will be made to assess how the brain accepts and interprets a new set of stimuli. Experiments will include throwing a ball, while monitoring the electrical activity in the

arm muscles. Various other visual-motor coordination tests will be performed.

Our inner ears, structures which depend on gravity on Earth in order to function, go through a period of adaptation in space, and a readaptation upon return to Earth. The balance organs in the ear work in tandem with the eyes, brain, and muscles, to direct our movements. After a long stay in space, astronauts experience vestibular disturbances, such as feeling unsteady on their feet, and often walking down stairs and turning corners with difficulty.

A variety of experiments will be carried out in Neurolab to provide scientists with an understanding of how the brain reinterprets vestibular data in space. Crew members will make use of equipment that will test their ability to sense movement, such as rotation, correlated with eye movements, which are an important measure on Earth of inner-ear vestibular function.

One problem a majority of astronauts share with a large percentage of the elderly is sleep disturbance. While this can be due to a number of causes on orbit, palliatives are definitely necessary. For the first time, crew members will be administered the hormone melatonin, to see if this improves their quality and quantity of sleep. In addition, a new portable system for recording sleep and respiration during space flight has been developed, and will be used on Neurolab.

## Animals to help

Many experiments on the most interesting and important questions about the effects of microgravity on the brain and nervous system cannot be answered through experimentation with human subjects. In those cases, scientists try to find high-fidelity, non-human analogues to study. Aboard Neurolab are over 2,000 animals and fish.

It has been observed on previous Shuttle missions that some young animals in space fail to develop critical capabilities that they do not need there, but that they do need back on Earth. Scientists hope to be able to identify such "critical periods" in the development of motor and other skills in animals, determine if there are neurological differences with Earth-raised control animals, and if the deficit is reversible.

One team of researchers is using rats and mice at various stages of development to study mammalian development, including how muscles and the nervous system change in the absence of gravity. Brain tissue from young rats who "grow up" on Neurolab will be examined after the mission to see how microgravity affects the structure and function of the hippocampus area of the brain, which is involved in spatial ability.

Another experiment will investigate the development of the vestibular system which is not exposed to Earth-gravity stimuli in space, and neuromuscular development in young rats will also be observed. Brain development will also be studied through focussing on the cerebral cortex of mice embryos. Pregnant animals will have cell markers administered to their embryos to label the nerve cells at their "birth," and

follow them as they migrate through the developing brain.

Since people are able to function well in space after a relatively short period of adaptation, the nervous system clearly can adapt to the extraordinary conditions of a lack of gravity, adjusting blood pressure, and learning to allow an astronaut to locomote and sleep. This is accomplished through a phenomenon known as neuronal plasticity, in which neurons react to changed conditions by making new connections, or by using existing conditions differently, as it is described. Using rats as subjects, researchers will explore how this learning occurs in space. In one experiment, scientists will study the structural and chemical changes that occur in the cerebellum of the brain, to see how the plasticity of the brain helps maintain balance and equilibrium.

Astronauts on Earth orbit experience a sunrise every 90 minutes, disrupting their circadian rhythms. Similar disruptions are suffered on Earth among the elderly and shift workers, and in jet lag, insomnia, and winter depression. On Neurolab, rats will be exposed to different light cycles to determine how the neurons in the brain that control body temperature, heart rate, and activity, are affected.

Snails and fish are being called into service on Neurolab, to help researchers investigate physiological changes to the vestibular system in the absence of gravity. Gravity-sensing systems in snails and fish are similar to, but simpler than, those in humans.

Oyster Toadfish will be studied to determine how their otolith organs that sense motion, similar to those in the human inner ear, experience neuronal plasticity to allow them to sense gravity and body position in the free-floating environment of space. Electrodes will be placed in small cuts in the nerve cells that connect the inner ear with the brain of the toadfish, to study changes in the "nerve traffic" between the otolith and brain. Freshwater snails and swordtail fish at various stages of development will be used to study how microgravity affects the *formation* of vestibular organs.

And finally, the crickets on board the Shuttle are good candidates to provide insight into nervous system changes in space, because their gravity sensors are connected to a simple nervous system, that has been well studied. Crickets at several early developmental stages (eggs and larvae) are in Neurolab. Some crickets will be placed in a rotating compartment that simulates Earth's gravity, and others will experience microgravity conditions. The investigator anticipates that during a critical period of early life, microgravity will interfere with the normal development of the crickets' gravity-sensing system.

After flight, researchers will be able to measure the consequences on development in space by observing the crickets, because these insects are known to roll their heads when tilted, which is a reflex that is activated by its gravity-sensing system. The researchers also anticipate that the crickets will be able to regenerate their gravity-sensing systems once back on Earth.



## Health care might kill you

*Doctors charge that the grossly underfunded public health system is killing and maiming their patients.*

In late March, Dr. Lindsay Gazal, a Sydney-based general practitioner, presented the results of a survey of 450 physicians on the status of public health care, which he had organized through *Australian Doctor* magazine. The survey found that more than 80% had had their patients turned away from public hospitals, and over half believed that the health system had *harmed or killed their patients.*

The survey caused a national uproar, and forced federal Health Minister Dr. Michael Wooldridge to launch an inquiry, saying, "I want to know who died, when they died, and under what circumstances they died."

Wooldridge shouldn't have far to look, because it is his own government which is killing people, through its savage budget cuts. In 1996, the federal government slashed the health budget by \$3.4 billion, followed by another \$1 billion cut in 1997; an estimated additional \$0.5 billion was cut during the 1996 state Premiers Conference, notwithstanding that the premiers have asked for an extra \$7.2 billion for health care over the next five years, for the nation's \$30 billion health system.

These horrific cuts, magnified by cuts on the state level, were taken, notwithstanding the results of a June 1995 federal study which estimated that 18,000 Australians died each year and that 50,000 suffered permanent disabilities, due to complications caused by their health care. The study estimated that at least *one-half* of all these incidents were avoidable.

The state of health care is illustrated in the following recent incidents, a mere handful of what is reported almost daily:

- A 6-year-old boy with a badly broken arm was sent on a four-day, 800 km trip to various rural hospitals in New South Wales, until he found one which could treat him. He found no doctors on duty, admissions desks closed, etc., at hospital after hospital.

- A 26-year-old woman died in Princess Alexandra Hospital in Brisbane, and it was at least six hours until anyone noticed. Her parents called the hospital three times the day she died, but were told each time that she was "sleeping."

- The only three doctors in the mountain town of Corryong in rural Victoria packed up and left, after further savage cuts to the local hospital. The town's medical practice sees 350 patients a day, who will now have to drive 140 km over winding, often icy roads, to see a doctor.

- Canberra lawyer Fiona Tinto, who headed a national investigation into health care, charged that more than 300 people in the capital of Canberra alone were dying each year from "preventable incidents."

- A doctor in Victoria reported, "I had to sit with a young man with a cerebral hemorrhage and watch him die, because we couldn't get him into a [surgical] theater in time. He should have lived and no doubt he would have, had we operated."

The crisis is most acute in the state of Victoria, under Premier Jeff Kennett. Since Kennett took power in 1992, he has closed 1,400 beds, slashed 40,000 health sector jobs, and blown out waiting lists for surgical operations to 70,000. He will cut \$30 million more this year and will shut additional hospitals, notwithstanding that his own

Health Minister, Rob Knowles, recently charged that "the system is on the verge of collapse." Seven prominent doctors have recently quit Victorian hospitals. One of them, Dr. Graeme Brazenor, the Victorian chairman of the Australian Association of Surgeons, charged, "When I started in 1982, the public system in Australia meant you could get the best care in the world, but when I left in November 1996, it had deteriorated to Third World standards in Victoria, and it's still there."

Despite the horror stories, and soaring job actions by health care workers, only one political force in the country has dared expose the *reasons* for this carnage. In a pamphlet entitled "Australia's Health Care 'Reforms': A Nuremberg Crime Against Humanity," Lyndon LaRouche's associates in the Citizens Electoral Council trace the genesis of the health care "reforms" of downsizing, privatization, efficiency, etc. to studies conducted by Australian front groups of the Mont Pelerin Society of London, the chief economic warfare unit of the British Crown, which designed all of Iron Lady Margaret Thatcher's devastating "reforms" in the United Kingdom. The pamphlet, 20,000 copies of which are circulating around the country, shows that the federal and Victorian governments are dominated by members of Mont Pelerin's Australian fronts. Kennett, for instance, was installed in power by the chairman of the ANZ Bank, John Gough, a leader of Mont Pelerin's Institute for Public Affairs, which designed Victoria's "reforms." The pamphlet indicts Kennett et al. for looting the very flesh and blood of the citizenry to the advantage of the banks and other financial institutions, as the Nazis did in Germany. At Nuremberg, the pamphlet emphasizes, those found guilty for the crimes of "inadequate provision of surgical and medical services," were hanged.

# Business Briefs

## Industry

### Union Carbide, Malaysia to build chemicals plant

Malaysia's state oil company, Petronas, and the U.S.-based Union Carbide Corp., have finalized a joint venture to build and operate a state-of-the-art integrated chemicals complex in Malaysia, Union Carbide announced on April 8. It will be the region's first totally integrated petrochemical facility, from raw material supply to shipments of finished products, and one of the largest chemical complexes in the region.

Such a development is obviously a vote of confidence in Malaysia and in the region, but it has an added significance, in that the United States is still officially considering sanctions against Petronas over its participation in the investments in Iran, although it is almost certain Clinton will not proceed with sanctions. Union Carbide apparently agrees.

## Thailand

### Probe shows derivatives destroyed the country

The government investigation into the financial crisis which hit Thailand beginning last summer, although trying to pin the blame on the previous Chavalit administration, is turning up an amazing story of how playing the derivatives market helped destroy Thailand's finances.

According to a multi-part investigative report in *The Nation* on April 1 and 2, when the Bank of Thailand (BOT) rolled up over \$25 billion in forward currency swaps, "Rerngchai Marakanond, former BOT governor, as well as all the strategists of the baht defense, had virtually no understanding of the implications of the foreign exchange swap contracts they accumulated as a smokescreen to conceal BOT's dwindling reserves." While pumping out their dollar reserves to counter George Soros's raid on the spot market, they also *bought* dollars as forward swaps—meaning they would have to sell them back at a future date at what was

then the rate of 25 baht to the dollar. But the hedge funds were running both ends, and made killing when the baht finally collapsed, raking in at least \$10 billion in speculative profit.

To get an idea of the power wielded by the speculators: The Thais have total currency in circulation of only 400 million baht, or about \$16 billion at the old rate. Soros was playing with funds leveraged up to much more than that—more than the total number of baht in circulation.

BOT Governor Chaipayawit Wibulswadi has come under fire for last year's failed defense of the currency. Former BOT Governor Rerngchai told investigators that when the Soros attack hit, he told Finance Minister Amnuay Viravan and BOT Deputy Governor Chaipayawit, "I was not an expert and needed help from Chaipayawit, who was entrusted with this assignment." Chaipayawit has claimed that he had nothing to do with either the baht defense or the more than \$20 billion bailout of failing banks.

## Mining

### Poland, Ukraine to cut jobs, investment

The government of Poland plans to eliminate 70,000 jobs in coal mining, and the lack of investment in Ukraine has led to a rising death toll.

Polish Deputy Economic Minister Janusz Szlajak announced on April 14 that by the year 2000, some 70,000 jobs in the coal mining industry will be cut, *Gazeta Wyborcza* reported. Szlajak said the government does not plan group layoffs; rather, it believes that a social protection package will prompt miners to resign. That package, undertaken under International Monetary Fund (IMF) pressure, will include paid leave and unemployment benefits for miners nearing retirement age, as well as one-time severance payments for younger miners. Given the overall economic situation in Poland, it is doubtful that younger miners will be able to find other jobs.

In Ukraine, years of disinvestment under perestroika communism, followed by IMF

shock therapy, continue to take their toll. On April 4, in the Donbass coal district in the eastern Donetsk region, 63 miners were killed in a methane explosion. Since the mine went into operation in 1975, it has not received one kopek of funding to modernize.

Speaking at an FDR-PAC forum in Washington in February 1997, Ukrainian MP Dr. Natalya Vitrenko documented the disinvestment in Ukrainian industry, including the coal industry, under IMF policies. The World Bank demands that Ukraine's coal industry be shut down, reported Vitrenko, even though there are great reserves of high-quality coal. "This is just *massive* destruction," she said. "The entire town around a mine dies. When we had discussions with the local inhabitants, the most painful thing was to see the faces of these 30- to 40-year-old men, who had lost their jobs."

## Russia

### Soros ISF front fuels brain drain

International speculator George Soros's International Science Fund (ISF) contributed to the Russian brain drain, *Moskovskaya Pravda* reported, in an article by Irina Dezhina on March 2. Dezhina, a senior scientist of the Institute of Economic Problems of the Transition Period, and a candidate in economic sciences, reported on a survey she has conducted of scientists in Russia and some former Soviet republics.

Although Dezhina concluded that the brain drain "is not yet massive or universal," she found that it is affecting the "seed kernel" of Russia's scientific capability, especially because the average age of those leaving is 30. This is producing a "generation gap," she said, because there is already a shortage of 30- to 40-year-old scientists. The phenomenon of scientists heading for, mainly, the United States has become so pervasive, she reported, that there is now an "indicator," the "runaway criterion," used to rank institutes on the number of scientists likely to leave.

"The opinion was expressed repeatedly that the ISF, to a certain degree, stimulated leaving," Dezhina reported. The scientists

**THE INTERNATIONAL** Labor Organization warns of "dramatic" social consequences of the financial turmoil in Asia, in a new study. The successes in the fight against poverty in Asia during the last 20 years are now being reversed. At the end of 1996, there were about 22 million people below the poverty line. But this figure is rising with "astonishing speed."

**CANADIAN** Imperial Bank of Commerce and Toronto-Dominion Bank announced a \$15.8 billion merger on April 17. If approved, it would be the tenth-largest bank in North America, with \$321 billion in assets. CIBC owns U.S. investment bank Oppenheimer & Co., and Wood Gundy; TD owns the U.S.-based Waterhouse Investor Services (the world's third-largest discount brokerage), and San Diego-based discount broker Jack White & Co.

**MALAYSIA** has begun merging financial firms, aiming to reduce 39 companies to 8. The drastic capital-requirement increase, from 5 million to 600 million ringgit by the end of 2000, is forcing all but the largest firms to merge. Malaysia is trying to avoid the collapse of the companies, a forced recapitalization and selling off firms to foreign investors at cheap prices, or turning to the IMF.

**'SUNSPOTS** are to blame for global warming, say scientists at CERN [the European Center for Nuclear Research], the world's leading particle physics laboratory. They believe the theory that rising world temperatures are caused by fossil fuel burning may be wrong. The Sun, not mankind, is more likely to be the culprit," the London *Observer* reported on April 12.

**INDONESIA'S** official unemployment is expected to triple during 1998. Out of a 90 million workforce, 4.4-4.8 million were unemployed during 1997. By the end of February 1998, the number rose to 8.7 million. By the end of this year, the Labor Ministry expects unemployment to rise to 13.4 million.

established relations with Western colleagues, travelled and gave papers at international conferences, which gave them the opportunity to evaluate the prospects of working aboard, "which subsequently, at the end of the work of the ISF, affected the decision made about emigration."

The brain drain can only be stopped "by internal reform, and no Western philanthropy can fundamentally change the situation," she said.

One participant in the survey said, "George Soros, and the ISF he founded, created the illusion that the problems of science could be solved without the participation of the [Russian] government." Dezhina said, "Only the government itself is capable of either destroying or supporting and developing its science. And the problems around the brain drain only support this banal truth."

## Trade

### Russia, Japan focus on economic projects

Russian President Boris Yeltsin and Japanese Prime Minister Ryutaro Hashimoto met in Kawana on April 18, during Yeltsin's visit to Japan. In trying to solve their territorial dispute, each put forward a new proposal to be considered in negotiations to formally end World War II hostilities by signing a peace treaty by the year 2000. The informal talks also focussed on economic cooperation and several specific projects.

Despite the financial crisis gripping both countries, Yeltsin and Hashimoto discussed Japan's granting a \$1.5 billion untied credit to Russia, mediated by the World Bank. A first, \$600 million tranche is in preparation, said Funushiro Nukaga, Deputy Secretary General of the Japanese cabinet.

Novosti reported that the "no-neckties" summit reviewed progress on ten economic projects envisaged by the so-called Yeltsin-Hashimoto plan, as well as a new initiative for a joint-venture fish cannery in the South Kuriles (the area of the Japan-Russia territorial dispute), and port and road construction in the surrounding area. They also discussed cooperation on space exploration, and on the

Sakhalin Island energy projects. Yeltsin urged Japanese automakers to consider building a manufacturing plant in the Moscow region.

Yeltsin invited Hashimoto for bilateral talks during next month's Group of Eight summit in Birmingham, England, followed by a visit to Japan by the Russian Prime Minister "in June or July," implying that he expects one to have been confirmed by then. Yeltsin said Japan and Russia were now heading down a path of serious economic help that could only do them both good.

## Petroleum

### Russia strikes deal with Kazakstan

President of Kazakstan Nursultan Nazarbayev announced on April 9, that an agreement on the division of Caspian Sea oil had been reached with Russia. Nazarbayev told Itar-Tass that a bilateral agreement would be signed on April 28.

Russia has apparently shifted its view on the Caspian; previously, it had shared the Iranian position, that offshore Caspian oil should be jointly developed by all the littoral states. Now, Russia has adopted the Azeri and Kazak position, that the reserves should be divided up into five national parts. According to an account in the Paris daily *Le Monde* on April 11, Nazarbayev said, "We do not divide water, we divide only the bottom, as equal distances from the coast."

Whether the agreement indicates that Russia has also shifted its position, away from concentration on the Russian route for Azerbaijani oil from the Caspian to Novorossiisk, toward acceptance of a pipeline through Turkey, is not known at this time.

The English-language daily *Iran News* editorialized on April 12 that the Russian decision to divide up the Caspian seabed oil, was not in Russia's long-term interests. Rather, the paper argued, the Russian decision would "elicit a strong reaction from the regional countries." It said that Russia is seeking to maintain control over the policies of the Central Asian Republics.

## Tradition of nation-builders is still alive in Brazil

by Cynthia R. Rush

*EIR* is pleased to publish here “The Influence of the American System of Political Economy in Brazil,” an article which first appeared in 1995, as an appendix to the first Portuguese-language edition of Alexander Hamilton’s *Report on the Subject of Manufactures*. Published by the Ibero-American Solidarity Movement (MSIA), a co-thinker organization of Lyndon H. LaRouche, the edition’s prologue was written by LaRouche, and its introduction by the venerated, now 101-year-old Brazilian patriot, historian, and president of the Brazilian Press Association, Barbosa Lima Sobrinho. The authors are *EIR* correspondent Lorenzo Carrasco Bazúa and MSIA director Geraldo Luís Lino.

The subject matter of the article is of the utmost relevance, since the systemic crisis of the world monetary system threatens to unleash in Brazil — in the near term — the kind of financial earthquake which has already devastated the nations of Southeast Asia and other “emerging markets.” President Fernando Henrique Cardoso has, since taking office in 1994, manically pushed Brazil onto the “globalization” track, with the resulting loss of its sovereignty. But, as Carrasco and Lino show, there is a rich tradition of nation-building in Brazil, found in the 19th- and early 20th-century proponents of Hamilton’s, and later, Henry C. Carey’s and Friedrich List’s American System of political economy, with which today’s nationalists can identify, and find an alternative to the disasters of globalization and neo-liberalism.

Much of the history of these pro-U.S. networks in countries like Brazil is hidden — deliberately or otherwise — such that society today is deprived of the knowledge that an interconnected *international* apparatus, run by Henry Carey and his collaborators, existed to build sovereign nation-states around the globe. (See Anton Chaitkin, “The ‘Land-Bridge’: Henry Carey’s Global Development Program,” *EIR*, May 2, 1997.)

In Brazil, the direct contact between nationalists and the

international Carey network has yet to be discovered, but it is most certainly there. One clue is found in the fact that in 1878, Brazilian nationalist Ferro Cardoso translated into Portuguese and published Carey’s *Letters in Response to the London Times*. In his introduction, Cardoso argued that there is “no plausible reason why Brazil should remain stagnant, tied to the routine ideas of the Old World, so logically fought by the splendid results of the doctrines adopted by the United States.” There is no doubt, he added, “that there will be the most complete triumph [in Brazil] for protectionist principles, the only ones capable of developing a nation’s moral and material progress.”

The battle lines were clearly drawn. Republican Finance Minister Rui Barbosa wrote in 1891 that his policies were inspired by “the genius of Hamilton.” On the other side stood free-trader Eugênio Gudin, who applied the racist argument that Brazil shouldn’t develop a steel industry, because “steel is for nations of white people.” Gudin’s cothinker, Finance Minister Joaquim Murinho, similarly wrote in 1897, “We cannot, as many wish, take the United States of America as a model . . . as we do not possess the superior aptitude of its people.”

### From Hamilton to LaRouche

Today, LaRouche’s proposals for a bankruptcy reorganization of the world economy, and the creation of a New Bretton Woods system based on the principles of physical economy, are being hotly debated in Brazil. Presidential candidate Dr. Enéas Carneiro has endorsed LaRouche’s call for a war against the International Monetary Fund and for a new international financial system, most recently in an interview with the daily *Folha de São Paulo* on April 20 (see article, p. 22). *EIR*’s correspondents in Rio de Janeiro report that the mere publication of the interview with such prominent mention of LaRouche’s name has infuriated the local oligarchy.

In an article entitled “The Right to Smile,” published in *Jornal do Brasil* on April 12, Barbosa Lima Sobrinho promotes Alexander Hamilton as the answer to “globalization . . . a new name for an economic policy which has dominated the world since the 18th century, under the auspices of . . . Adam Smith, which made possible England’s power . . . to conquer its tributaries.” Then, Barbosa explained, globalization was known as “economic liberalism,” but met “resistance from a nation which had just won its independence, precisely against England—the United States of America, which had at its helm in the Treasury Department, a man of watchful intelligence, Alexander Hamilton. . . . This U.S. Treasury Secretary produced an excellent *Report*, which only now . . . has been translated into Portuguese, thanks to a Mexican journalist resident in Brazil, [*EIR* correspondent] Mrs. Silvia Palacios de Carrasco, who works for a similarly heretical organization of the United States, that of Mr. Lyndon LaRouche.”

The Brazilian patriot’s remarks recall his words in his introduction to the Portuguese edition of Hamilton’s *Report*: “Thanks to the efforts of the American economist Lyndon LaRouche, . . . today the world is again learning about Hamilton’s works. . . . LaRouche calls for applying the principles of the American System to the world economy, as a way out of the crisis in which it is submerged.”

## Reviving Hamilton’s ‘American System’

by Lorenzo Carrasco Bazúa and  
Geraldo Luís Lino

*The following was published as the appendix, entitled “The Influence of the American System of Political Economy in Brazil,” to the first Portuguese-language edition of Alexander Hamilton’s Report on the Subject of Manufactures.*

From the time that Brazil became independent from Portugal in 1822, the teachings of the American System of political economy, as elaborated by Alexander Hamilton, Mathew and Henry Carey, Friedrich List, and others, were at the center of a battle between the two factions which fought for the right to direct the country’s future, through the fight for industrialization. On one side were the group of “nationalist industrialists,” which, although precariously organized much of the time, intended to use the expansion of manufacturing as the driver for national modernization. On the other side, were the caste of landlords, financiers, speculators, and commercial middlemen whose “life’s work” was limited to appropriating the surplus of capital available for investing in real estate or other activities which allowed them to live off their “profits.” This is an aspiration which, even today, is predominant among

the domestic oligarchies, which have only broadened their speculative activities in order to attain this goal.<sup>1</sup>

For the first group, industrialization wasn’t understood as an end in itself, but rather as a fundamental element in the building of a modern, prosperous, and democratic nation. This, for example, was the idea of Rui Barbosa, the Republican regime’s first Finance Minister (1889-91). He wrote:

The development of industry is for the state, not simply an economic matter. In the old regime, with its exclusivity and privilege, the nation, with all its social activity, belonged to leading classes or families. . . . But it cannot be so in a republican system. The republic will only be consolidated among us, on a firm foundation, when its functions are grounded in the democracy of industrial labor, a crucial element to bring about the necessary balance.<sup>2</sup>

An analogous position was defended by Roberto Simonsen, one of the leading Brazilian industrialists in the first half of the 20th century:

To deny that the development and consolidation of Brazil’s industrial plant brings about an increase in wealth, prestige, power and education of our own people, is to deny the most basic principles of political and social economy. In every part of the world in which it is set up, large industry brings as a corollary the improvement of wages, the relative lowering of prices, social enrichment, and an increase in the capacity of consumption. As a further consequence, it intensifies trade relations, the means of transportation, and the victorious advance of civilization. Brazil’s industrial plant, therefore, can only bring about an increase in its wealth.<sup>3</sup>

The opposing faction defended the fallacious argument that Brazil was an “eminently agricultural” country, and that any attempts to establish industry among us would be “artificial” and contrary to the teachings of economic liberalism, predominant among Brazilian elites. The anti-industrial sentiment of this latter faction was so deeply rooted, that even the publications of the Auxiliary Society for National Industry (SAIN), founded in 1828 nominally to support industrialization, emphasized that industry had a predominantly “comple-

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1. For an excellent treatment of the historical antiquity of the “parasitical” character of Brazil’s oligarchies, see João Fragoso e Manolo Florentino, *O arcaísmo como projeto: mercado atlântico, sociedade agrária e elite mercantil no Rio de Janeiro, c.1790-c1840* (Rio de Janeiro: Diadorim, Ed., 1993).

2. Rui Barbosa, “Relatório do ministro da Fazenda,” in the *Complete Works of Rui Barbosa* Vol. XVIII, No. III (Rio de Janeiro: Ministry of Health and Education, 1949), p. 143.

3. Roberto C. Simonsen, *Evolução industrial do Brasil e outros estudos*. Selections, notes, and bibliography by Edgard Carone. (São Paulo: Cia. Editora Nacional/Ed. da Universidade de São Paulo, 1973), p. 57-58.

mentary” character relative to agriculture, at that time considered the country’s “natural vocation.”<sup>4</sup>

Nonetheless, beginning in the middle of the 19th century, we can identify the slow, but persistent, emergence of a pro-industrial current, clearly influenced by the United States of America’s success, particularly the application of the principles of the American System of political economy. Following in the footsteps of the United States, the members of this current emphasized that countries which sought full development, had both the right and the necessity of aiding their nascent industries through protective tariffs—an issue that was always at the center of the industrialization debate.

### Alves Branco and variable tariffs

The first attempt to provide institutional support for industrialization came from Manuel Alves Branco, who served as Finance Minister four times between 1839 and 1848. In 1844, Alves Branco abolished the 15% universal tariff, in effect since 1828, and established variable tariffs of 30-60% for the majority of imported goods. The measure had four primary goals: 1) stimulate the creation of new industries; 2) force England to modify a recent high tariff on imported Brazilian sugar, at that time the product on which the economy depended; 3) create new markets for labor; and 4) increase the country’s revenues. The concern with industrialization was key, as the minister himself explains in his 1844 “Report”:

A nation cannot pin all its hopes on agriculture or production of raw materials for foreign markets. A people without manufactures must always depend on others. Any country’s domestic industry is the first and most secure and abundant market for its agriculture; and any country’s domestic agriculture is the first, most secure and abundant market for its industry. Foreign markets must be seen as secondary for each, and never as primary. This is what experience teaches us. . . . For this . . . the government must always be empowered to protect national or foreign capital which seeks to be used for manufacturing in the country.<sup>5</sup>

Note the clear similarity with Alexander Hamilton’s ideas in his 1791 *Report on Manufactures*.

Although the protective tariffs established by Alves Branco didn’t survive for long after his last term in office, primarily because of British pressures, the debate on protectionism surfaced again in the mid-1870s. This coincided with the economic crisis unleashed precisely by the application of liberal policies, promoted by England and enthusiastically backed by the retrograde oligarchy which then dominated

4. Edgard Carone, *O Centro Industrial do Rio de Janeiro e a sua importante participação na economia nacional (1827-1977)* (Rio de Janeiro: Centro Industrial do Rio de Janeiro/Ed. Cátedra, 1978), p. 53.

5. Quoted in: Nícia Villela Luz, *A luta pela industrialização do Brasil* (São Paulo: Ed., Difusão Européia do Livro, 1960), p. 44.

Congress. Inside SAIN, where the growing industrialist faction pointed to the United States as the model to follow, particularly as regarding protection of industry, the voice of Antônio de Paula Freitas was heard: “If Brazil is not yet an industrial nation, it is vital that it become one,” he insisted.<sup>6</sup>

In 1877, after a heated internal debate on protectionism, the SAIN requested that the government adopt a real industrial policy, which included protective tariffs for several basic industries, tax exemptions on the export of industrial products, and preference for domestic industry in the acquisition of products by the different sectors of public administration.

At the height of this ferment, the following year Brazilian industrialists forced the publication of Henry Carey’s “Letters in Response to the London *Times*,” the *Times* being the stronghold of liberalism (i.e., free trade) in the British press. Aside from demolishing the arguments of the liberal system, Carey emphatically defended the protectionist system for developing nations. It is symptomatic that this is the only one of Carey’s writings to be published in Brazil. The “Introduction” to these letters was written by Ferro Cardoso, whose words are indicative of the spirit which inspired the Brazilian industrialists of the time:

A brilliant idea jumps out from the writings of this eminent American economist, to wit: the established principles and fundamentals of free trade are harmful to the development of new nations’ civilizations. *Laissez-faire* and *laissez-passer* are bitter fruits which experience has already condemned. There is, therefore, no plausible reason why Brazil should remain stagnant, tied to the routine ideas of the Old World, so logically fought by the splendid results of the doctrines adopted by the United States.

The false situation in which we find ourselves, and our negligence, in that we have paid scant attention to our national situation, have produced, and will continue to produce, grave and prolonged ills. The drought in Ceará would not have reached such gigantic proportions, nor would it have caused such enormous and today irremedial damage, had part of its population been employed in different industries, and had manufacturing establishments been set up throughout the country’s interior.

A country fed by the hand of foreigners suffers in what should be held most sacred—its sovereignty!

We ardently defend a doctrine, it’s true. Call us utopians or whatever you wish, but we answer pointing to history, both ancient and modern and, primarily, to what is currently happening in many countries; in France, and Germany where, as careful research makes totally clear, the liberal regime has caused the paralysis of trade and the decline of those countries’ industries.

6. Quoted in Nícia Villela Luz, op. cit., p. 47.

We don't doubt that there will be the most complete triumph for protectionist principles, the only ones capable of developing a nation's moral and material progress. . . . The well-being and civilization of the Brazilian Empire essentially depend on the economic and social laws which have been adopted; let all cooperate to facilitate and expand national labor, and give equality to the rights of men who seek them as in a new country. . . .

The creation of manufacturing establishments in all the provinces, connected by electricity and the steamboat, constitutes the most secure guarantee of a permanent domestic peace and of our posterity.<sup>7</sup>

In 1881, the emergence of the Industrial Association was the parting of the waters in the institutionalization of the fight for national industrialization. Its founder and key leader was Antônio Felício dos Santos, who became the major defender of industry in the Congress, to which he was elected that same year. The guidelines of the Industrial Association's activities were based on the "brilliant picture of American prosperity," that is, the American System, whose influence permeates the entirety of the organization's Manifesto:

From time to time, an unfortunate act by the state's highest authorities to quickly obtain some crumbs for the Treasury, may wound, perhaps mortally, this or that prosperous industry. The victims' cries rarely break the silence of public indifference, and the minister who brought about the clever financial coup, should he condescend at all to listen to complaints, which is unusual, responds with a banal epigram extracted from the metaphysical codes of wily free trade. And that's all. Opinion dares not contradict the oracle: it remains for the wounded industrialist only to withdraw, almost ashamed, as if he were a criminal whose means of hurting the community has been intercepted by the all-seeing police. The solution is normally seen as beneficial: cured of his industrial mania, the citizen seeks another profession more consistent with the country's social harmony, employed for example, in a foreign import company, and from then on, focussing his energies to protecting the 6% return on the sacred government bonds.

In vain is the brilliant picture of American prosperity offered to us for imitation. Brazil doesn't lose sight of the European audience. From there springs the anti-American policy found here in all our foreign relations: the economic system which ruined our merchant marine and paralyzes national industry, prolonging the colonial regime whose supposed interruption in 1822 never really occurred.

Heavy is the burden which our association carries on its shoulders. We need only consider some of its dimensions: the joining of contrary interests encouraged by the current regime, the pretentious vanity of some statesmen, the sincere convictions of others trained in the school of Bastiat's specious sophists, the impertinence of those who collaborate on this fallacy of a hollow and resonant liberalism, and sacrifice the instinct for national preservation. . . . These and other obstacles have been placed before us.

And those who call themselves free traders are shown to really be protectionist . . . of foreigners.<sup>8</sup>

Today, more than a century later, these vibrant words, not surprisingly, and sadly, ring true, because the fundamental causes driving them still exist.

On the other hand, in the statements of these pioneers, the "trademark" of the American System is patently clear; and this becomes even more clear with the advent of the Republic in 1889, and the naming of Rui Barbosa as Finance Minister.

### **A revolution in Brazil's economy**

Taking up the reins of national finance in the midst of a wave of stock market speculation, known as "*Encilhamento*" ("saddling the horse"), which sounded the death knell of the monarchical regime—and for which, even today, his detractors blame him—Rui promoted a true revolution in the Brazilian economy through measures aimed at its broad modernization. A fervent proponent of industrialization, his policies were profoundly inspired by "the genius of Hamilton, [who had] the greatest ability for organization among the builders of the Anglo-American republic," as he explained in his 1891 "Report from the Finance Minister."<sup>9</sup>

Acting with courage and boldness, Rui conceived of and implemented a package of measures intended to stimulate private projects, primarily industries, whose proliferation he saw as a means of reducing the nefarious influence of the decrepit oligarchies responsible for obstructing the country's development. Toward that end, he decreed a banking reform and divided the country into three banking regions, for purposes of monetary issuance, backed by public debt. Beyond this, he issued new regulations for the organization of companies, regulated credit for productive activities, created institutions to attract popular savings, and reformed mortgage legislation. All these measures were aimed at creating a new credit and financial structure in the country, as an alternative to the domination exercised at that time by the usurious oligarchies, and their local and foreign associates.

Complementing the banking reform, Rui ordered customs taxes to be collected in gold, as a way of discouraging imports and encouraging internal production, especially in manufac-

7. H.C. Carey, *Economic Studies. Letters in Response to the London Times* (Rio de Janeiro: Portuguese edition published by Leuzinger & Filhos, 1878), pp. III-XV.

8. Quoted in Edgard Carone, *O pensamento industrial no Brasil (1880-1945)* (São Paulo: Difel, 1977), pp. 19-27.

9. Rui Barbosa, op. cit., p. 349.

turing. At the same time, he reduced or eliminated import tariffs for raw materials and capital goods for industry. He also reformed the tax system, creating an income tax, and taxed fallow or unused land, in addition to luxury items such as alcohol and tobacco.

As occurred in the United States with Hamilton's policies, Rui Barbosa's policies were vigorously opposed by the domestic and foreign oligarchies then dominating Brazil's economy. The oligarchy forced him to leave the Finance Ministry in January 1891, only 13 months after he took the post, and ran a campaign to slander and discredit him. Even today, the echo of that campaign can be heard, whenever any public figure attempts to follow in his footsteps, on behalf of our true national interests.<sup>10</sup> After Rui Barbosa left office, most of his reforms were abandoned, and the office was subsequently occupied by a succession of economists committed to oligarchical interests, which characterized most of the Old Republic, as the period from 1889 to the Getulio Vargas revolution of 1930 is called.

Among this latter group, it's worth mentioning Joaquim Murinho who, despite serving as Minister of Industry, Transportation, and Public Works during the interim Presidency of Manuel Vitorino (1896-97), was a rabid opponent of industrialization. It was this anti-industry sentiment which guided his policies as Finance Minister during the Campos Salles government (1898-1902). Murinho used openly racist arguments, indicating at the same time that he understood the source which inspired Brazilian industrialists.

In his introduction to his Finance Minister's report in 1897, he wrote:

Industry is not a goal which should be pursued at any price, but is rather a means of making human existence easier, more comfortable and happier. . . . Let us patiently and courageously limit the expansion of manufacturing to the small size of our economic resources, and restrict governmental action to what it can most usefully offer to the benefit of our country's industrial development: Order through Freedom, maintaining peace at all cost and eliminating all those regulations which obstruct individual activity. . . . *We cannot, as many wish, take the United States of America as a model for our industrial development, as we do not possess the superior aptitude of its people, the driving force in that great country's industrial progress. . . .* Then, let the following be the formula for our industrial policy: produce cheaply that which we can only import at a

10. During a seminar organized by the Rio de Janeiro daily *Jornal do Comercio*, at the beginning of the Collor de Mello government in 1990, Congressman Roberto Campos and lawyer Ives Gandra da Silva Martins, two notorious propagandists for neo-liberalism, spent some time discussing whether Rui Barbosa or Dilsón Funaro (1987) had been the worst Finance Minister in Brazil's history. For those who know how these two countered oligarchical interests, the debate is symptomatic.

higher price, and import cheaply that which we can only produce at great expense [emphasis added].<sup>11</sup>

## Shaping opinion

Despite these obstacles, at the beginning of the 20th century, the consolidation of Brazilian industry was an irreversible fact. An essential contributing factor in this development was the tireless activity of national industrialists in "shaping opinion." This activity was primarily centered in three organizations: the Brazilian Industrial Center (CIB), the Engineering Club, and the Rio de Janeiro Polytechnical School.

The Brazilian Industrial Center (today the Federation of Industries of the State of Rio de Janeiro, or Firjan) was founded in 1904, as a result of the merger of the Auxiliary Society for National Industry and the Industrial Spinning and Weaving Center. Among its board of directors were some of the most ardent Brazilian defenders of the American System of economics, including Inocêncio Serzedelo Correia, Luiz

11. Joaquim Murinho, *Introdução ao Relatório do Ministro da Indústria, Viação e Obras Públicas (Economic thinking of Joaquim Murinho)* (Brasília-Rio de Janeiro: Org. by Nícia Villela Luz, Federal Senate/Fundação Casa de Rui Barbosa-MEC, 1980), p. 143-174.

## Dr. Carneiro: Brazil must adopt LaRouche's proposals

*The following are excerpts of an interview with Dr. Enéas Carneiro, Presidential candidate of Brazil's Party for the Rebuilding of the National Order (Prona), published in the daily Folha de São Paulo on April 20. In it, he makes several references to Lyndon LaRouche, whom Folha describes as the "leader of the extreme right wing in the U.S." In Brazil's last Presidential elections, Dr. Carneiro won 5 million votes (about 5%) and came in third, after Fernando Henrique Cardoso and Luís Inácio "Lula" da Silva, and is again a serious contender for the Presidency in the October 1998 elections. On March 19, Carneiro held up EIR for an estimated 40 million viewers during a nation-wide TV program, to document charges that George Soros was buying up Brazil with drug money.*

**Folha:** What do you criticize in the Brazilian system?

**Enéas Carneiro:** It's not one, but a whole range of things. It's the indiscriminate opening of our economy to foreign industrial products: This has destroyed Brazil's industrial plant. Similarly, the indiscriminate opening to [foreign] agricultural products is one of the major factors



Rafael Vieira Souto, and Jorge Street.

No discussion of the influence of the American System in Brazil can exclude mention of Serzedelo Correia, an engineer and Army officer (he attained the rank of general), and one of the country's most outstanding defenders of protection for industry, as seen in the following passage from his 1903 book, *Brazil's Economic Problem*:

Countries which have no economic independence can never become the type of great nation which List, the founder of the *Zollverein*, discussed. He tells us that aside from language and literature, a well-organized and independent nation should also have extensive territory, a developed population, agriculture, manufacturing industry, and harmonically developed trade and shipping; as for arts and sciences, the general means of culture and education will raise the material level of the population.

It is because we have neglected the defense of our interests, and because as a new country, we have adopted and practiced the policy of *laissez-faire* in industry, in national trade, in sea transport and in the merchant marine, that we find ourselves in such straits. . . .

The state is de facto a robust and energetic economic force. This force is important, it grows and multiplies, and is itself indispensable for new nations, in which individual initiative is weak. . . . It is through import tariffs that countries defend and protect their production and national labor.<sup>12</sup>

Luiz Rafael Vieira Souto, an engineer and colleague of Serzedelo Correia at the CIB, was equally prominent as a professor in the political economy department at the Rio de Janeiro Polytechnical School (today the Engineering School of the Federal University of Rio de Janeiro), a post he occupied for 34 years, as well as in the debates at the Engineering Club in favor of industrialization. Vieira Souto was a vigorous opponent of the recession-causing policies of Finance Minister Joaquim Murinho, and his writings reflected the influence of List and Henry Carey, especially as regards Carey's discussion of the harmony of interests between capital and labor. Exemplary is this passage from his introduction to the first *Bulletin of the Brazilian Industrial Center*:

12. Serzedelo Correia, *O problema econômico no Brasil* (Brasília-Rio de Janeiro: Federal Senate/Casa de Rui Barbosa, 1980), p. 19.

in the destruction of small and medium-sized farms. Thirdly, the value of [Brazil's currency] the real, artificially fixed to ensure that inflation stays at low levels. And then there are the interest rates which have, from time to time, become the highest on the planet. . . .

**Folha:** I should deduce then that you are—

**Enéas Carneiro:** Exactly the opposite of everyone else out there. . . . I want to make this clear, there is only one way out: breaking with the international financial system. When I say international financial system, I'm talking about several entities combined. These include the International Monetary Fund, the World Bank, World Trade Organization, etc. I don't believe there is any other way. And, to make this plausible for you, there is an interesting interview here, [in] *Executive Intelligence Review*, with Mr. Lyndon LaRouche, in which he speaks of the need to move toward a New Bretton Woods accord. Thus, what Prof. Lyndon LaRouche is proposing is a new world model, one in which there would not be a totally artificial market with \$3 trillion in circulation every day.

**Folha:** Would you reverse privatizations?

**Enéas Carneiro:** Without a doubt. For example, there is an extraordinarily serious study by Sen. Amir Lando, done during the period of privatizations, long before Vale do Rio Doce was handed over. . . . (They say sold, but it was given away.) That study shows that there were questions which, at the very least, could be considered unconstitutional, as related to the sale of state compa-

nies. When you ask, I answer that when I become [President] I shall reverse all [state company privatizations]. All, all, all. Without exception. How will we pay? With the same paper with which they were handed over. . . . There's no question that I have the law on my side.

**Folha:** Why do you exclude the PSDB [Brazilian Social Democratic Party] or PT [Workers Party] as your allies, and say they represent positions diametrically opposed to yours?

**Enéas Carneiro:** Because they are the two political structures most linked to everything I abhor. Let's take the case of the Inter-American Dialogue. It was founded in 1982. President Fernando Henrique Cardoso is one of its founders. Several considerations subsequently put into practice emerge from the Inter-American Dialogue. Up front, for example, is that the Washington consensus has defined the guidelines of what today is called globalization. The PT's top leader, Mr. Luís Inácio joined the Dialogue in 1992. So, from the standpoint of the most important issues, the PSDB and the PT are one—two sides of the same coin.

**Folha:** Would you put a stop to globalization in Brazil?

**Enéas Carneiro:** I am a nationalist, a man concerned about my nation. The nation is headed for the abyss. Mr. LaRouche says that we are nearing a period for humanity similar to that of the Black Death, to the Dark Ages. We can no longer talk about left and right in today's world. . . .

Anyone who studies what is now occurring in the civilized world, on the old as well as the new continent, perceives the recent evolution of international political economy, characterized by the increasingly complete abandonment of free trade, and the ever more passionate enthusiasm for protection of national industry. The dawn of the 20th century is witnessing the death pangs of the free trade system, even though it was dominant only 50 years ago. How is it that free trade came to dominate the trade of almost the entire world for so many years? No one can ignore the fact that England imposed it in 1846, after having enriched and strengthened itself for centuries through the most exaggerated protectionism and even prohibition. At that time, England's propaganda expanded and penetrated everywhere. "Protectionism," wrote Haskinson in 1840, "was for a long time the secret to England's greatness, but now the advantage of its exploration has died. . . . There is only one solution—abandon the protectionist system, since the effect of that will be to channel this to other nations, which will no longer have our example to follow." . . .

From that time onward, England's interested propaganda expanded and penetrated everywhere. Only two nations, Russia and the United States, always tenaciously resisted it; but the rest let themselves be seduced by the siren's song, only to quickly regret doing so. . . .

The tariff question is at the epicenter of a defense of industry. . . . The development of protected industry and cooperation among producers which always develops in the [country's] interior, never fail to lower the cost of production, and force prices lower for nationally produced goods in the market, even below those for foreign merchandise. . . . As for wages, we, the protectionists, reply to the objection: it was never our desire to lead Brazil into a cheap labor regime; on the contrary, we want high, very high salaries. . . .<sup>13</sup>

It was this environment, brimming with the ideas of the American System, that forged what could be considered the "second generation" of industrialists, whose leading spokesman was Roberto Simonsen. Among some analysts, Simonsen is considered the most combative and articulate defender of industry in all of Brazilian history.

A businessman and engineer, Simonsen had his first broad contact with Brazilian reality at the beginning of the 1920s, when he became involved in the building of Army barracks and hospitals in 36 cities across nine Brazilian states. According to one analyst of Brazil's economic history, it was this undertaking, during a period of scant communications and transportation infrastructure, which confronted Simonsen with the "painful spectacle of our poverty and the need for

industrialization as a way of combatting it." This is what shaped the framework for his future activity: "making the nation great through industrial development."<sup>14</sup>

Simonsen defined this task as follows:

If it is true that the basis of Brazil's economic structure should rest on the culture of the land, it is no less true that at the current stage of civilization the economic independence of a great nation, its prestige and political activity in the conceit of nations, can only be given due consideration when that country possesses an efficient industrial infrastructure on the same level as its agricultural development. . . . Thus, those Brazilians who oppose the establishment and expansion of industries in the country, consciously or unconsciously do the work of foreign nations, [which are] interested in the conquest of our markets, and work to push us back to the status of a colony of those foreign producers.<sup>15</sup>

A defender of protectionism and state intervention in the economy, Simonsen explained his position as follows:

As for the tiresome debate between protectionism and free trade—there is a desire to impose the latter on our country—I cannot find words strong enough to lament this. The adoption of doctrines copied or imported from foreign lands, not applicable to Brazil's conditions, can only lead to an worsening of our depressed economy. At the current stage of civilization and international policy, the idea of nationhood without protectionism is inconceivable. . . .

I have never been an interventionist in order to oppose natural laws, but rather exclusively for the purpose of creating situations in which Brazil could take advantage of the results of that law. Due to the natural action of well-known factors, broad freedom in trade results in the predominance of the strongest.<sup>16</sup>

Simonsen's concept of industrialization was global in nature. For example, he seriously studied the problem of how to train qualified labor (he founded the National Industrial Apprenticeship Service, or SENAI), the adoption of patented technical standards, and technological development.

Another example of his advanced ideas was his thinking on small and medium-sized businesses:

Our industrialization policies should therefore be oriented toward the multiplication of medium and small-sized industry, thereby stimulating the process of rationalization and cooperation among many factories, so

13. Quoted in Edgard Carone, op. cit., pp. 47-57.

14. Heitor Ferreira Lima, *História do Pensamento Econômico no Brasil* (São Paulo: Cia., Ed., Nacional, 1978), p. 160.

15. Roberto C. Simonsen, op. cit., p. 55

16. Quoted in Heitor Ferreira Lima, op. cit., p. 161-162.

that, to the degree possible, some may become complementary to others. . . . The type of large industry served by super-machines, will be reserved for basic industries, and there . . . a greater control by the state would be justified, to avoid the concentration of excessive economic power in the hands of a few.<sup>17</sup>

## Labor policy

Like Carey and his Brazilian followers, Simonsen had a clear vision of the social function of the economy, and therefore defended the notion that raising wages was a subject of the greatest interest to private enterprise. Concerned about social assistance to industrial workers, he created the Industrial Social Service. Like the authors of the American System, he proposed economic planning in order to harmonize all the interests at play within the economy. The influence of Henry Carey's concept of the harmony of interests is evident in the following excerpt from the 1919 report by the Companhia Constructora de Santos, founded by Simonsen in 1912:

The industrialists of today have to abandon the old molds, and consider as a new, truly existent force, the discontent of the worker; and courageously provide him with a just wage, unless they wish to witness the obstruction of production through the mistaken attempt to address this issue by political means, when it could be resolved effectively by economic means. . . . Hence the viability of a solution [based on] the harmony of interests of both classes, through scientific investigation of the real working conditions, and by the intelligent application of the economic laws which govern production.<sup>18</sup>

Even today, a majority of Brazilian businessmen and public figures haven't learned these valuable lessons.

As occurred with his predecessors, the progressive ideas of Simonsen were attacked by the representatives of the archaic oligarchies interested in preventing Brazilian development. This was the case of the much praised Eugênio Gudín, who fought the country's industrialization with the same racist arguments used by Joaquim Murтинho.<sup>19</sup>

The intellectual ferment provided by the principles of the American System was one of the factors which contributed to the emergence of a new generation of public officials, beginning in the 1920s and 1930s. These were more conscious of the country's potential, and of the state's responsibilities in creating the basis for economic development. Exemplified

by individuals such as Jesus Soares Pereira and Rômulo de Almeida, the members of this generation would perform a crucial role in the two governments of Getúlio Vargas (1930-45; 1950-54), and of Juscelino Kubitschek (1956-61). Several vital institutions created at this time contributed to the surge of development which the country subsequently experienced.

The teachings of the American System simultaneously penetrated the Armed Forces, specifically the Army, where the ideas of the Prussian General Staff on the need for a national mobilization based on infrastructure development, inspired by List, were introduced by the French Military Mission which operated in Brazil during 1920-40.

## The role of the state

Today, however, just as little is spoken of Hamilton, Carey, and List in the world's major universities and economic institutes, including in the United States, similarly there are few Brazilians who are knowledgeable about the doctrines which inspired Brazil's economic nationalism. One of the exceptions to this is the eminent journalist Barbosa Lima Sobrinho, president of the Brazilian Press Association and author of this book's introduction.

At this crucial moment in Brazilian history, in which we shall be determining the conditions in which the nation will enter the third millennium, the archaic policies of *laissez-faire*, earlier promoted by foreign oligarchies and their local counterparts, have surfaced with a "modern" face. At the same time, there are attempts to "immunize" the country against the penetration of the ideas of the American System of political economy, and thus prevent its full development. This "modernism," which we can honestly characterize as "archaic modernism," proposes as a miraculous solution, that the state virtually renounce its sovereign ability to direct the economy and issue credit, one of the fundamental tenets of the American System. In this suppression of governmental control of credit lies one of the deepest causes of the current economic crisis — not only in Brazil but in all the Ibero-American republics.

In effect, the issue of how credit is generated and who controls it is at the center of the battle between the liberal system and the system of national economy. This confrontation involves antagonistic notions of the concepts of wealth and value. For liberals in general, wealth is a fixed quantity of resources, to be appropriated by the "most competitive" elements of society, while for the advocates of national economy, this stems from society's potential for the production of wealth, to which all of its members have the same inalienable rights, which must be secured and protected by the sovereign nation-state. As List said, it is not wealth which is primary, but the ability to generate it.

The adoption of the proposals of the American System of political economy will constitute a true revolution, in the face of the policies imposed today by most countries. But many times, it is only through revolution that it is possible to prevent the destruction of nations and reestablish the capacity for development and confidence in their leaders.

17. Quoted in Heitor Ferreira Lima, op. cit., p. 164.

18. Quoted in Heitor Ferreira Lima, *3 industrialistas brasileiros: Mauá-Rui Barbosa-Roberto Simonsen* (São Paulo: Alfa-Omega, Ed., 1976), p. 158-159.

19. Gen. Edmundo de Macedo Soares, one of the main promoters of Brazil's steel industry, reported having personally heard the following argument from Eugênio Gudín: "Brazil shouldn't possess heavy industry, but only light ones such as textiles. Steel is for nations of white people."

## LaRouche meets with Italian 'cold fusion' scientists

On April 4, Lyndon LaRouche participated in an informal discussion in Rome with a group of about a dozen Italian scientists, on methodological questions of scientific research and the new frontiers of science. LaRouche was in Rome with his wife, Helga Zepp-LaRouche, for several days of private and public meetings with parliamentarians and political and economic leaders, on the necessity to move toward a New Bretton Woods system (see *EIR*, April 17).

The participants in the scientific seminar came from Milan, Rome, Udine, and several other Italian cities. Some of them are part of a group of leading scientists engaged in cold fusion research. Among those in attendance were Giuliano Preparata, director of the study of the Theory of Sub-Nuclear Interactions, Department of Physics, State University of Milan, and a leading researcher in the field of cold fusion; Emilio Del Giudice, State University of Milan; Bruno Brandimarte, professor of laser physics for medicine and surgery at the Tor Vergata University of Rome; Francesco Celani, nuclear physicist, specialist in superconductivity, Rome; Stefano Bellucci, specialist in nuclear elementary particle research; Giorgio Iacuzzo, editor of the Italian edition of the international scientific magazine *Nexus*; and scientific journalist Paulo Bonetti.

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### A dialogue

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*The following is an edited transcript. In the general hubub of an informal discussion conducted in two languages, portions of some questions and statements by Mr. LaRouche's interlocutors were inaudible. These have therefore been summarized, and are enclosed in brackets. For similar reasons, we have not been able to identify all the speakers, although much of the questioning was led by Professor Preparata.*

*The seminar began with a brief discussion of the cold fusion work of Martin*



Lyndon H. LaRouche, Jr. (left) talks with Italian scientists in Rome, April 4. "As you get smaller and smaller in the interval of observation," he told them, "the assumption that things become linear in their relations, is absurd. The smaller and smaller you get, the less linear they've become."

*Fleischmann and Stanley Pons, and the conceptual problems in modern science. LaRouche emphasizes that his own life has been devoted to fighting against "the idea that you can linearize in the small." Our transcript picks up with his explanation of that point.*

**Giuliano Preparata:** Can you try and explain this theory? Because I think I am on the same wavelength, but somehow the line may be different.

**Lyndon LaRouche:** It is not a mathematical concept. You know, Gauss had an understanding of this which caused him to term mathematics the "Queen of the Sciences," which did not refer to its sexuality, but referred to the fact that it is a subordinate aspect of science. The basis for modern science, is the conceptual standpoint of experimental physics, the idea that you discover a principle. Why? Because you've discovered that the existing mathematics is wrong. So therefore, you discover a small error or a larger error, which is persistent, it's stubborn. It defines a paradox, an ontological paradox in existing physics doctrine.

So, you treat this seriously, and you say, "I think I know what causes this apparent error. We have overlooked something, a principle." And usually, this comes in smaller and smaller, or greater and greater. And it's the astrophysical scale, in the largest sense, like the Crab Nebula, which poses a great paradox for physics: How do we have coherence in the effects of the Crab Nebula, way beyond the possibility of the speed of light in coherence? . . .

But the other aspect is the aspect raised by Leibniz. But, if you look at the trace of it, it comes partly from Cusa. You can trace it back to the work of the Sieve of Eratosthenes, which became important again in the Nineteenth Century, because it enabled us to look at these categories of numbers, different kinds of number systems, which becomes significant with the work of Cusa, and the *De Docta Ignorantia*.

So, this comes then from Leonardo, but we get then the process after Leonardo, of Johannes Kepler, who attacked astrophysics from this standpoint.

Now actually, in my view, it is Kepler whose approach to astrophysics defines the multiply-connected manifold, the idea of a multiply-connected manifold, that is, different kinds of astronomical cycles intersecting. And it's when we apply that notion of an interconnected manifold to the small, that we get some very interesting results. So, microphysics actually comes from astrophysics, in a sense. The methods of astrophysics, which is beyond the senses, so to speak, enables us to take an approach to microphysics.

Now, in this process, when you take any process which is defined as in a universal process, to define a standard manifold of reference, for any events, or two events in a manifold, you get into an extremely complex process of many cycles interacting, a very complex manifold. Then, this means that the characteristic of a process is now located in the very, very small, as we see in astrophysics, where you have long cycles of hundreds of thousands of years, with small cycles, which are annual, which are daily, and so forth, all mixed in together,



*The late Dr. Robert Moon, one of America's leading physicists, works with children to replicate physics experiments of Ampère on longitudinal force. "In Classical education," says LaRouche, "the student had to re-enact every discovery. The student was not allowed to learn the answer; the student had to conduct a discovery, and make the experiment, or re-make the experiment."*

along with certain physical cycles, like the things that cause the pulsation of the Sun, radiation in the Sun, which also have to do with microphysics, acting on the macrophysical level.

So, you look, and you say, if we look at any small interval of observation, but implicitly, any small interval can be very, very complex, as what Leibniz defined in his papers toward the end of the Seventeenth Century, as the non-constant curvature, the principle of non-constant curvature, which signifies that when we go to the very small, we do *not* go to linearization, that one of the greatest criminals—

**Q:** You are referring essentially to the fact that you can think of independent events, independent particles, or independent individuals, or something like that. Is that what you mean?

**LaRouche:** More than that. . . .

As you get smaller and smaller in the interval of observation, the assumption that things become linear in their relations, is absurd. The smaller and smaller you get, the *less* linear they've become.

**Q:** Which is at the basis—which is the basis for this so-called asymptotic freedom. They say, you go asymptotically, and then you see the free part that has no relation whatsoever with anybody else. And you're saying exactly the opposite. . . .

**LaRouche:** For example, the great experiment which dem-

onstrated that principle, first, has reference to Kepler, but more specifically, to the work of Gauss, particularly its application of his original work on the *Arithmetica*. The application of this question of bi-quadratic residues to the problem of measurement in the field of astronomy, which led to his approach to the primacy in the discovery of the orbit of Ceres, and other asteroids, which demonstrates that within the very small, you must never assume two things: simple freedom or linearity.

Now, the Nineteenth Century divided, because you had a division between the Venetian School, as it's properly called, of physics in the Eighteenth Century, the school of the followers of, first, Paolo Sarpi, but especially Antonio Conti, who was the great organizer of linearization in the small, which included people like Euler, who was an agent of Conti—

**Q:** But what do you mean when you say he was an agent?

**LaRouche:** Under Frederick the Great. The Berlin Academy was revived by Frederick, but probably only two members of the Academy were actually human. One was Süssmilch, who did work on population, which was attacked; and the other was Gotthold Lessing. They wanted to bring in Moses Mendelssohn, but Frederick II got wind of that, and wouldn't let it happen. But these were the only human people in the thing. The rest were—

**Q:** You mean Voltaire, Maupertuis.

**LaRouche:** Oh, especially Maupertuis. Maupertuis was the greatest fraud that ever existed. As a matter of fact, Maupertuis was such a fraud, that even Voltaire couldn't stomach him.

**Q:** So, you think Voltaire was a pretty bad guy.

**LaRouche:** Oh, the whole crowd. Like Quesnay; the whole crowd. They were all agents of this network of Antonio Conti, based in Paris.

**Q:** So, this was essentially the basis of the lie.

**LaRouche:** That's right.

**Q:** And essentially, the root of modern positivism.

**LaRouche:** Exactly. Actually, it comes from Sarpi.

So, you have these two curves.

One is a curve which becomes — when Newton is totally discredited, as a result of that, the friends of Laplace, and, also, Lagrange earlier, had to run a defense of Euler.

Euler was the most serious opponent of Leibniz in mathematics. And it was Euler who laid the program in the Berlin Academy, which became the doctrine spread from Berlin, through all these circles. Out of this, you got, directly, Lagrange, who was a direct successor of Euler. And Laplace. When Euler went back to Russia, after leaving the leadership of the Academy, his successor was Lagrange, and Lagrange was essentially his continuer, who introduced his notion of analytic functions. The other person in the thing politically, was Laplace. Laplace had a protégé, who was a young Jesuit-trained idiot, but a very clever one, and also a great plagiarist: Augustin Cauchy.

**Q:** Plagiarist in what sense?

**LaRouche:** He's notorious. The whole Swedish case. The whole Swedish case. It was discovered, when he died, and they opened his papers, that he had actually stolen papers, and fraudulently copied them, and claimed the results as his own.<sup>1</sup>

But, what happened with Cauchy, is Cauchy invented the so-called Cauchy fraction, which is a complete fraud. It's convenient for engineering work, but it's of no value for scientific work. If you have to approximate the solution to a differential function, yes, then you want to put a limit theorem in there, to simplify the calculations, to make them possible, especially for engineering. But if you're trying to test a principle, you do not try to derive a principle from a mathematics which contains a limit theorem, because you've eliminated the very thing that's interesting. The thing that's interesting, is the *error* in the assumption that something is linear.

So, when we're doing scientific work, we're always look-

ing for anomalies which demonstrate that the calculations we're using, contain an error, and the pursuit of that error to discover the principle which is hiding behind there. And so, therefore, the Gauss principle, which is Leibniz's principle of non-constant curvature in the very small. One of the best examples of this is some of the work of the Ecole Polytechnique.

What we've been focussing on,<sup>2</sup> as you know, in part, is the work of Weber on Ampère, which is what we've been onto ever since we were trying to defend fusion energy, back in the early 1970s, where I said, "This is nonsense. The Coulomb force is idiocy. It's primitivism. It's infantile ideology." And then Dr. Moon<sup>3</sup> said, "Well, yes, you're right, but this is Ampère, the longitudinal force." . . .

What we're also working on with this, is that Ampère had a great collaborator, who was extremely important for this theory, Fresnel. And Fresnel, on the question of refraction in a vacuum, raises the question of the nature of the propagation of electromagnetic radiation, which, in the Twentieth Century, involves the question of such things as gravitational waves.

You have, in France, a man in his 80s, a great physicist, Maurice Allais, who received the Nobel Prize for economics by denouncing the "Casino Mondiale." And he did a variation, a paraconical version of the Foucault Pendulum.<sup>4</sup> He used his position as a young physicist, as an official of the French government working on mines, so he had access to some deep abandoned mines, and used deep abandoned mines to study certain gravitational effects. And he was among those who observed that during an eclipse, the function of the pendulum was altered, which means that some gravitational effect is affected by an eclipse, which coincides, of course, with gravitational waves. And thus, this question of, to what degree physical effects are like — or, are photons projected like bullets across the universe, or are they self-propagated in some way? Is the radiation self-propagated in some way? And how does it interact with other radiation?

So, therefore, if you put together the implications of the work of Weber on the Ampère principle, in proving the Ampère principle, together with the work of Fresnel on the question of refraction in a vacuum and similar kinds of conditions, on the geometric principle, then you pose a lot of interesting questions.

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2. See Laurence Hecht, "The Significance of the 1845 Gauss-Weber Correspondence," *21st Century Science & Technology*, Fall 1996.

3. Dr. Robert Moon (1911-89), one of the world's pioneers in the development of nuclear energy, served on the Manhattan Project during World War II. He became professor emeritus at the University of Chicago, a founder of the Fusion Energy Foundation, editor-in-chief of the *International Journal of Fusion Energy*, and a close collaborator of Lyndon LaRouche.

4. See Maurice Allais, "The Experiments of Dayton C. Miller (1925-1926) and the Theory of Relativity" and "On My Experiments in Physics," *21st Century Science & Technology*, Spring 1998.

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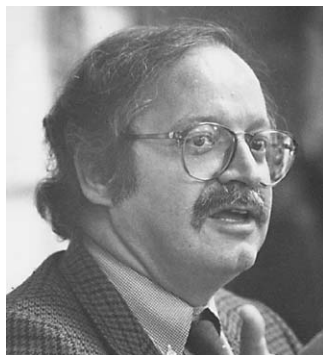
1. On Cauchy's fraud, see Pierre Beaudry, "The Bourbon Conspiracy That Wrecked France's Ecole Polytechnique," *EIR*, June 20, 1997.

So, I've insisted that we work more or less on that direction. I've fostered that as much as possible.

**Q:** But I think you are referring to a great intellectual tradition, which, however, lacked the knowledge of—there was, at this end of the century, a great leap, a conceptual leap, and that is quantum physics.

**LaRouche:** But this comes from these people.

**Q:** [Professor Preparata points out that the great intellectual tradition which Lyndon LaRouche refers to, lacked the knowledge of a deeper layer of reality that has come to the surface during this century: quantum physics. And, owing to the intellectual leap of Quantum Field Theory (QFT), the “nonlinearity in the small,” one of the leitmotifs of LaRouche’s thought, is



Dr. Giuliano Preparata

finally coming to light, from the very structure of the states of minimum energy of the physical quantum fields, gravitation, the electromagnetic, and the nuclear. The main idea is that, unlike in Classical physics, QFT gives the vacuum, the state of minimum energy, a well-defined structure, which influences in a fundamental way all physical events that we perceive as due to fields and matter. This is at variance with the expectations of Perturbation Theory, where the deviations from the vacuum are linear and essentially structureless.

Today, a large battle is going on around such different conceptions of the physical vacuum, and the hoped-for change of paradigm, which can no longer be eluded, depends on bringing these new ideas to people.]

**LaRouche:** If you look at it the way I look at this, because my work deals with the relationship between the human mind and the mastery of the universe, you have to realize, as was emphasized by Riemann, and also by others before him (Riemann most emphatically), that you must eliminate the so-called Aristotelean notions of space and time. You must not accept—you must not have an *a priori* conception of space. Once you put in an *a priori* conception of space, now you’ve invented a vacuum. Now your physics defies your vacuum, so now you come up with non-vacuum physics.

Wouldn’t it be better to eliminate the idea that space and time are *a priori* notions? We don’t need these concepts, they’re totally unnecessary. What we need—

For example, everything is in flux today: the question of what we mean by time. If we eliminate, *a priori*, our so-called mathematical time, mathematical *a priori* space, and stick strictly to experimental physics, what do we know about time?

We have all kinds of anomalous effects, in terms of speed of light, and other considerations, which are completely anomalous.

If we look at things like these fast-rotating binary stars, or look at something like the Crab Nebula, we get effects which do not fit any physics. . . .

The problem here, which Riemann is most useful for, is, if you look at man’s relationship to the universe—which is what you should look at, I think, in the laboratory. People look at the laboratory, often, as a laboratory, where they have some little personal intimate relationship with some experimental subject matter, through equipment. How do we master the universe? Look at modern industrial economy, eh? So, out of the work of Leibniz, we’ve got the work of Carnot, who invents the modern machine-tool industry. Now, for us, in science, the machine tool is a reflection of a crucial proof-of-principle experiment. You build an apparatus. If you can build an apparatus which can prove a principle, you can use that very apparatus, to give you a method of creating a new technology based on the design of that, or the perfected design of that apparatus.

So, when we discover a principle, a principle of the universe, and we use Gauss’s and Riemann’s approach, we say that the dimensionality, or the geometry of the universe, is based on the number of validated physical principles, and we have proven those principles. Therefore, it is the multiply-connected interrelationship among all these principles, which can not be demonstrated mathematically, because you must demonstrate it physically. You can not demonstrate the characteristic of action, you can not derive it abstractly from a geometry. You must experimentally determine what the characteristic of action is.

**Q:** [There’s a famous lecture by Riemann in which he says that we don’t even know whether space and time will be discrete or not.]

**LaRouche:** That’s right. But you can’t do it from the standpoint of abstract mathematics. Now, what we’ve done today, is we’ve created the illusion that you can take computer technology, and jam it full of mathematical programs, take your experimental data and put it in, and try, by those methods of approximation—statistical methods, essentially—cram your evidence into fitting with the little factors here and there, fitting the pre-existing mathematical theory. Whereas, in reality, every time you make a fundamental discovery, you change the mathematics. And people have lost the ability to create the new mathematics that we need. And the great achievement of modern physics, was to create, to invent new mathematics, to free us from the slavery to *a priori* mathematics, and to know how to design a new mathematics to fit our physics.

The other thing which is key in this, involves something else. Ask a very simple question: Why is it that the history of



the human species, unlike any other species, is willfully anti-entropic? There's no other species on this planet, which can willfully exert an anti-entropic relationship to the universe at-large. And the human species has done that more or less consistently, in every viable culture.

From a Riemannian standpoint, looking at the machine-tool example, what do we do? We make a discovery. Every discovery we make, is based on discovery of a paradox. . . . It won't go away. We can't smoothe it away. You can't talk it out of existence. So, there's something going on.

So, you come up with an idea, which you must then find a means of experimentally demonstrating. You have a solution. You must be able to experimentally demonstrate that. All right. This is the way our power increases, in more simple ways, earlier. But, it is discoveries.

For example, the early discovery of solar astronomical calendars, which is probably the paradigm for all science. We started to observe the astrophysical world. We were able to develop these calendars with great precision, using eyesight methods. This is the foundation.

So, what do we have? We have the accumulation of new discoveries which enter the human will. As willful capabilities of action, the potential existed before. We didn't know it. Once we know it, now we can willfully act, change our action on the universe, to get more power, by using these discoveries and turning them into what we call technologies. . . .

Now, the other aspect of this, the most interesting one, is the relation among human beings, because there's a problem. No one can observe by the senses the processes of cognition going on in another person's mind, when they make a valid discovery. How do you generate valid ideas, ideas that you can validate, when they are solutions to paradoxes which can not be derived by deductive methods? And you can not observe—you can not observe by the senses, the process of thinking which results in the discovery.

**Q:** So, that means that our mind can not be a computer.

**LaRouche:** No, it can't. No computer could be a mind. It couldn't be, because—

**Q:** So, this is another one of the fallacies of modern science, right?

**LaRouche:** Absolutely. This is really a cult. It's an ideological pagan cult, introduced by such followers of Bertrand Russell, or victims of Bertrand Russell, as crazy Norbert Wiener, and crazy John von Neumann, who introduced these crazy ideas. They became very popular—

**Q:** [It is thought that these people were extremely smart.]

**LaRouche:** They were clever, like thieves, like safecrackers.

**Q:** They've had an enormous influence.

**LaRouche:** That's one of our biggest problems.

**Q:** What can we do? Because it goes to the question of science in this society. I would like to have some light on this—

**LaRouche:** Let's go to the question of education, which is where part of the problem lies. Look at the changes in education, in science education and general education, in the past 30 to 40 years, actually longer.

We used to have a Classical method of education. The difference is between textbook education, and Classical education. In Classical education, the student had to re-enact every discovery. The student was not allowed to learn the answer; the student had to conduct a discovery, and make the experiment, or re-make the experiment. So, the student now *knew* the idea, because the student's own internal mental processes, which can not be observed by anybody directly, did this.

When a person goes through an educational process of reliving great discoveries in art and science, and that's the education, then the potential powers of creativity of the mind, which no animal has in the same way, are developed by the student. The student becomes cultivated, in terms of his relation to the physical universe, mental powers, becomes cultivated in respect to a relationship to other human beings; social processes.

That kind of education, is what produced the great scientists. For example, we reflect that, when we use the name of the discoverer in science. We say, "Here's the person who made this discovery. Here was the paradox they presented. Here's the solution they developed of the paradox. Here's the validation they made of this proposed solution." Now we have this name of this person, whom we remember in history from 50, 100, 1,000 years, or 2,000 years ago. And our mind is full of all these people, whose thoughts we have relived. We *know* them, but not because we shook their hands or sensed them. We know them because we have experienced the thoughts they experienced in making great discoveries. This becomes the cultivated person, the Classical personality, who has developed mental powers.

Now, the other side of what you have, is the clever fellow, like Johnny von Neumann, who had an almost mimetic memory for mathematical and arithmetic operations, who can go in and learn everything, and know nothing; who, in response to any discussion, would go to the blackboard, and immediately give, from memory . . . an elaboration of an arithmetic solution, which was usually wrong, but it was clever.

Or the case of Norbert Wiener, who was also a *Wunderkind* at Harvard. But he had this capability. He was not a conceptual thinker. He was thrown out of Göttingen twice, actually by Courant, for plagiarism, and thrown out by Hilbert for incompetence, for persistent, incurable incompetence.

**Q:** But he had a prodigious memory, or what?

**LaRouche:** Exactly. The human mind can learn, and it can

think. They're two different things. The ability—our culture has always based itself on a system of education, or a similar social experience, in which the individual child became an historical personality, especially in the area of the vocation, by reliving the great experiments and the great thoughts of the person before them, inside their own mind, so they became an historical reflection. And science, in this respect, becomes highly moral, because you can sense that you have a personal responsibility to be honest and truthful with a contributor who

## LaRouche on cold fusion

In August 1992, writing from prison, Lyndon LaRouche released a ground-breaking Science Policy Memorandum, titled "Cold Fusion: Challenge to U.S. Science Policy." He called for a "mini-crash program" of fundamental research into the phenomenon known as cold fusion, as well as related kinds of anomalous results. Four types of general public benefits are foreseen, he wrote:

"1. A significant contribution to general scientific progress. These experiments demonstrate that there are principled nuclear and sub-nuclear features of the *periodic table taken as a process*, which are apparently beyond the scope of established textbook doctrines. A solution for these experimental anomalies would therefore represent a significant advance within physical science as a whole.

"2. The mobilization of education and related resources for such crucial-experimental studies, would contribute significantly toward restoring a now rapidly vanishing scientific and technological literacy to the U.S. population and labor force.

"3. The shifting of U.S. national policy back toward emphasis upon a form of economy whose rising productive powers of labor are catalyzed by emphasis on a high density of fundamental scientific research.

"4. We should exploit the shame of those powerful agencies which participated in the political witch-hunt against the cold fusion scientists, to uncover the way in which such anti-scientific *pogroms* as these fraudulent libels, are enabled to exert such significantly damaging influence over both misguided public opinion and the shaping of science policy of public and leading private institutions."

LaRouche's memorandum is available for \$20 from the Schiller Institute, Inc., P.O. Box 66082, Washington, D.C. 20035-6082, or from your distributor of LaRouche's writings.

is maybe one hundred years or a thousand years dead. This moral relationship to the dead: that you must not betray them, you must not do anything corrupt. They become a part of your conscience. They won't let you do bad things, or cheat, or plagiarize, or steal, or lie. . . .

So the point is, is that we have created, in the educational process, in the generation of—In the increase in class size, for example; if you want to teach principles of science in Classical education, geometry, ancient Greek science, and so forth, to provide that foundation, what size of class do you have to have to get the result?

You want a class which is not more than 15 to 18 students. You want a class in which you can force an interaction, by a frequent interaction of the students. You present the paradox, ask them to find the solution themselves, once they're prepared to face this problem by their previous educational experiences.

Then you force interaction among the students who have begun to see something. Then the other students begin to share this, by the interaction. Then you force a consideration of, "Well, how do you prove this solution you think you have? What's the experiment?" Then you help them, and you gradually let them discover what the experiment is. And, this is how you produce a generation of scientists. And it was done often by autodidacts, like Leibniz, because they did that. They re-experienced the great minds of the past, personally.

We destroyed that kind of education, and said, "Now we have classrooms with thousands of students, and lecture halls," or whatever. Also by computer, or by video, at great distance. What do we do? We create a program to learn this. Programmed learning is the epitome of that. And they come out, they can pass the examination, but they don't *know* anything. They can babble all kinds of things, but you talk to them, they don't know anything. And, you find their memory goes as they get older, because if your mind is based on memory, that's the first thing you lose. The strong memory is based, as in poetry, on the ability to regenerate the idea. A strong memory is not memory, as mimetic memory; a strong memory is the ability to regenerate ideas.

**Q:** Sometimes there is a conflict between these two types of memories. Somebody told me, "You know why your book is not popular? Because it's completely new, and people would have to re-memorize things, and they don't want to do this." Most scientists today just memorize what they know.

**LaRouche:** It's like this environmental stuff. People say that the environmental theories are incompetent—they agree on that. They're all incompetent. Why do they do that? One says, "It's because they get paid to do it." That's partly true. If you're a young, aspiring person, and you want a career, you learn how to cheat and steal, mathematically, and go into a laboratory with a computer, and make a model that somebody wants to see, and fake it. Then, they'll publicize it in the press. Like the ozone hole: a complete fraud. Global warming: a

complete fraud. Why do people swallow this? In part, because of deliberate political corruption. But, on the other hand, it's because these poor fellows aren't qualified to do anything else.

We used to have an industrial society. In an industrial society, you had to make things work. You would introduce new technological processes into production. You would sometimes, in production, face problems which are scientific problems, which had never been faced before. They just came up; particularly in high rates of technological progress, you would constantly run into problems.

For example, the modern machine tool is incompetent; they thought they could make it better by making it lighter, but you get less precision with a lighter machine tool than with a heavier one. So, you don't have the resolution.

These problems would come up in the process of production. You have a production schedule; you have to make the airplane fly, on time—not next century; this century. So, therefore, the person who is going into industry, even as a scientist or an engineer, had to have a commitment to the original solving of problems, not textbook solutions.

We have people today who are not capable of developing individual solutions under that kind of stress, which we used to have, because we had people who were creative. In childhood, they would do things which showed the promise for their future vocation. You'd have the child who's interested in going out and observing the stars and the Sun, and trying to understand elements of astrophysics, simply by eyesight, trying to make a telescope, and so on. This child would probably be good for something in science, later on in life. We've destroyed that; that's our big problem.

**Q:** Why has that happened?

**LaRouche:** Very simple. That's modern history. The history of mankind, is that 95% of the population, in all known societies, prior to modern times, lived as human cattle, not as human beings. They were serfs, or slaves, or something worse. Modern society, particularly as it developed from the Renaissance, in the Fifteenth Century, the emergence of the nation-state, which is based on the idea of the equality of the person, which meant universality, or tends toward universality of education, responsibility for the development of the family and the individual, by the society. The promotion of opportunities for technological, scientific progress, produces a society which is capable of increasing its productive powers very rapidly, where poor slaves and serfs couldn't do that. But, to the degree some education or experience or knowledge would come to the population, the population would achieve a high quality. Out of a high-quality population, you'd get citizens. And, you find that the more you educate, the better the education, the better the conditions of life, the more stable society is, because people are more rational, they understand, they *think*.

Now, suppose some people don't like that? They don't

*like* a society in which the individual citizen is the wealth of society. They want a society of human cattle. And, think about how people breed cattle: You breed cattle for strength, for good meat, milk, and stupidity. Look at the breeding of wild cattle, what do you do? You take a wild herd of cattle, they're terrible to manage, very costly, very dangerous. So, you breed them for stupidity. Now, you want more meat, so you breed them for meat; you want more milk, so you breed them for milk. So, you've got a herd of stupid—

**Q:** That reminds me of the TV society.

**LaRouche:** More than that. . . .

We are engaged, particularly in the last thirty years, especially the last twenty-five years, we're engaged in a very obvious destruction of modern society.

Example: In 1969, we landed on the Moon. By 1979, we had lost the technologies which were indispensable for that. Yes! We starved the industries. Look at Italy! Look at the industries that have disappeared, look at the capabilities that have disappeared, vanished! Look at the energy crisis. Man's relationship to nature depends upon energy density per capita, per square kilometer. It also means the energy-flux density, per capita, per square kilometer. What have we done in energy production? The gentleman from Frascati can tell you. . . .

[You need] a very high, well-organized energy-flux density, in order to mine seawater to produce freshwater.

For example, in China, you have the river system which goes down the Bohai Basin, which goes into the Pacific. In the Bohai Basin, you have the greatest industrial concentration in China, outside of Shanghai. Now, the river comes from an area in Tibet, down through an area which is arid, which comes down to Beijing. Beijing is growing, so Beijing is short of water. If rainfall fails for a couple of years, they've got a major problem. Now, down at the end of the line, you've got the Bohai Basin. As a result of drawing down water supplies, they've lowered the water table, which means they have some salination from the ocean, coming into the former freshwater tables. So, what do you do? Well, China has adopted, for series production, its own version of the HTR from Jülich, the 100-200 MW reactor.

**Q:** A fission reactor?

**LaRouche:** Yes, high-temperature reactor. They're now developed. Now, the only solution for China on this, with a high-density population, the attempt to open up whole areas for civilization, to develop the areas in which people are backward, means a very high energy density is required. You're not going to build roads, you're not going to cover a high-density area with big four-lane highways and automobiles, the way some idiots would like. You're going to develop a very efficient mass transit; you're going to develop industries, and bring industries to where the people live. You're going to have to develop the area. This is all going to take, among other things, very high energy-flux density. The only way we

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*Science is developed as an integral part of the educational process. This idea of trying to get applied science separated from so-called basic research, is idiocy! The way you get basic research, is you get good scientists who are actually doing this work.*

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have, presently, to provide that, in an immediate way, on a large scale, is by the rapid series production of HTRs, which, in incredibly small sizes, can be installed very quickly, because of the concrete-settling factor. And which is the best way to do it. You can move the reactors by railroad—

**Q:** You don't seem to be interested in cold fusion. You think this is the only solution—

**LaRouche:** No, no. Look, the way I approached cold fusion was in two phases. First of all, we had the development of the so-called relatively high-temperature superconductivity.

**Q:** That hasn't really produced anything.

**LaRouche:** I know; it has not been developed, either.

**Q:** They have done quite a bit of work on this. . . . All this requires investment, but people don't want to invest in this kind of thing. They invest in all kinds of stupid things—

**LaRouche:** My impression is, that what was done with this—and Pons was very susceptible to that, he was trying to rush to print with patents, and trying to rush to print with money, to produce something he didn't know whether he could produce or not. What we know is, we have an experimental demonstration of an effect. We know the effect has to do with the relation between strong and weak forces, in the question of the whole nuclear theory. We know that. But, we don't know what it means. We have ideas, but we don't have something that we can say, experimentally, we're ready to produce something.

I think that what we have here, is this: We're at a boundary condition. And, this thing about Fresnel and Ampère is typical. Until you consider the implications of the Weber-Ampère longitudinal force, until you consider the implications that modern electrodynamics, as taught from Maxwell on, is a giant fraud, and until you admit that the whole Maxwell doctrine contains the fraud of deliberately excluding this consideration of longitudinal force, which—

**Q:** The question you're talking about is related to the interaction of the electromagnetic field with matter—

**LaRouche:** No, it's something else. Maxwell was worse! Maxwell was a deliberate, conscious fraud. Because this effect was well known from Ampère on; it was the foundation

of electrodynamics; it was well known throughout Europe. But, Maxwell wrote, in an introduction to his work, and in letters on the question, that he had stolen, so to speak, the work of Weber, Gauss, Ampère, Riemann, and so forth, but he was not going to acknowledge any geometries "other than our own." So, what did he do? When he wrote his book, which was based on stealing from everybody, to put together electrodynamic theory, he left out things that were embarrassing to his metaphysics. What he left out, was the longitudinal force!

Now, what Weber proved, by his experiment, was that the so-called longitudinal force, or angular force, pertains very precisely to defining the realm of microphysics, as being completely different than the realm of macrophysics. By saying that the difference, this distance factor, in the reaction, defines what, experimentally, people refer to as weak and strong forces—which came up with us on the question of fusion, this Coulomb force nonsense. When you look at this in reality, we knew, from Ampère's work, already, that the Coulomb force was a fraud, when it pertains to microphysics. It doesn't work.

Then again, you see this question of the multiply-connected manifold. That when we get into the very small, we get into considerations which are not derivable, by linear methods, from the macro field, or from existing theories. What was needed in this case, in my view, which was the way I initially approached it in '89, under constrained circumstances, was to say, "We must have a crash program, which takes this entire area, with all the phenomena," instead of saying, "Are we going to have heat or electricity in so many years?" Forget it! Are we going to break through and find out what this means? Forget the end result; forget the commercial result. Pons's problem, where he got into problems, was that he was too much emphasizing the commercial result. And the problem, was that among all the people in the field, the whole thing became a debate, not over making a breakthrough in physics, but who was going to get the first commercial result.

**Q:** However, and this is what I have always been emphasizing: There was very little investment in the community, in the understanding of physical principles. This had to do with the fact that condensed matter is not what most people think it is.

**LaRouche:** Who knows what it is?

**Q:** Well, the physics in this century has had a lot of success in predicting and calculating the structure of atoms and molecules, the spectral lines, and such. So, the idea was, when you take an ensemble of these objects, of these elementary objects, and you put them together, then they will stick to each other, by the same kind of forces whereby two atoms stick together in a molecule, with an electrostatic force. You call this the Coulomb force. I would be totally with you, in that. So, the real question—and this is what we are trying to develop in our group—is, when you put a huge ensemble of molecules, of atoms, together . . . now, the force that regulates a piece of condensed matter, is not electrostatic anymore, but is based on electrostatics.

**LaRouche:** Of course.

**Q:** Well, for you it's "of course," but if I go to any conference, and tell my colleagues the good news, they will tell me that I'm crazy! . . .

*[There follows a discussion, much of which is off-mike, led mainly by Prof. Francesco Celani, concerning the budget cuts in the U.S. fusion program, and the classification of much fusion research under military auspices.]*

**LaRouche:** We had some very good people who were involved in doing this, and we complained to them, and they explained that for governmental, budgetary reasons, or other similar reasons, on sharing money, they agreed to cut out certain things, to concentrate on one or two things. I said, "It's crazy!" The history of science is the result of many small experiments, which are not the big, super-experiments, but are the result of somebody trying to work out a proof-of-principle in some areas. Now, this plasma physics reaction is extremely important, and it's been virtually abandoned. Some people are still doing it, at Los Alamos and elsewhere, but it's generally kept, these days, under tight military wraps. Not merely to keep it from the public, but also, because the Congress does not approve of money being spent in this way. The same thing you've got here: There's no money for science. And, the key thing is, how do you get money for science as such? Forget the commercial implications. How do you create science? How did we used to do it?

Let's talk about the graduate students. What do you do? You have a couple of good people in science; they each have, in their own department, a collaborative effort. Each has their own students, who are promising young graduate students, working for their doctorate, who work under somebody with leadership, because they want to go into this area of experiments. And they work hard, they work all kinds of crazy hours, they make things work, they discover things, they write papers, they go to colloquys, they discuss. And this is how science is developed: It's developed as an integral part of the educational process, which is fundamental science. This idea

of trying to get applied science separated from so-called basic research, is idiocy! The way you get basic research, is you get good scientists who are actually doing this work.

For example, the case of Edison: Edison is a prime example of that. Edison was working under the Philadelphia Franklin Institute—they were feeding him, because he was a great technologist. He electrified the world! How did this occur? It occurred because of the connection of Alexander Dallas Bache to Alexander von Humboldt, which created this German-American school of physics, which then applied itself to the Machine-Tool Principle, and produced a revolution, which was then copied in Europe in the second half of the last century.

We've destroyed that process.

The thing I'm fighting for, is not to find quick solutions, but to know that we need an educational system which produces science, and which produces science by students who learn the history of science, not as learning, but as *knowledge*: by going through experiments themselves. Someone who is faced with a new situation has a sense of how you design an experiment.

Take your own students: How many would know how to design an experiment in a new area they weren't familiar with? How were they trained? You get students and graduate students—what training do they have, even the best? Compared to what you knew, when you were being trained.

That's our real problem. First of all, society does not want to fund real science; they want to fund gimmicks. They're not interested in industry. In former times, you would have an industrialist who was interested in something, who would come to you: "We've got a problem." They learned you were working in some area, maybe you could make some suggestion, how they could solve the problem. That's how laboratories were funded. We used to have corporate interests as well as government interests, who would come to scientists: "Help us solve a problem." They are not investing anymore. You don't have individual entrepreneurs. What's happened to the machine-tool people? Used to be a great resource for science. They're gone, or most of them. Who has money, in these corporations, these days? They're not concerned with science; they're concerned with their little skimming, get-rich-quick, buy-the-company, milk-the-company, sell-the-company, close-the-company.

So, that's our problem. I don't think we should get tangled up in trying to accept this situation.

**Q:** The problem for people like me, who know, more or less, what's wrong with this—what can we do?

**LaRouche:** Just keep fighting, we do what we can do.

Let's put a political side on this thing. We have a great opportunity. What's the world like today? The whole financial system is going to be gone this year, so don't worry about it. Could be gone by summer. . . . You have a \$130 trillion

hyperinflationary bubble, based in short-term derivatives. Derivatives are essentially gambling side-bets. They are the biggest single factor in the economy.

**Q:** How much??

**LaRouche:** \$130-140 trillion. This is several times the total GDP of the world. These are current obligations, same-year obligations, many very short-term—weeks, months, days. Now, what keeps this thing going? This is strictly the result of what's called a price-earnings ratio. The expected gain, in nominal value, on a piece of paper, becomes a rate of return. And, as long as there's enough cash flowing in the market to keep people buying—it's like a chain letter—it goes. Now, think of it as a chain reaction. What happens, then, if the rate of inflow falls? The whole thing is purely speculative, based on the expected yields. What happens if the rate of cash flowing into these markets falls? You get reverse financial leverage. What you get, is like a thermonuclear implosion. Because nobody can pay. You've got \$130-140 trillion, and nobody can pay it. This is several times the total value of all the other world financial assets, all assets on the planet. Which means, it is simply going to evaporate! If the banking system is still faced with obligations to pay these derivatives, because of the hedge funds, so-called, then the banks go. What happens if the banks go? What happens if Maastricht goes through, and there is no government anymore, to handle financial matters? Who comes in for the banks? It's a catastrophe. Thirty years of insanity has come to its logical conclusion.

**Q:** You say this is going to be over this summer?

**LaRouche:** This summer or fall. In this quarter, in April, May, June, the world is going to go through a worse crisis, far worse, than was experienced at the end of the year. It's not an Asia crisis; it's going to hit Europe hard. There will be major collapses.

**Q:** Worse than the U.S.?

**LaRouche:** Far worse. Europe is more vulnerable. Look at the investments of Europe in East Asia, South Asia, and so forth, relative to the U.S.

**Q:** Maybe Germany.

**LaRouche:** Also Italy. Italy is indirectly involved in this thing, heavily. The marginal foreign trade of Italy is all that keeps it afloat. Plus help from Germany. France will be heavily hit. The United States will be hit hard, but less so.

**Q:** Why? Because they have less investment there?

**LaRouche:** Partly. Because they have a stronger position; they don't have the vulnerability of Europe. Look, the German economy is running at a loss. There's no economy in Europe that's running at a profit, in real, physical terms. They're all collapsing. It's a spiral of collapse. Nothing can stop it.

What's the alternative?

Either we get a new monetary system, which I'm trying to put in, or the whole thing will go to chaos. A Dark Age, like the Fourteenth Century.

**Q:** What are the guidelines of this new monetary system?

**LaRouche:** In many respects similar to what we did in the 1950s with the Bretton Woods system. We use the experience of success in postwar reconstruction in Europe, under the Bretton Woods System, as a model of reference, as an experience to prove that it works. One day, just shut the whole thing down, and restart it, on the same day, simply by saying, "exchange controls, fixed currencies, no more speculation, capital flight controls," and also, a new program of economic recovery, which is a lot like the De Gaspari program in Italy.

**Q:** What do you think about the bubble on the Italian stock exchange?

**LaRouche:** It's being pumped up by all the European syndicates, to keep the stupid people believing that there's growth. There's no true growth; it's all a fraud, it's all a swindle. Where is it? Do you see added employment? Do you see more production? Do you see wages increasing? The economy's not growing; so, why is the stock market growing? You say, "Why is the cancer growing? If the cancer's growing, why isn't the person healthy?"

This is relevant to this point on science.

Now, the key to the future, is the center of gravity. You think of the world activity: Our activity is the activity of people—economic activity of people, for example—and the rate of change in this activity. Now formerly, under high-technology European civilization, the center of the world was not where the most people were, because the activity in European civilization was so much higher, per capita, than in the other parts of the world, that the center of civilization was the Atlantic Ocean. Now, as a result of what's happened over the past thirty years, that's no longer true. The center of civilization has now shifted to the great populations, which means it's in the Pacific Ocean. The United States' relationship to China, and then to India, and so forth, is the key center of the world.

China must grow. For China to grow, to meet its population's requirements and for stability, China must have high rates of capital formation in infrastructure and other terms, in the inner part of China—not just the coastal areas—and into the areas which are not yet developed, the arid areas, which need development. This means a very high rate of real capital formation, that is, in the amount of labor represented as capital, as opposed to the amount of labor engaged in production.

Now, you can not sustain a high rate of capital formation without a high rate of technological progress. Can't be done,

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*There's no true growth; it's all a fraud, it's all a swindle. Where is it? Do you see added employment? Do you see more production? Do you see wages increasing? The economy's not growing; so, why is the stock market growing? You say, "Why is the cancer growing? If the cancer's growing, why isn't the person healthy?"*

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because the costs of increased capital are such that it just depresses you, slows you down. Only by increasing productivity, which you can only do with technological progress, can you sustain high rates of capital formation. . . .

The Chinese are going in this direction. That's a billion people, 1.2 billion. That's a good beginning.

Now, the Indian and Chinese governments have shown mutual interest in collaboration in this direction. All of Southeast Asia, the leaders of Southeast Asia, are also thinking this way. Indonesia's about to become extinct! The IMF conditions have caused Indonesia, which is the fourth-largest population in the world, to blow up! It's on the verge of doing so. Japan is right now collapsing, it's committing *seppuku*. (If your face can't smile, make your stomach do it—with a knife.)

**Stefano Bellucci:** [The picture you present is so big, I have many questions. I see an historical conflict between maritime and mainland civilizations. It's not clear to me that the solution you propose, increasing productivity, is really a new answer. As for the Bretton Woods agreement, I don't agree that reviving an old solution, which was valid thirty years ago, would be the solution today.]

**LaRouche:** First of all, it is not possible for the human race to exist without technological progress, and the lack of technological progress is the greatest oppression, next to a lack of education, which has been imposed on any part of the world.

European civilization was a superior civilization. Why was it superior? You start with a very simple thing. Oh, there were many problems with European civilization, and you still have some of them: They're called oligarchs, and their lackeys. Humanity probably has existed on this planet for over a million years, but, unfortunately, the history is rather confused, because, for most of that period, we are dealing with these 100,000-year, 200,000-year cycles of glaciation, which means seas rising by 200 meters or more, or something like that, and falling, which means that civilizations are now buried in mud, from the time of glaciation, and so forth. But, from what we know of civilization, we have indications of man's existence in the cognitive domain—by the quality of tools—going back hundreds of thousands of years, a half a million years. But, what we know of civilization, or modern

civilization, is probably not more than 9,000 years old, that is, the records of that. Most of that is not written; most of it is just simply evidenced.

For example, we know from a thing like an astronomical calendar, a solar astronomical calendar, which is very precise, because the universe is organized with long cycles, so you can tell sometimes, by a solar calendar, who made the observation and when it was made, because the calendar will tell you what the astronomical characteristics were of the sky at the time it was made. So, we know something about 7,000 years ago, maybe 8,000 years ago, about the internal mental life of the civilizations. Just fragments. As we come closer, we get more and more, into modern times.

But in historical periods, the condition of mankind on this planet has been *evil*. The most common evil, is what we call the Asiatic model, which is typified by the case of Mesopotamia. Mesopotamia began as a civilization that was a colony of the Dravidians, who were then the dominant civilization in the Indian Ocean, a great people—the so-called Harappan culture, of Mohenjo-Daro Harappa, were Dravidians, the “black-headed people”—who had this civilization going while most of the area of the world was under ice, or living as sea people. And, they had a very powerful maritime culture, and they made colonies. One of the colonies was called Sumer, where the people at Sumer did not speak a Semitic language; they spoke Dravidian. The Semites were simply cattle-herders, or wild, who became quasi-civilized, in that area, by a Sumerian civilization which collapsed, and led to the rise of an Akkadian civilization. In this whole period—in the whole period of the Middle East and Europe—the condition of mankind was 95% slaves and serfs. So, you had a brutal society, which was called Asian society. That was the general condition throughout Asia.

For example, how does Islam spread into the subcontinent of Asia? Why would somebody convert to Islam, from being a Hindu? Because, if you're a member of the lower caste, the only way to get out of being a member of the lower caste, is to change to a new religion, which was called, in that case, Islam.

The whole history of this area is a mixture, a confluence between the subcontinent's Asian cultures, which are the so-called island area, the land-bound island, bound by these great

mountains of the subcontinent, which always had a cultural diffusion, intersection with the Chinese. And you have these layers of development: original Buddhists, from the Fifth Century B.C.; then you have, later on, 900 A.D., you have the other kinds of Buddhists, the so-called Ceylon (Sri Lanka) variety, which spread. You have this overlay of ancient Dravidian religions, with Hindu religions, Chinese culture, all interacting in this area. So, there is no such thing as an Asian culture, or a culturally relativist different way of living.

What we accomplished in Europe came largely from Egypt. That is, the Greeks were the founders of European civilization, and were a product of nurture by the Egyptians, who nurtured them against the Semites, the Macedonian-based Semites, and also others. So, what we developed in Greek civilization, was the notion of *idea*.

An example of an idea: You look at ancient Egyptian sculpture, and you look at what's called the Archaic period in Greek sculpture. The Egyptians and the Greeks made tombstones, not statues. They're three-legged; they're all tripodic, to stand stably. Whereas with the work of great classical sculptors in Greece, like Praxiteles and Scopos, you sculpt something in mid-motion, which is unstable. A smile in mid-motion; a gesture of the arm in mid-motion. Everything is slightly off-balance, in mid-motion. And the *idea* of the sculpture is located in the imbalance. As in the case of Plato: You had the development of ideas. The notion of ideas. Now, in the Egyptian culture, we have no clear conception, from ancient Egyptian culture, of the notion of an *idea*, as Plato defines ideas.

Let's take an example of an idea, to illustrate the point. Take a scientific principle. Can you smell, see, hear, or touch, or feel otherwise, a scientific principle? If you can, it's not a principle. It's not a sense-event. A principle is an error in your interpretation of your sense-impressions, when there's a conflict in the evidence of your senses themselves. Your experience teaches you, on the one hand, that this is true. But then you have evidence, which you can not deny, also by the senses, which says it is *not* true, but something else is true. So then, you try to find an idea of what this is. And in modern society, when you have the idea, you test it, with a crucial experiment or observation. And what you come up with, you say, "No! To know how the universe works, we must account for the operation of this principle, interacting with other principles."

Now, the Greeks were the first to develop a conscious appreciation of ideas, in that sense. This applies not only to physics, as we see in the best of the Platonic school in geometry—Eratosthenes, for example, is a perfect example; and Archimedes, who is a by-product of the Greek school, though not the Platonic Academy, is the same thing. Take for example, the Sieve of Eratosthenes, or the attempts to determine the curvature of the Earth, to determine the distance from the Earth to the Sun and to the Moon. The first

proof, in the Second, Third Century B.C., that the Earth actually orbited the Sun, which was established by evidence. This is the product of ideas.

And you have art, Classical art, the great tragedies of Aeschylus, even as early as the way in which the Homeric *Iliad* and *Odyssey* played a very important part in shaping the Greek mind, which enables us to understand the Greek mind today. Very sophisticated stuff, not just stories.

So, European civilization is a product of two things. It's a product of the Classical Greek influence of ideas, which enables the mind of the European, so educated, to have a superior quality of mastery of nature and social relations. The second thing, which came with Christ, was the assertion that all persons were made equally in the image of God. That every person has the cognitive potential for mastering the universe, which no animal has, and that there is no difference, in terms of racial origin or other ethnic origin, in terms of this quality.

These two things—Christianity, which used and seized, as in the case of the Apostles John and Paul, seized upon the Greek culture which was hegemonic in the entire eastern Mediterranean at that time (they were all Greek-speaking, all the educated people of the eastern Mediterranean), seized upon this culture to create what became the kernel of a Christian, Graeco-Christian European culture.

Now, we still had, in Europe, the relics of the Code of Diocletian, and other relics of empire, empire typified by Babylon. It took a long struggle, typified by people like Peter Abelard of Paris, or later, Dante Alighieri, or the efforts around Frederick II, to create the approximation of a nation-state. The development of the Kingdom of the Two Sicilies, as a product of that, Aragon and Sicily. All these things. A struggle, which, after the great Dark Age of the Fourteenth Century, there was a movement, typified by the Brotherhood of the Common Life and the efforts of Petrarca, who was a continuer, essentially, of Dante, to develop the form of modern society in which, instead of the people being human cattle, living at the service of a small, oligarchical class on top, and its lackeys, that every person had to be regarded as being made in the image of God. Treated equally, as a citizen. So, you had the idea of a society which existed, not for its rulers, but rulers who existed for the citizens.

As a result of the Council of Florence and similar movements around Italy, you had a great movement in Europe, for a kind of nation in which the rulers existed for the people, not the people for the rulers. That is, the rulers must solve the problems of the people, in the sense of the nation-state. The development of this nation-state idea, and the ideas of general education, as by the Brotherhood of the Common Life, resulted in a rapid explosion in development of infrastructure, development of technology, development of medicine, and development of industrial progress, in a primitive form, at the end of the Fifteenth Century.

There was a great struggle in Europe between those who



wanted to maintain the feudal relationship, such as Venice, against those who were working, in the tradition of Dante and others, to create a form of society in which the oligarchy were not the owners of cattle, but rulers must only exist to serve the people, as rulers.

This led to the great explosion of fostering what became scientific and technological progress, which gave European civilization, very rapidly, a much higher power, physical and related power, per capita, than any other part of the planet. For example, until the Fifteenth Century, the human population of this planet never exceeded several hundred million people. Since the Fifteenth Century, as a result of the Renaissance, and the spread of the impact of this idea of the nation-state, to other parts of the world, you've had an improvement in the conditions of life which has led to an increase in population, to almost 5.5 billion people. So, this has been the greatest boon to humanity, as a result of these particular achievements in Europe, or European culture, despite all the bad things which we still had to deal with.

Now, what happens is, the great struggle in this century — for example, the time I was in military service, in India: The people of the developing sector, of South America, Central America, Africa, and Asia, the leaders, all wanted the right to two things: to have national, sovereign independence, of colonial powers, and overreach by the British and others; secondly, to have the right to access the same thing we in the United States had, in terms of technological progress. That was the great struggle.

In the 1960s, a group took over teaching in the universities, which was teaching that it was better to have cultural relativism. They would teach that there is no such thing as truth; there is only relative truth. And, that became the doctrine which dominates the educational institutions today, and dominates the world, to a large degree.

But an interesting thing about such processes, as in physics, is that no matter what you teach the atoms to do, they still remain atoms.

**Q:** Are you saying that this is part of a disinformation process that has been enacted, in order not to release the power of science and technology? Today you can see, that this “democracy” is such that nobody has real ideas. It's an evil empire. . . .

**LaRouche:** Despite the attempt by tyrants to impose ideas on people, people remain human, and people have creative power in their minds. So you have, in the history of mankind, constant insurgencies from the individual human mind, of resistance to false ideas. You have renaissances which occur, because human beings can not be irreversibly turned into something which is not human beings. It may take generations, but they'll fight back.

In China: China went through a horrible experience under Mao Zedong — the Great Leap Forward and the Cultural Revolution are compared, by Chinese today, to Nazism. Now,

some part of even the Communist Party leadership, typified by Deng Xiaoping, who were in and out of Chinese prisons under Mao, came to power at about the time of Mao's death, and, after defeating the faction called the Gang of Four, took over. Deng Xiaoping, in his last years, was able to protect and foster a significant number of people and movements, which became the present government of China. In the process, during a period which was now about 20 years, China has undergone a revolution, so that China, today, is probably the most progressive, in terms of relative development, of any nation on the planet. . . .

**Bellucci:** [What about the dissidents? What about this astro-physicist who lived in the American Embassy for almost a year?]

**LaRouche:** This is not a pure society; this is a process. . . .

You see, what you've got is a revolt of the leading section of the Chinese people, which is now demanding justice for China and for the Chinese people, in their own terms. Helga has been there a couple of times, and others have been there. It takes the form of a neo-Confucian revival, renaissance, in China. The ideas, which are very much appealing to China today, are the ideas of Sun Yat-sen.

Now, let's look at India and China, in particular, from the standpoint of Italian science. What is the problem? If you require a very high rate of technological progress to maintain the needed rate of capital formation, what do you require? You require a science-driver machine-tool industry. Now, outside of Europe, the United States, Japan, and Korea, how much machine-tool industry is there left in the world, outside of what remains of the wreckage in Russia? So therefore, how are they going to solve their problems, and what should Europe's and the United States' mission be, in respect to Asia? Our job is not to try to sell them shoes, or consumer goods; our job is to assist them with the technology they need for their own large-scale infrastructure projects. . . .

What must we do in the world? Well, we must get rid of this nonsense that's strangling us. We must establish a relationship between the forces in Europe, and these forces coming up in Asia, which represent the majority of the human race. We must solve the problems in the majority of the human race, and find out what it is we have, that we should concentrate on, which would be beneficial.

Therefore, you say, all right, in the old days, in Italy, in the best periods, the Nineteenth Century, and so forth — after Betti and his crew, the whole rise of the hydrodynamics school of Italy, which is one of the greatest, in collaboration with Germany, with Riemann in particular — How did it work? It worked on the basis that you had scientific institutions in universities. The universities were producing the cadres for the industries, the scientific and other cadres for the industries. They were also producing the science for the industries. How? By the research work which was being done. The scientists

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in Italy had the job assignment, national assignment, of taking what was happening scientifically throughout the world, understanding it, and translating it into Italian, Italian practice, and producing technicians and scientists who could deal with that.

The other thing they were famous for at the time, is that they were developing original science, which was then a potentiality. Now, the industry and others would come to the scientists in the university and say, "We have a problem. What do you know? What can you suggest we should do?" And therefore, the professor, who had a retinue of graduate students, or a few of them together, would say, "Here's what we can try to do for you." And they'd say, "How much will it cost?" And you would say, "Well, this is what we think we need for a budget. We were going to do this research." And they would say, "Fine. Okay, we'll work with you." And the universities would then get a contribution for that department from the industries or so forth, to build up the department, to continue that work. And, that's how it worked.

That is the healthy, normal relationship. Now, we can't have that in Europe under present conditions, but if we have a relationship of Europe to China, India, and so forth, on that basis, then, we've changed things. Now we go back to that system.

**Q:** But, you know that there are imperial powers on this planet.

**LaRouche:** Oh, I'm well aware of it.

**Q:** They will try to stop everything.

**LaRouche:** Oh, of course. But, so what?

**Q:** So, how do you deal with that? They're very powerful, as you know.

**LaRouche:** I look at it this way. If you study the history of warfare, as in the case of Hannibal at Cannae, or, more importantly, Alexander at Arbela, or a few other cases, you will find that in the history of warfare is documented, how the superior minds of great commanders have turned certain defeat into absolute victory.

For example, Hannibal at Cannae. Hannibal had an inferior force, a vastly inferior force. But the Roman commanders

made a stupid mistake, and Hannibal exploited the stupid mistake, and destroyed the Roman force. Hm? But, what you have to do, is keep working at the right thing, and seize your opportunities to win. And my concern is that we have a relationship between the President of the United States and China, which I'm concerned to see improved, that China is one of the great powers in a combination including the United States (I hope), which will push through the New Bretton Woods operation, which means we'll get through this period. But, that means we'll be opening the period—

**Q:** But you've seen how strong the International Monetary Fund and all these people are.

**LaRouche:** They're vulnerable. You have to look at it—

**Q:** They're vulnerable, but also the other people are vulnerable.

**LaRouche:** The point is, that Italy is known for its revolutionaries. In the recent period, there were no revolutionaries. So, you've got the wrong idea about revolutions.

So, the point is, this is a question of a revolution. What happens is, look at the history. Humanity, because of its tendency to *adapt* to bad systems as a matter of personal convenience and survival, humanity is only summoned to rescue itself, under two conditions. One, is its sense of a very pressing crisis, which can not be denied. Secondly, a leadership which provides credible leadership to the population for a solution to the crisis.

We've come into a time in which one thing is certain: A crisis is here. What is not certain yet, is that we have the leadership in the wings, who are ready to come out and speak. For example, in Italy, you see a process now, which is very interesting. In 1992, foreign agencies, using domestic assets, destroyed the Italian political system. It was done by a dirty operation, a foreign-directed operation.

**Q:** Who directed it?

**LaRouche:** Well, it came largely from London, but other forces were involved in it. The *Britannia* yacht sat off here and lined the politicians up in Italy who were supposed to go back into Italy and destroy the country. And they went back and did the best they could to destroy the country.

**Q:** But, in truth, corruption, was at a very high level.

**LaRouche:** What is corruption? The Italian system was built on corruption. How did it work? Look at the end of the war. It was built on black market arrangements, other arrangements. How did you survive? People survived by *amici d'amici*.

**Q:** But the system was vulnerable.

**LaRouche:** It was vulnerable, yes.

**Q:** Because, when you spend \$100 to build anything, and yet, you know that it doesn't cost \$100, but \$30, just for an example. Also, the infrastructure, the building of things, everything costs enormously. You build a road; then, just because there are bribes, the road is built badly. You have no right to go and say, "Look, you have built a very bad road." So, you will see these bridges which go nowhere. Italy was becoming a very poor country.

**LaRouche:** Age is an advantage. I'll tell you, age is an advantage on these questions. Remember, I was here in 1975, and in 1976. Now, what happened was, as a result of the oil price rise, which was organized by London, you had a crisis in Italy. And this, of course, was partly the result of Mattei being killed by certain forces earlier, back in the 1960s.

**Q:** Because Mattei would be a little bit embarrassing to these people.

**LaRouche:** Exactly. What happened is, that in 1975, a crisis was organized against the lira by outside parties, chiefly outside parties. As a result of that crisis, the IMF came in and demanded that Guido Carli, the head of the Bank of Italy, become the virtual government of Italy. I was here in '76, and I talked to leading politicians on that issue, and it happened. They tried to stop it, but it happened.

So that, from 1976 on, Italy was being looted by the IMF. How did it work? It worked on manipulation of the lira and other things of that sort, on exchange rates. As a result of that, the progress which Italy had made in the earlier period, in reconstruction, as typified up till the middle of the 1960s by things like Mattei and De Gaspari, was broken.

So, Italy was essentially destroyed by this operation.

**Q:** And colonized.

**LaRouche:** Yes, and treated like a Third World country. You began to get forms of corruption which were based on that. For example, the postal system: You had to bribe somebody to get your mail. That kind of thing was going on.

But, this process was the *amici d'amici*, which was, "Look, my brother-in-law is eating at my table, and I'm poor. Will you get him a job?" The bribery would work on that basis. "If you get my brother-in-law a job, you get your mail." And this was the result of the degeneration of the reconstruction process.

The typification of that goes back into '76, at which time

the leading concern in Italy, for a continuation of De Gaspari's program, was something which was actually formed by the Socialist Party, which was called the Cassa de Mezzogiorno. The Cassa de Mezzogiorno had the ability to unify Italy in a real sense. So, instead of people going from Calabria to Milan for a job, you could bring the jobs down to Calabria.

Then you had the great Sicily problem, the same thing. We still have the same fight about getting an important project, this bridge across the Straits of Messina, which should be done now, because you should integrate Sicily into Italy —

**Q:** Yes, but that's not progressing.

**LaRouche:** It's being blocked. . . .

**Q:** Officially, the question is a money question. The official position by the government is that all the technical expertise and so forth, the highest levels, of earthquake protection, and the improved international standards — but everybody agrees that we can not afford this bridge, because of Maastricht. That's the government's position.

**LaRouche:** The problem is that Italy stopped being developed. So therefore, you had this division of Italy between the rich and the very poor, which now comes up with this operation around Bossi, which is the same kind of thing.

**Q:** So, the Bossi operation is a foreign operation?

**LaRouche:** Oh, sure. Absolutely. There are Italians involved in it, but it's a foreign operation.

**Q:** Who is involved in that?

**LaRouche:** Look to the north.

**Q:** You mean Germany?

**LaRouche:** No. Look further north. Look across the Channel.

**Q:** London. It's always London.

**LaRouche:** London, the Netherlands, and people who are tied to it. You have people in Italy who are very much part of that.

**Q:** Why does London hate the Italians so much? Italy is a very good holiday place. They treat us like the Third World. They don't remember that we did it—we made the Renaissance.

**Helga Zepp-LaRouche:** Nicolaus of Cusa said that the two characters, the heavier, more serious German character, and the lighter, lovely Italian character, have to go together, because they bring each other to a higher level. I agree.

**Q:** But in the end, the idea, north of the Alps, is that the Italians are unreliable, vain. They don't take us seriously, culturally.

**LaRouche:** Very similar problem.

**Q:** Germany has had some beautiful music, but you know, in Italy we have done—

**Zepp-LaRouche:** Eighty-five percent of all the *beni culturali* are in Italy.

**Q:** That's right. So, this means something, doesn't it?

**LaRouche:** Of course it means something.

**Q:** So, why are we taken so low?

**LaRouche:** Very simple. Very simple. Because, first of all, the British oligarchy hates Italians. They hate them. They consider them an inferior Mediterranean people, just the way they like the Greeks.

**Q:** Like Churchill called the Italians "the soft underbelly of Europe."

**LaRouche:** All right, fine, but there's another part of the thing, which goes back—why does it work? Go back to the Nineteenth Century. How did Italy get its independence? Since the Hapsburgs and their friends in Italy would not allow the Italians otherwise to get their independence, the British intervened, together with the Napoleonic forces, and they brought in Mazzini, who was a British agent, and his friends, to organize the independence.

**Q:** Yes, that was the operation of the Masons.

**LaRouche:** Well, it was not the Masonry. That was the British monarchy.

**Q:** Yes, but the Masonry. Do you know who the most powerful people in Italy are? The Masons.

**LaRouche:** Oh, that's the British operation. But that's only the—

**Q:** That's exactly what's happening today. They are everywhere in the government, everywhere, and are against us.

**LaRouche:** But, what I'm saying, is that simply explains: The British have the motive, and they have the means. And the means was the way the Italian independence was organized. Because others wouldn't do it, the British organized it, through Mazzini, beginning with the middle of the last century, with his operation. Palmerston's man. So, Italy was like China: China got dope, and Italy got Mazzini.

**Q:** Thank God we also had a guy called Cavour. Otherwise, we would not have had the good things afterwards.

**LaRouche:** Yes, I know. That was the scientific approach. But also, you have to understand that similar things were done in Germany, they were done to France, they were done to other countries in Europe. This is not limited to Italy alone.

**Q:** So, we have to get rid of the Brits.

**LaRouche:** You have to get rid of the oligarchy. Don't worry about the Brits, they don't know which way is the door. The oligarchs are something else. They don't even know what their sex is.

**Q:** And the oligarchs are very powerful.

**LaRouche:** The oligarchs are simply a Venetian-style financier oligarchy, which has a longstanding relationship to Italy.

**Q:** Also Rome.

**LaRouche:** Sure. The old Venice. The British oligarchy is essentially an old Venetian colony.

**Q:** Well, I'm pretty sure that all these powerful oligarchies are in action even in the most crucial region now, which is the Pacific area.

**LaRouche:** Absolutely. It's a fight between powers.

**Q:** There was a transition, for instance, in mainland China, which is a crucial problem right now.

**LaRouche:** The Chinese are aware of this problem, but the Chinese are maintaining sovereign nation-state status, and insisting upon it. In the United States, the one policy which Clinton is clear on, is a commitment on this economic issue, to China. And they are concentrating on the China question.

So that if India, which also has many patriots, which is working to have closer relations with China, and China with closer relations to India—under these conditions, you have the majority of the human race organized against these fools. Under that condition, we win.

But, as far as the attempt is made, the entirety of the way this crisis was orchestrated in Asia, the crisis overall is international. What happened, is that under the conditions of deregulation, and globalization, you had people like Soros, and other hedge fund sharks, moved in, and made a market in currency offshore, by gambling house methods. The currency was brought down, the international institutions like the IMF backed it up—

**Q:** Now, also recently, there was a crisis.

**LaRouche:** Right. Well, Japan is committing *seppuku*, as I said, with its policies. So therefore, every effort in the world was made by these guys, during the last year, continuing this year, to destroy every country in Southeast Asia and East Asia, including China. China was also a target, but China's a tougher target to deal with.

So, the point is, yes, there is opposition. You know, my generation is a war generation. So, we are used to thinking about such things. But there is now an ongoing war between essentially two forces on this planet: War against these evil bastards who are doing what they're doing, trying to destroy civilization and nations, and those of us who are determined to stop them. But it's a war.

**Q:** You are talking about the Brits, you are talking about this oligarchy. How is this oligarchy in the United States doing?

**LaRouche:** It's an extension of the British one. It has three elements: one from New England, the people who were partners of the British East India Company in the opium trade, from Turkey and from India into China. That's the so-called bluebloods. The second group is a group of bankers, centered around Manhattan, beginning with Aaron Burr, who was a traitor to the United States, and also vice president.

**Q:** The one who killed your Hamilton.

**LaRouche:** Yes. Then also, you had a number of other bankers: J.P. Morgan, August Belmont, who was a total British agent. These guys are British agents to the present day. British allies.

Then, you had the third element, which is the Southern slaveowners, which formed the Confederacy. And those are the three elements of hard-core oligarchy, which worked together in the United States.

**Q:** What is their weight in the United States?

**LaRouche:** It depends. Obviously, they're not too numerous, they can be defeated. But as long as the American people are willing to tolerate them, they get by with it. These guys control the press. They control the media. You have two controls. One is the direct British control of the media. That includes, as in Italy, Rupert Murdoch. Total agent of the British Commonwealth.

**Q:** Murdoch was coming to Italy, but he was stopped.

**LaRouche:** He was going to try to bail out Berlusconi, I understand.

Then you have a second one, which is, in the United States, the Hollinger Corporation, which is British intelligence, as Murdoch is British intelligence. Then you have major press, the three major television networks, plus CNN: British.

**Q:** Also CNN?

**LaRouche:** Yes, sure. Look at it. What are they peddling? Then you have, in major newspapers, you have the *New York Times*, the *Boston Globe*, the *Washington Post*, *Chicago Tribune*, *Chicago Sun-Times*, again, controlled by the Hollinger Corporation. You have the *Los Angeles Times*.

Then you have the Associated Press, also controlled; *Reader's Digest*, controlled by the same people. Magazines: *U.S. News*—

**Q:** But essentially, the people read this. That's the point.

**LaRouche:** But the point is, remember what I said to the forum of the Chinese, two things. First of all, human beings: You don't change their nature by propagandizing them. They will still tend to respond to reality, as reality. They respond

to the fact that—

**Q:** Yes, but they're painting a virtual world, as you know very well.

**LaRouche:** But it doesn't keep people alive, and people still—what happens when the television set goes off? Where's your virtual world?

**Q:** One should produce virtual bread and butter.

**LaRouche:** They will, they will. They'll give you a pill to make you think it's real.

No, the other thing is history. You see this in every population. You see it in the Italian population, including from the outside. There is such a thing as an Italian history. And you find, in generations in varying degrees, everybody who's an Italian has some part of Italian history in them. Italian history has a character. You find that there are certain paradigms, characteristics of Italian history. Some people have more of one, some more of another.

So, you have paradigms, cultural paradigms. I'll give you an example of my personal case, which I've cited. On my mother's side of the family, the most important person who was an influence on my generation, was born in about 1809, which means that now, next year, I will be 200 years old. Because the first conscious influence on my life, was this character, this person. So, next year, I'll be 200 years old.

**Q:** 190.

**LaRouche:** So essentially, this is the way things work. If you think about relations in families and experience, and you compare this with what a good Classical education is. A good Classical education is an ordering of one's relationship to history. You personally know people—If you relive what somebody thought 1,000 years ago, you know them from the inside. And therefore, you become an embodiment of that. And people of Italy, from art, everything they live in, absorb the effects of an Italian cultural paradigm, or several cultural paradigms. As in the United States: People have cultural paradigms.

**Q:** What do you think of Clinton? Is Clinton fighting against these people? Can he fight?

**LaRouche:** Yes. . . . Clinton is a contradiction. First of all, he's a '68er. That's his cultural paradigm. Sixty-eighters do not make decisions. They have strong opinions, but they also have cultural relativism. They're pragmatists. They don't have confidence in truth.

Remember, the '68ers were shocked by the nuclear effects and other effects that came down in the '60s. And therefore, they went into, by fear, extreme lability and suggestibility. They went into a world we used to call fairy-story world, or make-believe. They began to act out on the street: make-believe. They would have sex with fireplugs: make-believe. Whatever. This kind of thing. I saw it.

**Q:** But why wasn't he fought against by the oligarchy?

**LaRouche:** They did. But the point is, they had a problem. George Bush was clinically insane. They had to get him out of there. He was unpredictably insane. And this crowd around him, which was really the worst—

**Q:** So, the lesser evil.

**LaRouche:** Well, they said, "Let's get a weak guy, let's put a weak guy in and chop him up. We don't want strong forces." They thought they had everything under control. They miscalculated. They often make mistakes.

**Q:** As you know, Rubin said, "No, no, we're not going to give a penny to the IMF." Then Monica Lewinsky came out, and then they—

**LaRouche:** No, the operation was the same operation essentially done against me in the 1980s, by the same people, mostly the same people. It's a secret intelligence operation, involving private agencies internationally. And it was directed largely from London, as against me earlier. The same crowd. And so, you have a secret intelligence operation, trying to destabilize the government of the United States. All of this other stuff, this sex story, is all simply decoration.

**Q:** However, they had an impact.

**LaRouche:** Like "Clean Hands" here. You find anything you can use against anybody, to destroy what? To destroy the independence of the country. People said, "Well, maybe he's partly guilty." "Wait a minute, fella. What's going on here? You're having a systematic destruction of the sovereignty of the nation."

Forget these other so-called details. What is really happening? Who is the criminal? What happens when the prosecutor and the judge are the criminal? Is treason a great crime? Is the deliberate, willful plan to destroy the sovereignty of a nation a crime against that nation? Isn't it an act of treason under many European constitutions?

**Q:** Can anybody prosecute a traitor? Under the present circumstances, no one. There is no legal responsibility.

**LaRouche:** I know, I know. That was why the system was set up the way it was. It was a time-bomb buried inside the system. But, however, there are ways of dealing with that, if governments are strong, and governments which will resist that. There are ways of impeaching them. And every one of them is probably a crook.

You know, there are various kinds of crookedness: committing obstruction of justice is a crime. If a judge does it, it's a crime, an impeachable crime. If a judge lies, it's a crime. If a judge knowingly convicts an innocent person, it's a crime. So that there are ways in which a strong government can use the power of impeachment to eliminate prosecutors and judges.

But the question is: Italy was put into a condition of weakness, in which divisions and other things meant that it did *not* have a strong government, that is a strong government decision. How many times did the government of Italy change? It wasn't a prime ministership, it was a revolving door. And you never knew which way it was going to revolve. So, that's the problem.

But, my view on this matter, on the political aspect of this, as on the science question: This is a war. I'm a warrior. For me, it's not difficult to understand, because I'm a warrior. Most other people will say, "Well, isn't there a way we can eliminate this problem?" I say, "No, we're going to have to beat these guys. You're not going to eliminate the problem by finding some tactic to eliminate the problem."

**Q:** But the first problem is to decide who is the enemy, and who is allied with you.

**LaRouche:** That's right. For many people, it is not so clear. One of the reasons it is not so clear for the citizen, is because nobody is speaking publicly, and loudly, and consistently, with a clear voice.

What is the issue today in Italy, as in every other country? The issue is between austerity for the sake of the financial system, and social welfare. Are you going to kill people, or are you going to bankrupt bankers? Which are you going to do? You've got to do one of the two. Which are you going to do? Are you going to bankrupt speculators, let them go bankrupt, or are you going to kill the people?

**Bellucci:** But to me, with the global market situation, you can take measures in one country, but you are in a vacuum which is very active.

**Zepp-LaRouche:** No, but it's everywhere the same principle, because in essence, the whole world situation is divided into two orientations. There is one group of people who say, "The paradigm shift which we initiated thirty years ago, has now come to its conclusion, and we have to reintroduce feudal society. We have to eliminate the majority of the world's population, we have to go back to a population density of, at most, 1 billion people, and we have to use natural causes to accomplish that, to increase the death rate by denying technology to the Third World, by stirring up regional wars, by causing subversion, by reducing agricultural production so that there is food scarcity, and then the Four Horsemen of the Apocalypse will take care of our problem, and we will control the raw materials after the crash."

Now, this is what's going on in the Great Lakes region in Africa, this is what's going on in the Caspian Sea. These people are centered in London, but they have their sub-oligarchies distributed all around the world. They know the system is finished, but they want to position themselves to control the reduced population afterwards. And Maastricht,

## Einstein's Theory of Relativity refuted

"Michelson-Morley-Miller: The Cover-Up" is the cover story of the spring issue of *21st Century Science & Technology*, which challenges the foundation of textbook physics, and opens a debate on the nature of light, its propagation, and all the related, fascinating questions about how the universe works. The fraud involved concerns the allegedly "null" result of the Michelson-Morley interferometer experiments around the turn of the century. This null result supposedly showed that the speed of light is constant and that there is no ether drift, which result was used as empirical proof of Einstein's Theory of Relativity. But the Michelson-Morley results were not null!

The exposé leads with the work of Nobel Laureate Maurice Allais, who reviews the 1925-26 interferometer

experiments of the American scientist Dayton C. Miller, who repeated the Michelson-Morley work. Allais shows that Miller's interferometer results were positive, and that Miller's results cohere with the anomalies Allais found in his own experiments with a paraconical pendulum in the 1950s.

Accompanying the Allais article is an historical review of the Nineteenth- and Twentieth-Century experiments and theory concerning the Michelson-Morley-Miller work, which situates the importance of Allais's work. Associate Editor Larry Hecht begins with the origin of the wave theory of light in the work of Augustin Fresnel, Thomas Young, and Christiaan Huygens, and discusses the question of relative motion and aberration. Then he describes Michelson's experiments that were designed to test Fresnel's hypothesis, and subsequent experiments through the first decades of the 1900s, including the debunkers of Miller's work.

For more information, contact *21st Century*, P.O. Box 16285, Washington, D.C. 20041.

in a certain sense, is one of the tools. The IMF conditionalities toward Russia, or toward the Third World, are another tool. The whole idea of the balanced budget, is another tool. The whole question of the globalization, free market economy, neo-liberalist policies. So, that's one faction.

And then you have another faction of people who say, "No, we are at an historical change, a change of epoch where, for the first time, the human species, with the help of technological and scientific progress, can overcome this division into oligarchs and idiots, by educating the majority and eventually the totality of the people."

Now, it happens to be that the present government of China is very much in the second direction. For example, I participated two years ago in a conference in Beijing, which was called "The Economic Development of the Regions Along the Eurasian Land-Bridge." The reason I'm saying this, is because of your very earlier question, about maritime versus land-mass conflict.

There was a very interesting speech given by the sponsors of the conference, which said that through the development of the Eurasian Land-Bridge, meaning the infrastructural development and economic integration of all of Eurasia, that for the very first time in history, the geographical conditions no longer determine the advantages or disadvantages of a country. The first level of cultivation was maritime, then rivers, but now, by driving infrastructure into the landlocked area, and using this infrastructure, not only to exploit raw materials, like in the colonial period, but to bring the industrialization

and the development into the landlocked areas, that you overcome the disadvantages, geographical disadvantages, of any part of the world you want.

Now, the Chinese are doing that. They're doing it with their interior regions. They want to pursue it through the Central Asian republics. There's a big dynamic going on in this direction.

Now, they said we need a vision of mankind for the Twenty-First Century, of how we overcome underdevelopment for all of mankind in this way, because we can expand the same concept to Africa, to Latin America, and change the whole way the world is organized.

It was very interesting, because at that same conference where I spoke, and the Chinese government spoke on that wavelength, there was also the representative of the European Union, Sir Leon Brittan, who is an arch-oligarch, who is an evil figure. And his speech was amazing. He said: "Well, first of all, politically, there will be so many difficulties along the region of the Land-Bridge, that your dream will never come true." It was an open threat. It was veiled in diplomatic language, but —

**Q:** They're seeing to it, that this has happened, right?

**Zepp-LaRouche:** And then, secondly, he said, "Okay, you can have your Land-Bridge, but it has to be built with money from the private markets. You have to have a toll booth system along the Eurasian Land-Bridge; every five kilometers a toll booth. And most importantly, you have to open your markets

to the WTO, to the IMF,” and so forth.

Fortunately, the Chinese were very cautious. And I obviously did my part to warn them not to do this. Had China done that, they would have been victimized by the attacks of the mega-speculators, like George Soros, which have been hitting Southeast Asia since a year ago. But in China, fortunately, they were very careful. They did not make their currency convertible. They reacted in the opposite way, by shutting themselves up even more.

So, the conflict was there. Because this was an evil trick to lure China into submitting to the laws of globalization, to the advantage of a few mega-financial forces, and forcing China to resist it. So, this is why we put so much emphasis on China, because it's one of the places where the idea of using the nation-state for the defense of your people is the clearest.

We have, for example, the speech which Jiang Zemin gave at the 15th Party Congress last September, which I really looked at in great detail. And, it's a beautiful idea, of how China wants to double its GDP, which they will have arrived at by the year 2010, and how they want to have overcome any underdevelopment in their country by the year 2050, and make all of China prosperous for all of its citizens.

Now, which government in the West talks like that? Which government says we have a vision for two generations down the line? So, anyway, this is a very interesting perspective, which—anyway, you can actually, once you know what the crucial issues are, then you can take that as a litmus test. And, even if you don't know the predicates of a country or a continent, you can very quickly find out who is a good guy, and who is the enemy, once you know what the crucial issues are.

And the crucial issue right now, is either a return to feudalism—and there are many tricks and ways of accomplishing that. One is dumbing-down the populations with the most banal entertainment, and the most perverse kind of social activity you can imagine. And, the other side is to say, “No, we have to indeed elevate the people. We have to make them more intelligent. We have to increase the number of people who are really creative. And, we have to have a new Renaissance by studying the old one.” I mean, how did the Italian Renaissance come into being out of the collapse of the Fourteenth Century?

The Fourteenth Century was an age of incredible usury, looting by banks, superstition, witch-burning, irrationality. It was a pit, it was a true pit of mankind. But then, if you study how mankind came out of this, it was because you had, at the beginning, a handful of people who would study Plato, who would study the Greek Classics. And out of that, the beautiful Renaissance was created, which laid the foundation of European civilization for five hundred years to come.

And, that's exactly what we have to do today.

You see, the Chinese are going back to their Confucian

tradition, after the experience of the horrors of the Cultural Revolution. And, I think that we are at a point in history, where, if you take universal history, and look at the high points of each period, and revive those, that in this coming crisis we will be quite able to generate and inspire a new Renaissance. But, we will overcome what I call the childhood disease of mankind, which is oligarchism, by eliminating what Schiller would call the *Brotgelehrte*, the person who only wants to learn one set of facts, and who is waiting to collect his stipend or pension, and who is the biggest reactionary, because he refuses new knowledge, because it's associated with more work, and more anger and trouble.

**Q:** [What can we do to eliminate this problem of the *Brotgelehrte*?]

**Zepp-LaRouche:** By making sure that, through a humanist education, you have philosophical minds.

**Q:** What do you think of the family in America, now?

**Zepp-LaRouche:** Well, I can only tell you about the impact of the '68 generation in Germany, where the big slogan in '68 was “He who sleeps twice with the same woman, already belongs to the Establishment.”

Now, the politicians have become more adjusted, and they marry a new one each time. But, as for the United States, I think it's in trouble.

**LaRouche:** In the United States, the problem is partly economic. First of all, it's the '68er generation, which is really a problem, and its effects on the following generation. But otherwise, for people to make the same income, family income, that they would make with one and a half or less jobs in the family in the 1960s, they now have to work three jobs, which means that you don't have a family. You have a bedroom.

You see, as in Europe also, as an effect of inflation and looting upon the cities, the increase in commuting. Now, commuting time has to be added to the workday. And you start adding an hour, an hour and a half each way, to the commuting to and from work each day, to get to some distant place you can afford to rent, or own, and that means you have a destruction of the possibility of family relations.

That then goes together with a general feeling that there is no security or happiness in life. Therefore, you don't have families based on happiness, except of a kind where two drunks are leaning against each other to keep from falling down.

And the result is, that you have the demoralization, and you have a very terrible problem of a virtual criminalization creeping into the minds of the young.

Let's take one case which I know from looking at it: the case of what's called the bipolar personality, which is an international phenomenon. The father beats the mother and



the oldest boy, and maybe some more. The oldest boy, and the mother, and the girls coming from that family, will tend to be bipolar, either as passively or aggressively, in their marriages. Their behavior in society will be like that, in relation to other people: bipolar relations. Extreme manic-depressive kinds of personality, coming from the experience of a young child being aggressively beaten as a very young child, and then beaten after that.

So, what happens is, that you have these syndromes, disorders in family relations, spread from one family to another in society, take hold more greatly when the degree of nurture in the family is lessened. That is, in a family in which the relations are productive among the parents and children, where there's some kind of productive, viable process, or something good has come into the family. But then you have the child who feels totally abandoned, in a sense, by the family. He's just a person who comes to a table sometimes, he runs around in the streets, does this, does that, completely divorced from any real social relations. The result is an acute degeneration of the family.

You see it in the divorce rates, and all these kinds of things go with it. People are no longer happy. They go running from one place to the other, trying to get a moment of pleasure. No happiness.

**Paolo Raimondi, Moderator:** Thank you. I think we will have to close this meeting. This is the first of a series of meetings, and Mr. LaRouche will be back again.

**Preparata:** As you know, we are very interested in what you're doing, and eventually to try and contribute the results of our research, which, it seems to me, as far as the scientific aspect of what has been discussed today here, we are much on the same wavelength, so we could profit.

We are now fighting. We are also fighters. We are fighting on a frontier now, to change the paradigm, the scientific paradigm, which the big discoveries during this century in quantum field theory, and in quantum physics, ought to be brought to bear on a deeper understanding of these phenomena.

That's the reason why, as you know, I've always been very interested in trying to keep this channel of communications open. The conceptual standpoint—because that is one of the ideas that you mentioned to which I resonated strongly, that from a conceptual standpoint, we can really try. As I said, I believe we are on the same road at the same time. And to see this idea of non-linearity in the small as important in both fields, we are realizing this kind of conceptual set of ideas into our understanding.

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## Clinton challenges British geopolitics in Asia

by Jeffrey Steinberg

The Clinton administration has launched a new foreign policy offensive, once again, challenging decades of British geopolitical maneuverings in some of the world's most dangerous hot-spots. As is often the case with this administration, the President has taken a personal role in the most critical new initiatives, and deployed some of his closest and most trusted advisers on preparatory missions in other areas of the globe.

Below, Ramtanu and Susan Maitra provide a report on United Nations Ambassador Bill Richardson's visit to India, in preparation for President Clinton's September 1998 state visit to several South Asia countries. But Richardson's diplomacy extended beyond the India-Pakistan theater. On April 17, he travelled to Afghanistan, where he met with leaders of the Taliban in Kabul, before visiting the north of the country to confer with leaders of the three opposition political-military factions. Richardson was the first American cabinet-level official to visit the country since 1974, and the significance of the Clinton administration's willingness to put its diplomatic status on the line was not missed. Richardson extracted an agreement from all four parties to hold talks in Islamabad, Pakistan on April 27, to work out a cease-fire and prisoner exchange. Formal talks will be supervised by the United Nations and the Organization of the Islamic Conference. The Japanese government, at U.S. urging, has agreed to sponsor talks on the economic reconstruction of Afghanistan, a vital factor in any meaningful peace process.

### U.S.-Iranian relations

At least one of the three anti-Taliban factions in Afghanistan is closely allied with Iran, and their cooperation in the peace initiative is the latest indication that U.S. cooperation with Iran's new government is moving forward. In fact, two days before Ambassador Richardson showed up in Kabul, Rep. Lee Hamilton (D-Ind.), the former chairman of the

House Foreign Affairs Committee, delivered a speech before the Council on Foreign Relations in New York, in which he called for a normalization of U.S.-Iranian relations. "There is a new situation in Iran, and I think we ought to take advantage of it," he said. Hamilton called for an official U.S. dialogue with Iran, the end of covert U.S. efforts to overthrow the Tehran government, and dropping economic sanctions against firms trading with it. He dismissed the current policy of containment toward Iran, as "a policy that for 20 years has not worked."

The next day, former U.S. Undersecretary of State for Near East Affairs Robert Pelletreau, who served in the first Clinton administration, commented on Hamilton's speech, in an interview with the *Washington Times*. "Lee Hamilton's statement was the clearest that has yet emerged of the U.S. pursuing a policy of dialogue and engagement with Iran." Pelletreau said that Hamilton's speech "will accelerate the process of reconsidering U.S. policy in the administration and in the Congress."

### Other initiatives

Among the other global crisis points where the Clinton administration has renewed or expanded its policy presence are Africa and Southeast Asia. President Clinton's recently concluded historic 11-day visit to five African countries is to be followed, later this year, by a visit from Secretary of the Treasury Robert Rubin, a trusted collaborator. The President's late-June trip to China is a focal point of foreign policy activity, with Secretary of State Madeleine Albright scheduled to visit Beijing at the beginning of May. More than 1,200 Americans, mostly government officials and businessmen, will be travelling to China with the President and Secretary Rubin, in what is expected to be a major advance in United States-China economic cooperation.

# Washington expands dialogue with India

by Ramtanu Maitra and Susan B. Maitra

Recent visits by a number of senior U.S. officials, including the team led by the U.S. Representative to the United Nations, Bill Richardson, have signalled the acceleration of a broader strategic dialogue between India and the United States. Richardson also visited Bangladesh, Pakistan, Afghanistan, and Sri Lanka, preparing for President Clinton's visit to South Asia this fall.

The Richardson team included U.S. Assistant Secretary of State for South Asia Karl Inderfurth, and Bruce Riedel, Senior Director for Near-East and South Asian Affairs in the National Security Council. U.S. Army Chief of Staff Gen. Dennis J. Reimer and Dr. Shirley Ann Jackson, who heads the U.S. Nuclear Regulatory Commission, were also in India. While General Reimer visited the northern areas bordering China and Pakistan, Dr. Jackson was on a mission to renew nuclear cooperation in the civilian sector.

Beside some specific successes that these trips achieved, it is important to note that the United States, for the first time since the Cold War ended, is putting in place a South Asia policy. No matter who is in power in New Delhi, it is evident that the new policy will have India at the center, but will include all the South Asian nations, with the purpose of engaging them in commerce, while resolving disputes through bilateral negotiations.

Decades of biased and partisan policies adopted during the Cold War by both Washington and New Delhi have left a deep scar of mistrust in their bilateral relations. Washington's closeness to a hostile Pakistan and opposition to India's nuclear policy, and India's close arms relationship with the Soviet Union and suspicions about Washington's strategic interests in the region, were a few of the areas of mistrust.

The Richardson team was sensitive of the past and keen to remove some of the mistrust. To begin with, Washington, for the first time, acknowledged that India has a broader security requirement. Inderfurth said that Washington understands "the China Factor to India's security," adding that Washington would like the security issues in this region to be discussed "among the affected countries in a constructive manner." He also praised India for not allowing proliferation of nuclear weapons in the region, and thus set the stage for a renewal of U.S.-India civilian nuclear cooperation. "We admire the tremendous restraint shown by India in the area of nuclear proliferation," he said. "We hope that this restraint is

continued. Of course, we have been reading about the BJP government's promise of exercising the nuclear option. But what is important is the action taken."

Dr. Jackson, whose visit followed that of the Richardson delegation, confirmed to an English daily in New Delhi that she has helped to finalize an agreement between the two sides to cooperate on three research projects relating to fire safety in nuclear power plants, power plant emergency procedures, and design modification on the basis of operating experience. She also said that the first meeting of the technical experts from both sides would be in the United States in early fall, and would be followed by the visit of an American team to India.

## Indian reactions

The admission by the U.S. delegation that India's security concerns cannot be equated only with the threat posed by Pakistan, was welcomed most heartily in Delhi. Some analysts went overboard, interpreting Inderfurth's certification that India has not allowed nuclear proliferation in the region as a rebuke to China. According to some Indian policymakers, China had been less than cautious on the nuclear issue, and has helped Pakistan to become a nuclear weapons nation.

What also drew praise from the recently installed Vajpayee government in New Delhi, was the underplaying of the Kashmir issue by the U.S. team. Prime Minister Atal Behari Vajpayee told the U.S. delegation that Pakistan is not central to India's foreign policy, and the country wants to have good relations with all its neighbors. Richardson, on his part, showed no interest in reiterating Washington's views on the Kashmir issue per se, and instead made clear U.S. concern about cross-border terrorism in Kashmir.

It is, however, the possibility of renewal of cooperation on the peaceful use of nuclear power which holds the most promise. Till the mid-1970s, U.S.-India nuclear cooperation benefitted India tremendously. With India's nuclear explosion in 1974 and the advent of the Carter administration in Washington, the ties were strained. In 1980, two years after American legislators passed the Nuclear Non-Proliferation Treaty (NPT), nuclear cooperation was cut off altogether.

Full-fledged cooperation, as took place prior to the mid-1970s, will be hard to come by, unless both India and the United States shift their respective positions on the NPT. But in the interim, as Dr. Jackson pointed out, the cooperation on nuclear safety "will allow the two sides to build trust and confidence."

The only fly in the ointment during the trip, was the testing of the Pakistani missile, the Ghauri. Since Pakistan is a non-signatory of the Comprehensive Test Ban Treaty (CTBT), as is India, the test was a bit of an embarrassment for the visiting U.S. team. Washington claims that the technology for the missile was provided by North Korea, and has subsequently shown concern about this development.

# Its economy 'critical,' Russia gets a new government

by Rachel Douglas

Driving the political crisis in Russia, which has gone for a month and a day with only an acting government, is its economic depression, worsened by the acute financial crisis since the world financial shock of late 1997 hit Moscow. President Boris Yeltsin has presented Sergei Kiriyenko to the country as a young "technocrat," who as premier will straighten out the machinery of state and the economy. But, promises made by Kiriyenko in negotiations with the International Monetary Fund (IMF), behind closed doors, would guarantee further economic destruction and new crises.

When the State Duma (parliament) voted on April 24 to approve Kiriyenko, having rejected him in two earlier votes, the specter of dissolution of the Duma, Yeltsin ruling by decree with Kiriyenko as acting premier, and the bankruptcy of the country, loomed over the proceedings. State Duma Speaker Gennadi Seleznyov and former Prime Minister Viktor Chernomyrdin even questioned whether the state could come up with the cash to pay for a parliamentary election. Seleznyov suggested the 2 billion rubles (\$325 million) would better be spent on teachers' and soldiers' salaries. Chernomyrdin, interviewed in *Kommersant Daily* on April 21, said that Russia had suffered such financial losses from the Asia crisis and collapse of oil prices that, "if we launch one more [election] campaign, we'll be unable to do anything else until next year."

In his own address to the State Duma on April 10, the day of the first vote, Kiriyenko adopted the approach of "telling it like it is" about the ravages of the financial crisis and recent Russian policies. He gainsaid the claims by government officials in recent months, that growth of so-called Gross Domestic Product had resumed in 1997 and that the impact of the world financial crisis upon Russia was contained. "Growth of GDP has come to a halt," said Kiriyenko. It "was exactly zero in March." He said that the plunge of world prices for oil and other raw materials exports had put the squeeze on the finances of the Russian state, while the Central Bank's increase of interest rates, a decision made in order to keep investors in the Russian GKO (treasury bill) market, had increased budget spending by 20 billion rubles (\$3.3 billion). Now, 30% of government budget spending goes for domestic

and external debt service.

By April 13, three weeks after Yeltsin dismissed the previous government, the Moscow stock market had fallen by 10% and yields on GKO (short-term state bonds) rose above 30% again. In February, former finance boss Anatoli Chubais had claimed that those rates were below 28% to stay. The 1998 budget presumes 25% interest rates on GKO.

The strain of the economic slump on Russian society was "critical," Kiriyenko admitted to the Duma. One-fourth of the population, or 32 million people, receive less than the "subsistence level" of income. The government owes 82 billion rubles for back wages and other internal debts. This is before the full impact of the above-cited aggravating events hits, "in the second half of this year."

## Kiriyenko's plans

As for his planned policies, Kiriyenko talked about revitalizing industry — "without it there are no budget revenues, and that means no budget" — by means of low-interest lending, and hinted at protectionist measures to reduce the share of imports in domestic consumption from the 40-50% range, to 15-20%. That would imply huge changes in Russia's radical liberalization, but, in that same April 10 speech, Kiriyenko also said he hoped to satisfy IMF conditions for releasing its credit line to Russia, by demonstrating a will to collect taxes better and to slash budget spending through energy conservation.

Three days before the decisive third vote, *Kommersant Daily* exposed what it said was the secret "plan of primary measures by the government, in the tax and budget sphere," a set of commitments to the IMF by Kiriyenko. Though his tactics "are not to promise anything concrete," behind this facade, charged journalist Andrei Bagrov, Kiriyenko has actually "decided everything." Failure to implement the plan, suggested Bagrov, means that "Russia will receive no more financial assistance from the IMF."

Besides a very generally worded letter of intent, signed by Kiriyenko, Central Bank chief Sergei Dubinin, and the IMF on April 11, reports Bagrov, the acting government promised to implement a still-secret list of severe austerity

measures, including sharp reduction in the number of state-paid employees; raising fees for gasoline for individual users; harsh measures against delinquents, including oil-extracting companies (those of them that have debts to the state budget will lose access to export oil pipelines); decreasing import duties for goods having no Russian analogues, and so on.

In an interview with journalist John Helmer, versions of which were published in the *Journal of Commerce* and the *Moscow Tribune* on April 17, economist Sergei Glazyev, head of the Department of Information and Analysis of the Federation Council, blasted the IMF's current negotiations with the acting Russian government as "illegal," because the spending cuts and other conditionalities violate laws duly passed by the Russian legislature. The authority of Kiriyenko and Dubinin to commit Moscow to those terms, just 24 hours after Kiriyenko's first rejection by the Duma, is also in question. IMF spokesman Graham Newman told Helmer, "I believe Yeltsin is still the President of Russia, and if he designated someone [to sign], then the legal authority existed." The Russian President, however, has denounced as "a provocation or an invention," the large public-sector job cuts to which the letter evidently commits Russia.

Sources report that Kiriyenko's signing of these documents, in order to please the IMF, was the topic of much discussion in the State Duma before the last vote.

### **No funds for Army salaries**

The latest reports from the military sector, point to the potential social turmoil, to which further economic collapse will lead. On April 15, the State Duma overrode Yeltsin's veto of a law raising the wages of troops and officers in the Russian armed services. Yeltsin acted because the 52 billion rubles (\$8.5 billion) over two years, mandated by the law, is not in the 1998 federal budget, which is closely calibrated with the conditionalities for IMF lending. If the Federation Council also overrides, Yeltsin will be required to sign the law, but Itar-TASS reported that acting Defense Minister Igor Sergeyev doubts the money can be found in any event. Sergeyev said the priority should be to pay the 11.4 billion rubles (\$1.9 billion) in current wage arrears to the military.

In *Nezavisimaya Gazeta* of April 17, under the headline "Army May Go Out of Control," Vladimir Mukhin wrote that young officers are fleeing the military at a high rate, unable to cope with the lack of pay and other miserable conditions. The average age of retirement for commissioned and warrant officers in 1992-97 was 37. As a result, there is "an acute shortage" in the middle of the officer corps, the levels that work directly with the troops. Mukhin quoted Gen. Col. Ilya Panin, chief of the Main Personnel Directorate of the Russian Defense Ministry, who told an April 16 press conference that nearly one-third of the posts of platoon and crew commanders, and deputy commanders of companies and batteries, are vacant.

## Italy's choice: EMU or New Bretton Woods

by Claudio Celani

Following the visit of Lyndon LaRouche to Italy at the beginning of April, the Italian government at its highest level officially endorsed the idea of a New Bretton Woods. Although not acknowledging LaRouche's "copyright" on the idea, the Italian government statements reflect the impact of LaRouche's week-long visit, and especially his discussions with members of Parliament, on the necessity of a reform of the international monetary system.

Thus, during a state visit to Argentina, when Italian Prime Minister Romano Prodi was asked by *EIR* correspondent Gonzalo Huertas whether he thought the April 16 G-22 meeting would deal with the proposal for a New Bretton Woods, Prodi answered:

"I personally believe that we must move toward a New Bretton Woods. And this has to be analyzed very carefully, because the risk level in the international monetary system has greatly increased in the recent period. But it is an issue that can be touched upon at this meeting. It has to be the object of a very serious analysis; it is not something that is going to be done at this moment."

More interesting than Prodi's statements, which do not specify what the "New Bretton Woods" should be, are views expressed almost at the same time by Italian Foreign Minister Lamberto Dini, who became the first Western government official to push for "bankruptcy reorganization." (Putting the entire financial system through "Chapter 11" bankruptcy procedures is key element of LaRouche's approach to the current financial collapse.)

Dini, a former International Monetary Fund (IMF) official and central bank director, criticized the IMF "bailout" approach to the Asian crisis. In an interview with the daily *La Repubblica* on April 6, he said: "We cannot hide it, there is something wrong. You cannot give investors the impression that, if the investment fails, there will be a supranational body coming in, with taxpayers' money. A moral hazard has been created, and we must temper it by introducing a sort of international bankruptcy court, to establish the principle that creditors pay for failures and that an investment has a risk factor. Like with private firms: When one goes bankrupt, you list up the creditors, you maybe reach an agreement, but you never recover the last cent."

Prodi and Dini represent different factions in the Italian government: While Prodi puts his foot in two stirrups, Dini represents a conservative banking view and the business-oriented interests of Italian industry. These factions, however, tend to converge when the discussion on the international financial crisis polarizes, and take a position different from a third faction of IMF supporters, such as, for instance, Economy Minister Carlo Azeglio Ciampi, who is the strongman in the government.

Indicative is the fact, for instance, that on the so-called Asian crisis, Ciampi and Dini have expressed totally opposing views. While Dini has warned that the Asian crisis will cost the West at least 0.5% of GNP, "and it is not guaranteed that it might not be worse," Ciampi came out April 20 saying that "the Asia crisis will not affect Europe." Ciampi's statements, which are a witting lie, are necessary to maintain the euphoria over the euro, the upcoming single currency of the European Monetary Union (EMU).

The euro "euphoria" is the main element disrupting a healthy discussion of the issues raised by LaRouche, Prodi, and Dini. On one side, Italy has been subjected to humiliating examinations of its public accounts in order to be accepted into the initial group of the European Monetary Union; on the other side, Italian politicians take license to speak out "against the rules," as revenge for being discriminated against inside

the "rich club." How far this sentiment is going to become a serious alternative policy, is an open question.

### The luxury to speak out

LaRouche commented on that, in an interview with "EIR Talks." "Italy," he said, "is low on the barrel, in terms of the current European pecking order, relevant to the so-called euro. And thus, the Italian politician, who is kicked in the teeth, but who is generally much more intelligent, on the average, ironically, than the typical politician in other European countries, may compensate for his frustration, and his lack of influence in the situation, by simply coming out and enjoying the luxury of office to tell the truth."

LaRouche added, "In part, Mr. Prodi has said things which are true, accurate as far as I am concerned. . . . I don't know how far he's prepared to go, but I find it interesting that he should say it." One fact is certain: LaRouche's movement for a New Bretton Woods system is gaining increasing influence in Italy; so much, that its opponents do not dare attack it openly, but choose to push their version of it, or to slander it in order to create confusion. For instance, a proposal for a world monetary condominium between the dollar and the euro, which in reality is a policy to wreck the dollar, has been pushed under the name of "Bretton Woods Two." This proposal has been reported on by a senior economic journalist, Danilo Taino, in the daily *Corriere della Sera*. According to Taino, such a proposal is being pushed especially by French government circles.

This idea of a euro-dollar condominium is not new. It was first presented as a "new Bretton Woods" by Italian Defense Minister Beniamino Andreatta, a liberal economist who was a guest on Queen Elizabeth's yacht, the *Britannia*, on June 2, 1992, and who participated in that conspiratorial meeting against the Italian state and finances, which was exposed by *EIR*.

Also, a few weeks ago, international speculator George Soros was deployed to slander the idea of a New Bretton Woods. "We need some global regulating institution, in the Bretton Woods spirit," said Soros, in an interview with the Italian magazine *Liberal* on March 12. "We need an international organization aimed at keeping peace. It can be an empire, or a balance of powers. Or it can be some sort of international institution. In the 19th century, we had a global capitalist system as well, and it was Great Britain that represented the imperial power that maintained stability."

The battle lines are clear: the Empire versus the Nation; the euro versus a real Bretton Woods. The statements by Prodi and Dini, by reintroducing the necessity of state intervention into the collapse provoked by the markets, imply an all-out war against the financial oligarchy, if those intentions are not empty words. You must go for the maximum risk in order to win it, LaRouche said in Rome. In the next weeks, developments will show if Italians want to take that risk in order to save the nation, and civilization.

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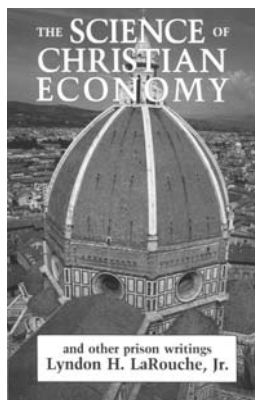
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# Germany's Social Democrats advocate monetarism with a 'socialist' face

by Rainer Apel

"Force for the New" was the slogan of the April 17 national party convention of the opposition German Social Democratic Party (SPD) in Leipzig. There, to no one's surprise, Gerhard Schroeder, state governor of Lower Saxony, was officially nominated to be the party's candidate for Chancellor. Ever since British Prime Minister Tony Blair's "New Labour" crowd took power in London in May 1997, the German SPD has tried to borrow from the glamor of the Queen's socialists, even including the use of English-language posters in the Hamburg city-state elections of September 1997—which many SPD voters were not impressed with, however, voting then-Mayor of Hamburg Henning Voscherau (SPD) out of office.

The "Blairishness" of the SPD also involved distancing themselves from the French Socialists, after they took power in Paris in the June 1997 elections, and not supporting their efforts to renegotiate the European Monetary Union agreements. The SPD stayed loyal to the monetarism of the EMU in principle, calling for amendments to the EMU in social and labor policies only. Without the support of the SPD, the French Socialists, including Prime Minister Lionel Jospin, swung back into the pro-EMU camp, adopting the SPD "amendment" strategy.

Already in the summer of 1997, Schroeder, the SPD Chancellor candidate-designate, made clear in interviews that he preferred Blair's way to that of Jospin. And, in September 1997, he went public with the draft for a party campaign platform for the September 1998 elections, which very much reflected that preference.

In that platform, Schroeder proposed a massive expansion of service-sector and low-income jobs, on the condition that the state subsidize firms that create such lower-qualified, lower-paid jobs, and that the state force social welfare recipients to accept such jobs. The latter was clearly copied from Blair's overtly neo-liberal "Welfare to Work" project.

In the following weeks, an additional aspect was inserted, taken from the French government's announcement of state-funded creation of 100,000 jobs or youth apprenticeships. All of that was done to make the draft for the new SPD platform look "more social," and to neutralize justified criticism of the draft platform coming from those sections of the party membership which could be characterized as "leftist tradi-

tionists." With all their programmatic faults, stemming from the 1960s paradigm shift into environmentalism and the post-industrial society, these sections of the SPD at least keep a certain loyalty to the needs of the productive sector of the economy. Rather than promoting, as Schroeder and the "new SPD" are doing, the massive expansion of service-sector jobs, they call for state measures to enhance the creation of jobs in industry and infrastructure.

## The Irsee Resolution

This outlook was endorsed by Bavarian section of the SPD, in Irsee, in mid-January 1998. There, they adopted a resolution calling for emergency state action to stabilize the German economy—which everyone in his right mind knows is in a depression, even if most experts try not to use the word. The Irsee Resolution called for 1) a national program for low-interest or no-interest loans for public infrastructure development projects (transportation, municipal and other infrastructure, and so on); and 2) a European equivalent, which would be a revitalization of the 1993 Delors Plan for European-wide public infrastructure development, and for the creation of up to 10-12 million jobs.

As for the first point, the Bavarian SPD proposed special loans issued by the state, in the range of 35 billion deutsche-marks (roughly \$20 billion) per year (1% of GDP), for at least two years. The program could be run through the Frankfurt-based Reconstruction Bank (KfW), which would begin to be reimbursed through tax revenue from the economic projects after a two-year grace period, once the projects began producing. To secure the extra-budget capital input for the two years of transition, the government would need a special authorization through the 1967 Law on Stability and Growth, which was passed at the peak of the economic recession of the mid-1960s. It would have to be modified and updated, to meet the requirements of the situation of 1998—for example, the fact that national unemployment today is 12 times that of 1967.

As for the second point, the idea was to do the same thing on the EU level, through the European Investment Bank, which would issue loans at low or no interest for the Delors Plan projects and some additional newly defined grand projects.

However, the Irsee proposals received only lip-service from the national SPD party executive, which had already defected to the neo-liberalism of Blair, and endorsed Schroeder's September 1997 draft program. To insiders, it was clear already at the end of January, that the SPD as a whole would take notice of the Irsee initiative, but adopt the Schroeder formula—although, at that time, it was not entirely clear that Schroeder would also get the official nomination for the Chancellor candidacy. The March elections in Lower Saxony, which reelected Schroeder as governor and yielded a several percent increase in the vote for the SPD, cleared the way for his candidacy. The SPD party executive endorsed his candidacy the day after those elections, and a massive public relations campaign was launched, advertising the winner of Lower Saxony as the coming winner of the national elections in late September.

This media campaign was part of an increasing number of commentaries in the other European press, including that of France—although Schroeder has never made a secret of his antipathy for the French Socialists. This tells how far the star of incumbent German Chancellor Helmut Kohl has fallen, not only among Germans, but also abroad. And, it tells about the opportunism of the media. It is what the people here call “Americanization of election campaigning”—the worst aspects of unprincipled propaganda. What, after all, they asked, is “new” in the Schroeder campaign profile, that promises a change from the Kohl era?

During the first days of March, the revised draft proposal for the SPD election campaign platform was leaked to the media. Maybe it was “new,” but definitely, it was no clear alternative to the monetarist policy of Chancellor Kohl's government, let alone anything like a design of the kind that the Irsee Resolution, which at least took official notice of the reality of economic depression, represented.

## More globalization

The Schroeder campaign platform, which was also officially endorsed at the SPD party convention in Leipzig, has no substantial reference to the ongoing world economic crisis, but refers to “globalization,” i.e., the seeking out of cheap labor, as a fact which has to be “socially shaped” to be made acceptable for Germany. This includes more “flexibility” (i.e., in terms of working conditions and wage levels) from the labor force; more low-income jobs, temporarily subsidized by the state; Blair-style “Welfare to Work” elements introduced into the social welfare system, including penalties against welfare recipients who refuse to accept jobs to which they are assigned; and, tax rebates offered for industrial companies that create more jobs and apprentice positions. The SPD wants to create 100,000 new jobs for the youth, every year. The 100% paid sick leave, which the Kohl government abolished in October 1996, is to be restored.

At the same time, the state budget shall be balanced, or nearly balanced, the SPD states. This means that none of the

announced measures against joblessness would be initiated, if the funds were not there. And, the funds won't be there, because the deepening depression is causing an unabated drop in tax revenues to the state. That is why the SPD is considering an ecology, or anti-pollution tax. How big that new tax shall be, they are not telling the voters. There is a reason behind this tactical silence of the SPD: The Green party, which is a coalition partner of the Social Democrats in 4 of the 16 German states, caused a storm of outrage in the population, when in early March, they called for an almost fourfold increase in the price of a liter of gasoline, from DM 1.50, to DM 5 (roughly \$10 a gallon), as part of their “ecological reform” program.

The ecologist aspect of the SPD program is therefore somewhat toned down. The call for an end to nuclear power “as soon as possible,” and for a “bridge into the solar energy era,” remains, as does the call for an “ecology tax,” and for special new taxes on pollution. But, “excessive tax burdens,” such as a drastic gasoline tax increase, are rejected.

The door is kept open for R&D in biogenetics, but military research is to be scaled down, along with space technologies, particularly everything related to manned space flight programs. Moreover, the SPD is still opposed to alleged “prestige projects,” such as the Transrapid maglev rail technology.

## Defense of the banks

And, SPD leaders endorse monetarism, in defense of the banks. When, over the Easter weekend, Rudolf Dressler, a vice chairman of the SPD parliamentary group, endorsed a tax on speculative capital gains, Schroeder immediately declared his own strict opposition to such a tax. Also, SPD national party chairman Oskar Lafontaine, in his new book *Wealth for Everybody* (which is in favor of globalization but, because of “social” concerns, is against its worst excesses), prefers to side with the Bretton Woods Committee of arch-monetarist Paul Volcker, the former chairman of the U.S. Federal Reserve Board.

Although it is generally taken for granted that Schroeder will defeat Kohl in the September national elections, there is a problem inside the SPD. The “traditional left,” or substantial parts of it, may not vote for the man who, to them, looks like just a younger Kohl, or, as some have put it, a “monetarist with a Socialist face.” Thus, Schroeder may lack the few decisive votes that would give him the small margin by which he would be able to defeat Kohl.

And, the depression is deepening, irrespective of what the established political parties say. Unemployment figures keep rising, including in the service sector, which the Social Democrats consider their “new economy.” The SPD “monetarists with a Socialist face” might be deserted by crucial constituencies, even before the election. This, at least, is more certain, at this moment, than the defeat of incumbent “monetarist with a Christian Democratic face” Helmut Kohl.



# France's elite opts for national suicide

by Jacques Cheminade

*The author, a collaborator of Lyndon LaRouche, is the former Presidential candidate; he now heads France's Progress and Solidarity party.*

To judge by the vote in the National Assembly on April 22, a strong majority of government and party leaders supports the single currency of the European Monetary Union (EMU), the euro. President Jacques Chirac (RPR), Prime Minister Lionel Jospin (Socialist), and the three main parties, the neo-Gaullist RPR, the neo-liberal UDF, and the Socialist Party (PS), all claim that there is no other way to go. The opposition comes from various minorities, mainly the French Communist Party (PCF) and Jean-Marie Le Pen's National Front (FN). But, in fact, there is an actual and potential majority of the electorate who are against the euro. The problem is that this opposition has neither a clear political expression, nor competent leadership.

The political nomenclatura has submitted to the financial oligarchy, and the voters have been brainwashed into complacency by the media. Even some defenders of the euro have to admit that the strategy of those leading France into the EMU marriage has been to cloud the issue. *Le Monde* editorialist Erik Israelewicz, a euro-partisan, concedes that the rationalization for joining the euro is "an obscure clarity which shines from the dark."

President Chirac, in an April 16 press conference, had the nerve to say that "it is thanks to the euro that we have not suffered more from the Asian crisis. . . . The euro inspires confidence and guarantees activity and employment." On April 3, 1990, he had declared exactly the opposite, stressing that the euro would cause France to lose its sovereignty in such vital areas as national defense, the budget, and social welfare. One observer comments: "Among the many illnesses that Chirac has caught, the europhile virus is the worst." RPR leader Philippe Séguin, together with his party, did not vote in the National Assembly on the Jospin resolution in support of the euro—although they are in favor of it—simply because they did not want to appear to support the Jospin government. The Maastricht Treaty on European union, sniffed Séguin, was voted up by the French people in a referendum, and therefore nothing can be changed in any case.

This betrayal of Gaullist principles by their present-day

supposed advocates, is only matched by the Socialists' betrayal of their own election promises and party principles. Jospin, in an interview with *Le Monde* on April 21, and in his speech the same day before the National Assembly, tried to outdo Chirac's europhilia. He claimed that the conditions set by the Socialists for France to join the euro have been met. He was especially referring to the demand that the European Central Bank would be controlled by a political entity. What he didn't say is that this "political authority" will be made of the European Council of Ministers of Economics and Finances, advised by a Financial and Economic Committee composed of the representatives of the European central banks and treasuries. In short, Jospin is claiming a political victory that the European Central Bank will be politically controlled . . . by central bankers.

In the Assembly's pro-euro vote, the PS admitted that the most help came from the Thatcherite liberal UDF. Not too surprising, either: Typical of this vein is the ultra-liberal Alain Madelin, who proclaims *urbi et orbi* his admiration for Britain's Labour Prime Minister Tony Blair, expressing the wish that France's Socialists will become "true Blairists," in the European process.

## Opposition in disarray, at best

The opposition to the euro is a confused alliance of the Socialist Left faction in the PS, the PCF, the three Trotskyite movements in France, Interior Minister Jean-Pierre Chevènement's MDC, right-wing politicians Philippe de Villiers and Charles Pasqua, and Le Pen's National Front.

The Socialist Left is anti-euro, but also anti-nuclear and close to the pro-euro Greens; at present, its scant half-dozen deputies have been gagged by the party leadership, which laid down the law that "among us, there is no freedom of vote in the parliament." The Trotskyites are either anti-nuclear or close to a leftist cult (Workers Struggle and Workers Party). Chevènement and the PCF have no credibility: Their stance against the euro is undermined by the fact that they belong to the "plural left" which is enforcing it. De Villiers and Pasqua are far too right-wing to appeal to the victims of the euro. That leaves racist demagogue Le Pen, who hopes to capitalize on his anti-one-worldist populism to draw anti-euro ferment to his ranks.

All this creates an explosive situation, although Le Pen would collapse immediately if his free market neo-liberal economic policies were properly challenged—something the Paris nomenclatura will not dare to do.

Hence, the importance of the movement I represent. We are politically the only ones to call for a positive alternative to the euro, with a New Bretton Woods system, a Eurasian Land-Bridge, and a new European alliance of nations for this purpose. Our ideas are making their way into the national debate, in various decision-making bodies, in a situation where the national leadership has left a policy vacuum, and everybody knows it.

# Knives are out for Japan's Hashimoto

by Our Special Correspondent

A major political shift in the Japanese internecine political wars has taken place. On April 21, the largest mass circulation newspaper, *Yomiuri Shimbun*, published a front-page article attacking Prime Minister Ryutaro Hashimoto for his handling of the economic crisis in Japan. *Yomiuri Shimbun*, long regarded as a mouthpiece for the power-brokers of the ruling Liberal Democratic Party (LDP), planted this story at the insistence of former Prime Minister Yasuhiro Nakasone. The president of the newspaper is a close friend of Nakasone, and, according to well-informed Japanese sources, the attack is a signal that Hashimoto's days in office may be numbered.

Nakasone's move was not unexpected. With the Hashimoto government trying desperately to pull Japan's economy out of depression with a combination of economic stimulus and tax cuts, Nakasone saw an opportunity to make his move. Moreover, leading Japanese policymakers have also taken note of the fact that President Bill Clinton's trip to China in June does not include the usual stopover in Japan. These policymakers and power-brokers who key off U.S. strategic thinking, see this "diplomatic snub" as evidence that Hashimoto has lost the confidence of the Clinton administration.

(It is strategically quite significant that when a U.S. President does not pay a courtesy visit to Japan during a trip to China, then whoever is in power loses "face," i.e., is humiliated. Most of the Japanese institutions have also expressed concern that Washington's China tilt ignores Japanese interests.)

Hashimoto is not sitting idly. To counter Nakasone's move, Hashimoto deployed the LDP's chairman of the policy-making committee, Taku Yamasaki, to Washington on April 29, for talks with top Clinton administration officials. According to well-informed U.S. intelligence sources, the Clinton administration is not fully convinced that Hashimoto's economic package is going to work or that his coalition is fully committed to implementing that program. The constant infighting within the LDP over the direction of Japanese economic policy, is a source of unremitting concern in Washington.

Another key problem for Hashimoto is that his informal cabinet allies who are supporting his parliamentary majority, the Sakigake and Democratic Socialist parties, are quite upset

with the LDP's new legislative proposals that include the "legalization" of bribery for election purposes. The proposal sets a 500,000 yen limit (roughly equivalent to \$4,000) on corporate support. As a result, the Democratic Socialists are threatening to withdraw their support. Hashimoto needs the support of these two smaller parties because, if the alignment of anti-Hashimoto factions led by Nakasone within the LDP were to withdraw their support, Hashimoto would be forced to call an election.

## Nakasone the kingmaker

The key to toppling Hashimoto—that is, if that is what Nakasone is actually doing—is getting Seiroku Kajiyama to defect from Hashimoto's alliance to Nakasone. Kajiyama, an influential ruling party politician and former chief cabinet secretary, is historically very close to Nakasone. According to one Japanese source, Kajiyama is Nakasone's choice to replace Hashimoto. What makes Kajiyama's position so important, is that he is still loyal to Hashimoto, and is currently the point person in shaping the government's financial policy.

Kajiyama has proposed a radical shift in Japanese thinking about how to deal with the failures of major banks. He has stated publicly that if the leading 50 Japanese banks fail to meet the specific targets for writing off bad loans, then they should be allowed to fail. This proposal on bank failure is a highly volatile issue, and one which has major strategic implications for Asia and the United States.

The critical question, of whether Hashimoto can survive, is an open one. In the short term, at least for the next month, he probably can. But, most leading Japanese think that Hashimoto will be unable to withstand this political assault until the Upper House elections in July. Even Seiji Tsutsumi, the chairman of one of the leading business federations, the Kezai Doyu Kai (Japan Association of Corporate Executives), called upon Hashimoto to resign. He said that the Prime Minister's economic policies have failed. This latest attack from the corporate and industrial associations, and the intense factional struggle within the LDP, signal most clearly that Hashimoto is now a transitional figure.

These changes are fraught with potential danger. An eruption of a major political crisis at a time that Japan's economy is weakening and the yen is depreciating could open Japan up for a major hedge-fund attack. The British-steered globalization forces are still evaluating whether strategically they can afford to carry out a full-scale assault against Japan, further weakening the entire Asian situation at the moment that President Clinton is about to travel to China. And, with a major political crisis looming in Japan, can the Clinton administration afford a weakened Japanese ally?

This is the danger that the present political crisis in Japan brings to the table. In fact, this crisis could trigger a U.S. stock market crash. As the ancient Chinese proverb states, "We are living in interesting times."

# Paris judge attempts to crack Diana murder

by Jeffrey Steinberg

In the first dramatic move in months, Paris investigating magistrate Hervé Stephan, the man in charge of the probe of the Aug. 31, 1997 car crash that claimed the life of Princess Diana, Dodi Fayed, and Henri Paul, has convened an extraordinary meeting of witnesses to the crash. The gathering of more than 20 eyewitnesses, known in French court parlance as a *confrontation*, will take place at the Palace of Justice on June 5, according to a report first carried in *Le Parisien*. According to various news accounts, the witnesses will include at least nine paparazzi, who are still facing possible manslaughter indictments for their involvement in the crash, and several of the French police officers who were the first to arrive on the scene.

The purpose of the group interrogation is to attempt to draw out new testimony, to resolve contradictions between various eyewitness accounts, and to develop a more comprehensive picture of what took place in the moments immediately before and after the fatal crash in the Place de l'Alma tunnel.

## Review of medical records

In a second, potentially sensational move, Magistrate Stephan ordered a thorough review of Princess Diana's medical dossier, to determine whether the French emergency medical teams which responded to the crash contributed to her unnecessary death. According to the London *Times*, the decision to reopen the medical file came "after claims that her life could have been saved if she had been rushed to the hospital immediately, rather than treated at the scene." At least one member of the emergency medical team that delivered Princess Diana to the La Pitié Salpêtrière Hospital, *one hour and 43 minutes after the first ambulance arrived at the crash site*, has been interrogated by the French police.

What makes the review of the medical file so explosive, is the fact that the on-the-scene rescue effort was directed by top officials of the French government. Paris Police Chief Philippe Massoni was one of the first officials to arrive at the crash site; he was in charge of the rescue effort and the preliminary probe. Interior Minister Jean-Pierre Chevènement, who was advised not to stop at the tunnel but to go directly to the hospital, and who was in telephone communication with Massoni and others at the tunnel, arrived at La Pitié Salpêtrière an hour before the ambulance carrying Prin-

cess Diana. In other words, the failed emergency medical rescue effort was steered, top down, by senior officials of the French government.

*EIR* first reported in September 1997 that Princess Diana could have likely survived the crash, had she been rushed to a hospital and into surgery to repair damaged arteries. French emergency medical experts backed up the *EIR* assessment, and pointed out that Princess Diana should have been brought the Val de Grâce military hospital, just a few miles from the tunnel. Val de Grâce has a helicopter ambulance that could have delivered her to surgery within a half an hour, according to one of the top emergency medical professionals in Paris.

## The implications of Stephan's actions

On a deeper level, Magistrate Stephan's two bold moves—the convening of the *confrontation* and the reopening of the medical file—have broken the momentum toward a cover-up that, for the past month, had jeopardized the investigation of the death of Princess Diana. European and American sources have confirmed to *EIR* that there has been a coordinated effort, coming from the House of Windsor, the Tony Blair government in London, and the Lionel Jospin government in France, to black the investigation out of the media altogether, and, thereby, make it possible to enforce a cover-up of the evidence that Princess Diana and her companions were the victims of a murder conspiracy, not a traffic accident.

The most glaring piece of evidence that the car crash was anything but an accident, is the missing Fiat Uno, which collided with the Mercedes 280-S carrying the Princess, and then sped out of the tunnel and disappeared. In January 1998, when he was coming under intense pressure from the French government, the media, and the British monarchy to shut down the probe, Magistrate Stephan, in a rare public statement, asserted that the case could not be closed until the mystery of the Fiat Uno were solved.

Other unanswered questions about the circumstances surrounding the crash includes:

- A team of at least seven unidentified men, who had staked out the Ritz Hotel, where Dodi and Princess Diana spent their final hours. These men were not paparazzi, hotel guests, or tourists.
- The reported presence in Paris on Aug. 30-31, 1997, of a six-man team of British MI6 officers, who were reportedly dispatched to track the couple. Several British newspapers reported that the team was working with private security firms, made up of "retired" British Special Air Services (SAS) and other irregular warfare operatives, and that some of the paparazzi firms were linked to these companies.
- The role of Tiny Rowland, in a British monarchy-led slander and harassment campaign directed against Mohamed Al Fayed, the father of Dodi Fayed and a major figure in the London business community, who had been a longtime confidant of Princess Diana.



# Moving toward peace and reconstruction in Cambodia

*His Excellency Var Huoth has been the Ambassador of the Royal Cambodian Government to Washington, D.C. since 1995. Prior to that, he was Commerce Minister, and took part in the first democratic elections in Cambodia in 1993, having returned to his country in 1992 after a 17-year absence. On April 9, the New York Times leaked a report that President Bill Clinton had instructed three departments of the U.S. government, Defense, State, and Justice, to prepare a plan to take Khmer Rouge leader Pol Pot into custody, to stand trial for his role as "Brother No. 1" in the 1970s genocide that led to the deaths of 1-2 million Cambodians, out of a population of 7.5 million at the time. A White House spokesman regretted the leak, but did not deny that the President's initiative is being studied. On April 15, it was reported, and the report was later confirmed, that Pol Pot had died, while in the custody of senior hard-line Khmer Rouge leaders: Defense chief Ta Mok, a.k.a. "The Butcher"; Khieu Samphan, author of the 1970s "rustification" program; and political ideologue "Brother No. 2," Nuon Chea. U.S. Ambassador to the United Nations Bill Richardson told the 15-nation Friends of Cambodia meeting in Bangkok on April 18, that the United States continues to support bringing to trial key leaders of the Khmer Rouge, who were responsible for the 1970s genocide.*

*EIR published a feature report in our Sept. 5, 1997 issue, entitled "Dow Jones Supports Return of Cambodia's Khmer Rouge," on the July 1997 crisis which followed the fraudulent "trial" of Pol Pot, and an exposé in our Jan. 23, 1998 issue, entitled "The Sorbonne, Khieu Samphan, and the 'Pol Pot International,'" on Khieu Samphan's economic blueprint for genocide.*

*Ambassador Var Huoth granted this interview to Gail Billington on April 21.*

**EIR:** Many nations have played a role in events in Cambodia over the years, but particularly since the 1991 Paris peace talks, the international community has been engaged in Cambodia's internal affairs. The prospect of moving toward an international tribunal for those responsible for the 1970s genocide was raised last June at the time of the alleged "trial" of Pol Pot by his Khmer Rouge associates, but was shelved subsequently, particularly following the crisis in early July, over Prince Ranariddh's illegal deal with the Khmer Rouge. Does a renewed initiative now reflect a changed perception

of events in Cambodia within the international community?  
**Ambassador Var Huoth:** In general, I would like to welcome the United States' and the international community's intention to bring the Khmer Rouge to justice. Although Pol Pot is reported dead, I hope that this will not prevent the trial of Khmer Rouge leaders who conducted genocide in Cambodia from 1975 to 1978. Bringing the leaders of the Khmer Rouge to justice is the will and strong desire of the Cambodian people, and the international community. It has been under discussion since last June, and at several times in the past. However, the collapse of the Khmer Rouge strongholds in Anlong Veng and Preah Vihear is a good signal for the elections in Cambodia, scheduled for July 26.

I would like to stress that the genocide in Cambodia was condemned by several countries in the world, and that the Khmer Rouge leaders should be brought to international court for trial. This means that the trial of the Khmer Rouge leaders is the obligation of all countries concerned. We cannot let the crimes against humanity go unpunished.

The international community knows quite well that the Khmer Rouge issue is always at the center of Cambodia's problems. The antidote to the problem is to bring the Khmer Rouge to justice. The recent collapse of the Khmer Rouge strongholds is the focus of attention by the international community, including the United States. With this collapse, the forces of the Khmer Rouge, which numbered perhaps 25-30,000 at the time of the elections in 1993, have now fallen to, perhaps, 1,200.

**EIR:** About the elections in July: Cambodia has met the demands of the international community to allow former First Prime Minister Prince Norodom Ranariddh to participate in these elections, following his trial and conviction for signing a pact with Khieu Samphan and other hard-line leaders of the Khmer Rouge last July, and his subsequent pardon by King Sihanouk. All parties are now preparing for elections. What are the prospects for peaceful elections? What do you see as the role of the international community? What would Cambodia like that role to be?

**Ambassador Var Huoth:** The participation of various political parties in the elections shows that Cambodia is not a one-party-rule country. Cambodia has adopted the multi-party system. The upcoming election in Cambodia is the desire of

the Cambodian people. Therefore, I believe that the elections will be held in an atmosphere of understanding and peace, and of placing the interests of Cambodia before anything else.

Cambodia also welcomes the international community to observe the elections in Cambodia. The co-Prime Ministers of the Royal Government of Cambodia, Hun Sen and Ung Huot, have already sent invitations to all concerned countries to send observers for the electoral process in Cambodia. In this connection, I would like to stress that the registration of political parties and candidates with the National Election Commission started on March 28, 1998. Voter registration will start at the end of April, and is open to citizens 18 years and older. The electoral campaign itself will run from June 25 through July 24, 1998. The UN Secretary General's Special Representative in Phnom Penh, together with the National Election Commission, will coordinate the activities of international observers through the electoral event.

Concerning Prince Ranariddh, as you say, he has received a royal pardon in accordance with the four-point proposal made by Japan. An issue that remains, however, is the disbanding of troops under the command of his chief of staff, Gen. Nhek Bun Chhay, and turning over territory held by those troops to the Royal Government in Phnom Penh. Cambodia's law on political parties clearly stipulates to the territorial integrity of the country, in other words, that there can be one, and only one authority for both the national territory and Armed Forces.

**EIR:** Cambodia has been one of the most tortured nations of the second half of the 20th century. The most concentrated mass bombing in history during the Vietnam conflict, the subject of one of history's worst genocides under the Khmer Rouge, followed by a dozen years of civil war, before the 1991 peace agreement and elections in 1993. Yet, the UN Human Rights Commission and human rights non-governmental organizations (NGOs) complain about violations in Cambodia. How do you view the "human rights" of the Cambodian people today?

**Ambassador Var Huoth:** The Royal Government of Cambodia welcomes reports on human rights in Cambodia. The reports will allow the government to investigate thoroughly the allegations from various sources. As you are well aware, Cambodia is not completely in a state of peace. Therefore, there are some bad elements taking advantage of the situation to discredit the government at all cost.

At present, the human rights situation is much better than before, but it is also very delicate. I can even say that it is even much better than during the period that the UN Transitional Authority in Cambodia [UNTAC] was in Cambodia, during 1991-93. As I said earlier, Cambodia has a multi-party system. People are free to choose their leaders, to speak their mind, to assemble, and to hold demonstrations. To protect their rights, the government also allows all kinds of human rights non-governmental organizations, and the UN Center

for Human Rights, to operate in Cambodia. Human rights organizations should use this opportunity constructively to further enhance the human rights situation, instead of using this forum as a campaign against the government.

But let me add, in Cambodia, we have a saying, "When the stomach is empty, the ears do not hear." To speak of human rights, we must speak of what is needed to be human. Our people are very poor, our country suffered greatly from the damage done during the Indochinese War, from bombing, from landmines. And the years of Khmer Rouge rule brought widespread destruction of our cities, our countryside, and our people. Fighting continued in our country after the Khmer Rouge, from 1979 until the time of the peace talks in 1991, and we are still not completely at peace. I myself lived outside Cambodia for 17 years, and returned in 1992 to help bring about the elections in 1993. As Commerce Minister at the time, I went around the country to speak with people, to inform them of their rights, their freedoms. The people would say to me, "Fine, but did you bring seed for me to plant, and did you bring fertilizer to make the seed grow?"

We are only five years from our first democratic elections, in 1993. As they say, "Rome was not built in a day," and Cambodia will not be rebuilt in so short a time. But you see our people do support democracy. More than 90% of the voters took part in the 1993 elections. And you tell me that only 49.1% voted in your elections in 1996. That surprises me.

**EIR:** The Cambodian economy suffered another setback from the sanctions imposed after the crisis last July. Thank goodness, President Clinton refused to support any deal between Prince Ranariddh and the Khmer Rouge, but nonetheless, accepted the imposition of sanctions on the Hun Sen, Ung Huot government, as did the European Union. What has been the cost of these sanctions, and what are the prospects that they could be lifted?

**Ambassador Var Huoth:** It is regrettable that after the events in July 1997 in Cambodia, some countries reduced their aid to Cambodia. I would like to stress that most of the aid that has been cut so far was allocated for public health, primary education, rural development, social action, economic development, and anti-drug campaigns. Cambodia has suffered enough sanctions in the past. You may recall that for the 12 years after the Khmer Rouge were defeated in 1979, until the Paris peace talks in 1991, the previous U.S. government vetoed seating the Phnom Penh representatives, but supported seating the representative of the coalition government, which included the Khmer Rouge.

The continuation of sanctions against Cambodia is a direct punishment against the Cambodian people. I hope that the United States and other donor countries that have imposed such sanctions would urgently reconsider their position in this regard.

**EIR:** The demise of the Khmer Rouge will contribute greatly

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*In Cambodia, we have a saying, “When the stomach is empty, the ears do not hear.” To speak of human rights, we must speak of what is needed to be human. Our people are very poor, our country suffered greatly.*

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to bringing peace to all of Southeast Asia after nearly a half-century of warfare. Cambodia is one of the crucial crossroads of the proposed Asian railway networks, and along the southern route of the Eurasian Land-Bridge, connecting East and Southeast Asia to Central Asia, the Middle East, and Europe. China has taken the lead in the effort to unite the Eurasian landmass through such a “land-bridge,” and Lyndon LaRouche and *EIR* have identified this great project as the necessary centerpiece of global development to reconstruct the world’s economy. What role does Cambodia envision for itself in this project?

**Ambassador Var Huoth:** I completely agree with you that the demise of the Khmer Rouge will contribute greatly to bringing peace to all of Southeast Asia. I have noticed that the Khmer Rouge is always at the center of Cambodian politics and atrocities in Cambodia. The number of Khmer Rouge has rapidly fallen in the last years, however, from 25-30,000 at the time of the 1993 elections, to maybe 1,200 after the death of Pol Pot. The demise of the Khmer Rouge means peace, and prosperity in Cambodia. Cambodia also welcomes the project to build Asian railways and considers that this will strengthen the people-to-people relations, economic cooperation, and trade exchange in the region.

**EIR:** During China’s Cultural Revolution, Beijing gave support to the Khmer Rouge. That support ended with the peace talks in 1991. What is the state of Cambodia’s relations with China today? How do you see that relationship developing?

**Ambassador Var Huoth:** Cambodia has excellent relations with China at present. China has supported Cambodians to rebuild their country. China also provided aid and gave grants to Cambodia, when Cambodia was in need. There were several exchanges of high-level delegations between the two countries in order to develop that bilateral cooperation. Currently, most of the visitors who come to Cambodia are from China. I hope that these relations will continue to grow for the mutual interests of the two countries.

**EIR:** Cambodia was scheduled to join the Association of Southeast Asian Nations in July 1997, but membership was postponed due to the crisis. Cambodia’s joining ASEAN will complete the organization’s 30-year goal of unifying the region. What are the prospects for membership this year? What are Cambodia’s hopes, as a member of the association?

**Ambassador Var Huoth:** There are several positive indica-

tions that Cambodia will be joining the Association of Southeast Asian Nations within this year, after the general elections in Cambodia. The Royal Government of Cambodia remains committed to integrate into ASEAN. The entry into ASEAN will create favorable conditions for Cambodia to promote not only peace and cooperation with countries in the region, but also to integrate its economy into the regional and world economies.

**EIR:** The financial crisis which hit Southeast Asia beginning last summer surprised many who believed in the “globalization” process and the invincibility of the “Asian Tiger” model. Lyndon LaRouche, however, had warned that this model was based on a bubble derived from hot-money speculation and cheap exports, which could be burst at the convenience of the international financial interests. Malaysian Prime Minister Dr. Mahathir and others in Southeast Asia have said that the conditions imposed by the IMF have only made conditions worse.

How has Cambodia been affected by this crisis? To what extent has Cambodia been drawn into the discussion of the need to reform the international monetary system: the return to a Bretton Woods model of stable currency exchange rates, controlled convertibility, preferential credits for development, and penalizing speculation?

**Ambassador Var Huoth:** As part of Southeast Asia, Cambodia is not immune from the financial crisis in the region. However, the impact is not so serious as in Thailand, Indonesia, and other countries in the region. The local currency, the riel, has depreciated only 25%, but has remained broadly stable for several months, in spite of recent domestic and regional economic turbulence. One positive point to take note of is that, despite the present crisis in the region, Cambodia continues to export its home-made products abroad, equivalent to several millions of U.S. dollars per year, which is very important for us.

On the New Bretton Woods, I must say I need to learn much more about this. It seems there would be a fight to do such a thing. I do think the multilateral institutions, such as the IMF [International Monetary Fund], need to do much, much more about this crisis, however. What you say about the New Bretton Woods measures, on currency exchange, credits for production, controlling speculation, are very important. I agree we need to help nations protect their peoples, and allow them to grow.

# British prepare new operations vs. Iraq

by Muriel Mirak-Weissbach

On April 27, the United Nations Security Council is scheduled to carry out a periodical review of its sanctions against Iraq. Unless a miracle intervenes—or sanctions opponents in Russia, China, or France use their veto privileges—it is expected that the body will vote to extend the sanctions, which were imposed as a continuation of Margaret Thatcher and George Bush's Operation Desert Storm in 1990-91. Thus, the unnecessary deaths, particularly of infants, the elderly, and the chronically ill, will continue.

To fend off criticism that the sanctions are creating a humanitarian disaster, the Security Council will likely talk up its oil-for-food program, whereby Iraq is allowed to export \$5.26 billion worth of oil every six months, and to use part of the revenue to import food and medicine. The program is a cruel farce, because the lion's share of the revenue goes, through a UN-managed escrow account, to pay off reparations to Kuwait and to fund the UN's own activities in Iraq. In addition, since Iraq has not been allowed to maintain and upgrade its oil facilities, it will not be physically capable of meeting the quota.

Another ploy that is being used, to mollify public concern about the human suffering, is the highly publicized special treatment accorded to isolated sanctions victims. Thus, one four-year-old Iraqi girl afflicted with leukemia, was flown to Britain for care in mid-April. The fact that the operation had been organized by Labour Party MP George Galloway, who is one of British intelligence's leading operatives in the Arab world, should remove any doubt that this, too, is a cruel joke.

## The British strategy

What is really going on, in the cat-and-mouse game between the UN and the Iraqi government, is, however, no joke. The British, who set up the operation against Iraq in 1990, maintain their policy of sanctions in order to erode the Iraqi economy, as a means of sabotaging development in the region. British policy is to destroy Iraq, as part of a broader strategy, to foment chaos and war in the Middle East. Among the scenarios churned out by British intelligence outlets and their Israeli affiliates over the past years, are plots to overthrow the Saddam Hussein government, break up the country into three entities, and/or establish a proxy government, perhaps with Jordanian assets.

The sanctions function as a means of control over the process: To the extent the British can deploy their instruments in the UN, to provoke confrontation with the Iraqi government, they can trigger a crisis, and mobilize political support for further military actions against Baghdad. This is what happened in November 1997 and January 1998, until a political solution was worked out through UN Secretary General Kofi Annan, with the backing of President Clinton.

That crisis ended formally on Feb. 23, with an agreement giving the UN inspection teams full access to the buildings they wished to enter, including Presidential palaces. The agreement also acknowledged Iraq's concern that the discussion begin, on when the sanctions will be lifted.

The British have no intention of lifting the embargo. Rather, their intent is to maintain the status quo, in order to have a ready mechanism for starting a new crisis, whenever their strategic considerations deem it useful. At present, they may be playing the peace game, with Prime Minister Tony Blair cast in the role of mediator and host to yet another Mideast peace conference. But when that fails, the screws could very well be turned on Iraq again.

## The inspector general's report

In the late-1997 Iraq crisis, the key player for the British was Richard William Butler, chairman of the UN Special Commission on Iraq since May 1997, and head of the inspections team. Butler, an Australian, is one of the Queen's own men, a member of the Order of Australia, "for services to International Peace and Disarmament." It was Butler who issued outrageous statements to the press—rather than to the Security Council to which he should report—alleging that Iraq had the capacity to wipe out Tel Aviv, with weapons of mass destruction. The escalation toward the brink of military confrontation which followed, is known.

Once the worst had been averted, the UN inspectors were allowed back, and proceeded without hindrance to inspect the Presidential palaces. Despite the fact that the inspectors found none of the weapons of mass destruction which were supposed to be tucked away in the palaces, Butler issued a report calculated to reignite tensions. The essence of his report was that "virtually no progress in verifying disarmament has been able to be reported" over the past six months.

Iraq's Minister of Foreign Affairs, Mohamad Said al-Sahaf, left for New York on April 19, to speak before the Security Council and refute Butler's claims, which he termed "groundless, false, and erroneous conclusions." Sahaf said, "We will reply completely objectively to all the falsehoods cited in Butler's report," and reiterated that Iraq had a right to demand that the embargo be lifted.

Just prior to Butler's categorical rejection of progress on the inspections front, the International Atomic Energy Agency had determined that Iraq had presented a "full, final, and complete" account of the nuclear weapons programs

which it had had in the past. The IAEA also stated, "The agency's ongoing monitoring and verification activities carried out since October 1997 have not revealed indications of the existence in Iraq of prohibited equipment or materials or of the conduct of prohibited activity." In an interview with the German daily *Die Welt* on April 20, the IAEA General Director Mohamed Al-Baradei explained what the nuclear inspectors had done since 1991: "I think that in the last six years we have destroyed or removed all objects linked to nuclear weapons, or required for the production of nuclear weapons, including nuclear material and nuclear technical installations. On orders of the UN Security Council, and with far-reaching authority, we undertake rigorous inspections and technical verification controls in Iraq. That is, we do everything in order to make sure, that Iraq will not be able to revive its nuclear weapons program."

If the IAEA had thus determined that Iraq was not pursuing development of nuclear weapons, it would seem logical, that similar progress could be reported by the UN commission, which is charged with overseeing the elimination of biological and chemical weapons, and missiles programs. But Butler thought differently.

The IAEA bill of clean health contributed to shaping Butler's wholly negative report, and also provoked panicked responses from certain think-tankers allied to British interests. In May-June issue of the *Bulletin of the Atomic Scientists* and in a series of interviews, David Albright, of the Institute for Science and International Security, based in Washington, D.C., argued that Iraq could easily revive its program, and that the IAEA report was wrong. Albright proposed the best way to surveil Iraq's nuclear capabilities, would be to pull out its scientists! "A more effective way needs to be found to monitor the scientists from Iraq's previous program," he said. "To render that program harmless, it would be wonderful to get the key scientists out."

## The ultimate ploy

Thus, the argument presented at the Security Council meeting will be, no matter how good Iraq looks to the IAEA, plenty of scientists can testify that there are no guarantees, and, besides, "our man" Butler has a different view. The UN will likely maintain the sanctions as a result, thus keeping the option to trigger a crisis at will.

A further, more grotesque operation, has also been cooked up by British intelligence, as a means of creating the instruments for possible unorthodox military intervention into Iraq. This is the War Crimes Tribunal proposal. Immediately following the solution to the inspections crisis in February, Secretary of State Madeleine Albright, among others, issued statements to the effect that Saddam Hussein should be tried for crimes against humanity. Albright was not the author of the idea, which was first presented some years ago, in the British House of Commons. Just following the end of the inspections crisis in February, British press organs

began serializing documentaries, also broadcast on television, purporting to show that Saddam Hussein had committed such crimes.

As is frequently the procedure in such cases of British intelligence operations against sovereign governments, the "proposal" finds its way into the halls of the U.S. Congress, where it is translated into law. (This is the track pursued by Baroness Caroline Cox, of British intelligence, who has operated over four years, to testify at Congressional hearings, then force through legislation in the United States, for sanctions against Sudan.)

On March 13, 1998, the Senate passed Resolution 78, which argued that the precedent of the Nuremberg Tribunal should be revived for use today. The text states, in part, "Whereas the International Military Tribunal at Nuremberg was convened to try individuals for crimes against international law committed during World War II"; and "Whereas the Nuremberg tribunal provision which stated that 'crimes against individual law are committed by men, not by [sic] abstract entities, and only by punishing individuals who commit such crimes can the provisions of international law be enforced' is as valid today as it was in 1946," then, considering the multitude of crimes allegedly committed by Saddam Hussein (which the resolution lists in great detail), then, a new tribunal should be established, in order to make possible his being put on trial. The "crimes against humanity" listed include acts of violence against Kuwaiti citizens, firing missiles on Israel during the 1991 war, igniting Kuwait oil wells, plotting to assassinate Bush, etc. Most significant in the resolution text, is the reference among the listed crimes, to Iraq's alleged violations of UN Resolution 687. Under it, Iraq was required to "unconditionally accept" the destruction of all chemical and biological weapons, research, and manufacturing facilities.

The Senate resolution concludes that President Clinton should "1) call for the creation of a commission under the auspices of the United Nations to establish an international record of the criminal culpability of Saddam Hussein and other Iraqi officials; 2) call for the United Nations to form an international criminal tribunal for the purpose of indicting, prosecuting, and imprisoning Saddam Hussein and any other Iraqi officials who may be found responsible . . . ; and 3) . . . take steps necessary, including the reprogramming of funds, to ensure United States support for efforts to bring Saddam Hussein and other Iraqi officials to justice."

In short, the Senate resolution proposes that the United States sponsor a British operation, to establish a special tribunal for Saddam Hussein. Under those circumstances, it would not be unthinkable to mount a military operation, as was experimented against Panama's Gen. Manuel Noriega, to capture the alleged criminal. Such a scenario fits neatly into the strategic options which British intelligence has been elaborating for a radical change in the map of the Middle East and Persian Gulf.



## Iraq wants to be part of the world again

*Poul Rasmussen, head of EIR's international bureau in Copenhagen, recently visited Iraq. He was interviewed by Muriel Mirak-Weissbach.*

**EIR:** Poul, this was your first trip to Iraq. What struck you most?

**Rasmussen:** What struck me most was that the Arab world is a world with its own roots and traditions. It's an old culture, and a distinct culture. Things appear very exotic, but people relate to one another in a very warm, affectionate way. It seems to be that people talk to one another more, they socialize a lot. I never saw a situation, in which people did not talk to each other, as may be the case in the West. When you go into a store, in Baghdad, or even in the desert, you see that people greet one another; if they know each other, they embrace. This struck me.



**EIR:** What was the occasion of your visit?

**Rasmussen:** I received an invitation from the College of Administration and Economics of Baghdad University, to give a lecture on the extent and impact of the Asian crisis, and Lyndon LaRouche's proposals for a New Bretton Woods.

**EIR:** Can you tell us about this university?

**Rasmussen:** It is the Baghdad University, but the College of Administration and Economics is part of it. It has 4,700 students, of whom 300 are from foreign countries, mainly in the Arab world. There were 200 graduate and post-graduate students and faculty members who attended the lecture.

**EIR:** What was their response? Are they aware of what's going on in Asia?

**Rasmussen:** One of the tragic effects of the embargo against Iraq, is an unimaginable isolation from news about world events, an isolation I felt just being there one week. Therefore, although they were aware of the Asian financial crisis, they had not had access to any discussion of solutions or in-depth data on the extent of the crisis itself. For that reason, I had to

devote the first half of my introduction, to a blow-by-blow account of the crisis from July to the present. From there, I went into a presentation of the discussion on a reorganization of the monetary and financial system, including LaRouche's proposal for a New Bretton Woods, and the Senate Appropriations bill for convoking such a conference.

The first question was, will the process of globalization continue, after implementation of LaRouche's proposal? This led to a discussion of whether the process of globalization were good or bad. It was clear that they fear this; they are worried about it. There is a fear of what the impact of globalization will be on the Iraqi economy, after the sanctions are lifted. There is a fear, that Iraq will be negatively impacted, if they are forced to accept globalization.

**EIR:** What was your impression of the state of the Iraqi economy now, after eight years of sanctions, and how the government and the population are dealing with it?

**Rasmussen:** The effects of the sanctions are visible for anyone who visits Baghdad. Take the cars, for example. The streets of Baghdad look like an auto junkyard. The impact on individual families, which may not be so visible, is immense. People have sold anything they could, for example, the doors from their homes, heirlooms, furniture. There is a huge black market everywhere. You can find anything, like shoes, foreign-made clothing, but at horrendous prices. But what I want to stress, is how well people are dealing with this situation. They are obviously a proud people, who have taken eight years of tremendous suffering, but have held up under the strain. They have maintained their dignity, in a way that many other societies and cultures most likely would not be able to. In many ways, they had to draw upon their ancient culture. Obviously, it is a people who have been through many ordeals over the past 3,000 years, and they are clearly determined to overcome their experience with George Bush as well. This made the biggest impression on me: People are poor, but they are proud.

**EIR:** Did you note any signs of anti-Americanism? How do people react to the recent confrontation over the inspections of the UN?

**Rasmussen:** The picture of George Bush is still at the entrance of Al Rashid Hotel, so everyone steps on his face, who enters the hotel. But in none of the numerous discussions I had, or meetings I attended, was I confronted with the kind of anti-Americanism one could expect after the war and the continuing sanctions, where the United States had been cast in the role of the main adversary. There was a surprisingly sophisticated understanding of the recent confrontation which was averted at the last moment.

**EIR:** How do they view the confrontation?

**Rasmussen:** My impression was that they understood that the whole crisis in many ways was also a trap for the United States, that even in Baghdad, they could see the difference

between the Gulf War of 1990-91 and the orchestrated crisis of 1997-98. The Iraqis are definitely capable of differentiating between former President George Bush and President Bill Clinton. The question that I was constantly asked, was: When will the sanctions end? In all meetings, everywhere, this was the question: When will the sanctions end? However, what they expressed was not impotent rage; rather, after the visit of Kofi Annan, most Iraqis had the sense that there is a light at the end of the tunnel. So, the question is not asked from the standpoint of despair, but expresses the fact that they are anxious for the embargo to be lifted. Not only from the standpoint of alleviating the suffering, but Iraq wants to be part of the rest of the world again. This a clear commitment.

They are preparing themselves to deal with the economic problems of rebuilding the country after the sanctions, in a dirigistic way.

**EIR:** What do you mean, in terms of policy?

**Rasmussen:** Iraq has a substantial private sector, and it is their intention to keep it and have it grow and thrive. But they are conscious of the danger or threat, that a lifting of the sanctions in an uncontrolled manner, could ignite an explosion of imports of consumer goods. Obviously, there will be pressure, from family households who have endless lists of things that they need to have replaced or repaired; eventually all of that will be done, but they are aware of the fact that it cannot be done all at once.

**EIR:** This reminds me of what happened in eastern Germany, after the collapse of the Berlin Wall, when there was a rush into consumer goods.

**Rasmussen:** Yes, exactly, that is what it is. The Iraqis are fully conscious of this danger. So they asked the question, will they be allowed by the international community to maintain a tight control over import and export, in the transitional period. In other words, they are aware that they could be faced by pressure from international financial institutions not to maintain control over imports and exports, and son on. They are afraid of the prospect that they may go from being victims of the sanctions, to being victims of globalization.

**EIR:** What was going on with the inspections, which were proceeding while you were there?

**Rasmussen:** They all went well. The inspection teams that were staying in the hotel where I was, were treated well, there was no sign of tension. There is a clear commitment on the Iraqis' part, that they want to do whatever has to be done, to overcome this crisis.

**EIR:** How is *EIR* received in Iraq?

**Rasmussen:** *EIR* is very famous in Iraq. It is looked upon as a journal of authority. I could see from discussions with some graduate students, that *EIR* is actually an instrument of education; people study it.

**EIR:** You talked to a lot of students. What is your sense of their cultural outlook? Are they responsive? Are they attentive? Do they have problems with concentration, as students do here?

**Rasmussen:** Over all, my first encounter with Baghdad and the Iraqi people was overwhelmingly positive, but what made the biggest impression on me, was being among the students of the College of Administration and Economics. They were full of energy, it was focussed, the entire college was bustling with discussion. It reminded me of a visit I made to a university in Los Angeles in 1996, the University of Southern California, which is mainly attended by students of Asian descent. There, too, the students were focussed on thinking.

What I noted was that I could see this concentration, and thinking, simply by looking into their eyes. There was a lot of loud music and talking, but these students were very serious. I had the distinct impression, there was someone home. I was extremely grateful for the opportunity to have private meetings with a number of the graduate students. It is impressive that a country under such difficult circumstances, can produce youth and an intelligentsia of this quality. It gives a sense of hope, for the nation of Iraq, that given normal circumstances, when normal circumstances are finally reestablished, the nation will thrive and develop.

**EIR:** Did you note what specific problems students have as a result of the embargo?

**Rasmussen:** Can you imagine writing a thesis with hardly any access to any source since 1990? They have to spend a significant part of their time, which they should use for thinking and conceptualizing, in searching for sources abroad, often in vain. Requests for material remain unanswered, for example. There was no one at the university I met, who had seen the Internet. All the universities in the world are hooked up to this. At Baghdad University, they are acutely aware of the need to join the rest of the world. As would be the case of someone who had been in the desert for years, they are acutely thirsty for knowledge.

For example, I got a lot of requests from professors and students, for textbooks in English. They don't have textbooks, and would appreciate any study aids that might be contributed. The situation of the universities is a reminder, that people do not live on bread alone, but from ideas. For instance, I spoke with a member of the Baghdad Astronomical Society, and was amazed to find out that he had not heard about the finding of water at the poles of the Moon, and he could not believe his ears when I told him about it. Because he was aware of the discussion years ago of this prospect. He had not seen a single picture from the exciting Pathfinder mission to Mars last summer, and had heard absolutely nothing of the spectacular Schumaker-Levy comet encounter with the Jupiter atmosphere of 1993. But, he told me they had the most incredible pictures of the Hale-Bopp comet, which no embargo could keep out of the Iraqi desert night sky.

# Paris jet-set pushes drug legalization

by Ivès Zilli

What do right-wing neo-liberals Alain Madelin, Milton Friedman, George Soros, and French left-wing cabinet officials Environment Minister Dominique Voynet (Greens) and Dr. Bernard Kouchner (Socialists) have in common? They all back legalization of stupefying illegal drugs. Among the most active, we find Dr. Kouchner, Secretary of State for Health, former bureaucrat in the François Mitterrand government, and founder of Doctors Without Borders. He told the Dec. 2, 1997 issue of *Libération* that he backs the distribution of heroin: "I favor it; I would like to see some near-term efforts to pick it up." He also made a plea in favor of the distribution of so-called medical cannabis (marijuana): "I am speaking prudently, but obviously, there has to be some way of being able to prescribe it. For a doctor, this could be a real help."

A petition, signed by 350 people, including 111 "big names," is also causing a stir in the Paris trendy set. The initiative comes from the radical "anti-AIDS" group, ACT-UP Paris, to support its president, Philippe Mangeot, who is wanted by the 16th chamber of the Paris criminal court for breaking the public health code against presenting illegal drugs in a good light. He is charged with having written and distributed a leaflet entitled, "I Love Ecstasy," during a Sept. 14, 1997 demonstration to protest the closing of five Paris night clubs where drug consumption was common.

The signers, show-biz folk for the most part, admit in their petition to having "at one time or another" in their life "taken narcotics." "I know," states the petition, "that in publicly admitting to having used drugs, I could be charged. I take that risk." These would-be martyrs, of course, know that, since the passage of the law in 1970, no one in France has gone to prison for advocating drug use, or even been hit with heavy fines. The statement of super-star Johnny Hallyday, who confessed in *Le Monde* that he occasionally takes cocaine, "in order to work, to get the machine moving," apparently created some imitators. Jack Lang, Mitterrand's Culture Minister, sent a message of support to the president of ACT-UP.

These positions are far from making up a majority among the left wing, however. Ségolène Royal, Minister-designate for Scholastic Education, who has a long history of defending

youth against all sorts of abuse, rose up against positions which "put everything on the same plane, whereas crack, heroin, and cocaine can lead to death, and are a major cause for delinquency." She reiterated her opposition to any effort at decriminalization. In the same vein, Minister of Youth and Sports Marie-George Buffet (Communist Party), believes that "it is essential for society to set a prohibition."

What does the population think of all this? According to one poll, last December, two out of three Frenchmen opposed to any decriminalization.

## 'I Love Ecstasy'

The French Observatory for Drugs and Psychotropics has recently released two groundbreaking studies on consumers in Paris, Lille, and Bordeaux, of the hallucinogen Ecstasy (methylenedioxy-methamphetamine, or MDMA), which gives the lie to its reputation as an innocuous "love pill." The first was carried out in Lille and Paris by the Research Institute in Epidemiology and Drug Dependence (IREP), while the second was undertaken in Bordeaux by the Committee for the Study of Information on Drugs. The consumption of Ecstasy in France is constantly growing, if drug seizures are any measure: 349,000 doses in 1996, compared to 255,000 in 1994, and 13,000 in 1990.

The "Ravers-Techno-plus" group estimates that a million people are involved. The consumers are young people, well within the social mainstream. Their average age is 26.5 years, and the majority are men, singles, and those with degrees. "Since 1995, it appears, Ecstasy has become much more widely distributed, available in all social settings at a constantly dropping price (between 50 and 150 francs a pill)," says the IREP study.

France's night-life now includes high school and college students and young workers, whose first experience with Ecstasy takes place at private parties. "The first time, Ecstasy is often offered for free in the setting of a Collective Initiation" at the urging of "acquaintances or very close friends," according to the study. All told, 26% of the young "heads," take the drug two to three times a month; 21.5% four times a month, often every weekend; 62% take Ecstasy at discotheques. The fact that 61% of the people attending "raves," night-long parties with mind-numbing "techno-music" involving hundreds and even thousands of young people, doesn't bother Culture Minister Catherine Trautman, who hastened to add her support to the rave-technos. The CEID calculates that 15% of the users are heavy users of MDMA.

The health problems, psychological and/or physical, caused by these substances are numerous, and range from anxiety attacks, to insomnia, to memory loss, mental confusion, and personality disorders. One consumer stated: "With 'Ecsta,' y'always want to take it, to take it all, see—to use it up, to drink—everything to excess, so, of course, if you're on 'Ecsta' and someone offers you LSD, you're going to take it."

# International Intelligence

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## ***Northern Ireland: organizing the peace***

Leading up to the May 22 referendum election in all of Ireland, political parties, North and South, are debating the pros and cons of the April 10 "Good Friday" accord. Most significantly, on April 18, the Ulster Unionist Party's 800-person ruling council endorsed the accord by a majority, 540-210. The UUP, led by David Trimble, is the largest Unionist party in Northern Ireland.

Sinn Fein's party congress on April 18 decided to hold two weeks of constituency meetings before endorsing the accord, due to concerns that the accord does not explicitly provide for a united Ireland. It is expected to announce a party position by May 8. Sinn Fein's chief negotiator, Martin McGuinness, told the meeting that the measure of success must be whether "weakening of the British link, while defending the right of Irish men and women," will result from this accord. He noted that it creates new laws affecting the North's constitutional status, superseding the 1801 Act of Union and the Northern Ireland Constitution Act of 1973, both of which secured British usurpation of the six Ulster counties.

Addressing concerns that a united Ireland is not the end-product, McGuinness said, "There is no absolute commitment, no raft of parliamentary Acts to back up an absolute [British] claim, but only an agreement to stay until the majority decides otherwise. This is a long way from being as British as Finchley." He highlighted the change to Article 29 of the Irish Constitution mandated by the accord. "There is . . . constitutional expression for the establishment of North-South bodies which have an all-island remit."

Sinn Fein President Gerry Adams, who expects to see a united Ireland in his lifetime, added, "We've always made it clear that a united Ireland wasn't going to come out of [these negotiations], because we were the only party arguing for that." But, he concluded, "the document could open up a new, very defined phase of struggle."

Irish Prime Minister Bertie Ahern spoke to the Irish parliament, saying that the May

22 vote "will represent a concurrent act of self-determination by the people of Ireland as a whole, for the first time since 1918." He called for "a united, not a partitionist, approach."

Brid Rodgers, who led the Social Democratic Labour Party negotiations at the peace talks, toured the United States and noted, "There is a huge international goodwill abroad for what has been achieved here in Ireland. It must be harnessed and translated into economic support for the North."

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## ***Zedillo says EZLN is main paramilitary threat***

Mexico's President Ernesto Zedillo, during a visit to Venezuela, was questioned by a reporter from the Venezuelan daily *El Nacional* about "paramilitary groups" operating in Mexico. In reply, he gave an unusually sharp characterization of the Zapatista National Liberation Army (EZLN), according to the newspaper's account on April 13. "The most important grouping of this kind is the EZLN," Zedillo said. The EZLN appears to be "interested in seeing the government take recourse to repression. . . . They want to see the government repressing Indians, which would be their greatest political triumph. . . . They are betting on violence."

The EZLN was again in the international spotlight on April 15, when three Norwegian citizens were expelled from Mexico after they were caught helping Zapatista supporters set up a roadblock near San Miguel Yalchiptic, Chiapas. Mexican law prohibits foreigners from engaging in domestic politics. The Norwegians claimed that they were merely "observing" what was going on.

Of the 12 foreigners who had been kicked out of the country on April 12 for setting up an "autonomous town," two of the Spaniards involved turned out to be closely linked to the Basque separatist/terrorist group ETA. One, Julen Cobos Herasti, had been a candidate for ETA's "political" party, Herri Batasuna, in 1995.

The EZLN's tactic in its "autonomous" towns, is to prohibit all government services

(including schools and health facilities), on the grounds that the government represents repression. The *Houston Chronicle* wrote on April 5, that in one such "autonomous town," the closed school has been converted to sleeping quarters for foreigners who come in to "support" the EZLN.

President Zedillo commented on April 7, "Nobody who is genuinely on the side of the most unprotected, can block access to the health services to which they have a right. . . . No one who says that they care for Mexico, can desire a worsening of its population's health."

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## ***Ukraine's Vitrenko hit with dirty tricks***

A court in Konotop, Ukraine has attempted to annul the March 29 election victory of Dr. Natalya Vitrenko, elected to the Supreme Rada (parliament) from that district. Vitrenko, co-author with Helga Zepp-LaRouche of the "Appeal to President Clinton to Convoke a New Bretton Woods Conference," is popular in her country as the fiercest foe of the International Monetary Fund's murderous austerity policies. At the time of the court's action, an IMF delegation was in Kiev to present a package of 92 conditions, including budget cuts and increased electricity fees for the poverty-stricken population, in exchange for an IMF credit line.

The local court's ruling, based on allegations that Vitrenko had insulted her opponent during the electoral campaign, smacks of a political dirty trick by friends of the IMF. Even before the ruling, the parliament's newspaper omitted the names of Vitrenko and her colleague Volodymyr Marchenko from a published list of newly elected deputies. The Konotop decision, by cancelling all votes for their Progressive Socialist Party of Ukraine in that district, would drive the PSPU below the 4% threshold required for parliamentary representation as a bloc, and thus remove 14 other PSPU members from the Supreme Rada.

Vitrenko has appealed to a higher court, which is, however, temporarily not in ses-

**JORDAN'S** King Hussein sent a letter to Israeli Prime Minister Benjamin Netanyahu, saying that if the peace process continues to fail, he could be the "first victim," *Ha'aretz* reported. Jordanian Deputy Prime Minister Abdullah Nsour said, "His Majesty appealed to the Israeli Prime Minister in the strongest, clearest, and biggest words, that the failure of the peace process would not only endanger this side or that, but the whole area."

**THE AUSTRALIAN** government has started a program to train junior-ranking Chinese Army officers in the Australian Defense Force, the *Canberra Times* reported on April 17. A spokesman for Australian Defense Minister Ian McLachlan said that this was a way of securing contacts for the future, when these junior officers would be in positions of influence within the Chinese military.

**THE VATICAN** is putting the Inquisition on trial, according to the *Los Angeles Times* of April 17. The central archives were opened in January 1998, making approximately 4,500 volumes available to scholars. Author Richard Boudreaux writes that the Pope had to push this decision over objections from a "reluctant Vatican bureaucracy." The Pope said, "The Church has no fear of historical truth."

**JOHN GARANG'S** rebel forces are responsible for the hunger catastrophe in southern Sudan, according to the German daily *Die Welt* on April 18. "Colonel Garang's rebels have themselves contributed to the misery of the population." In January, the rebels "attacked garrisons in the south, and thereby created further refugee flows."

**AN UPROAR** was created in the parliament of the German state of Baden-Württemberg, when an MP shouted out, "Down with the Royal House of England!" The Greens were particularly incensed, defending Prince Charles as "the biggest organic farmer in the world."

sion. Sources in Kiev say that her popularity is rising since the attack on the PSPU.

*EIR* of April 24 carried a post-election interview with Dr. Vitrenko, under the headline, "Our First Goal, Is to End Ukraine's Pact with the IMF."

## ***Sculpture by Leonardo found in Tuscan church***

A long-forgotten sculpture of a standing angel, which had been kept unguarded in a small country church in Tuscany, Italy, has been identified by Carlo Pedretti, Italy's leading expert on Leonardo da Vinci, as the master's work, the *Washington Times* reported on April 21.

The polychromed, terra-cotta sculpture, previously attributed to the Florentine workshop of Andrea Verrochio, Leonardo's teacher, was discovered in the Romanesque church of San Gennaro near Pistoia, northwest of Florence. Pedretti says he is "very sure" of his identification of the sculpture as that of Leonardo, based on detailed studies of Leonardo's drawings in museum collections, and the identification of a similar terra-cotta as that of Leonardo.

## ***Iran's crisis is under control, at least for now***

The crisis which had been created around the detention of Tehran Mayor Gholam-hussein Karbaschi has subsided for the time being, since his release on April 15. In a speech to the heads of the three branches of government, as well as military and civilian leaders, the highest authority in Iran, Ayatollah Khamenei, stressed the need for "unity and solidarity" in the country, a theme picked up the following day by former President Hashemi Rafsanjani. Both leaders hinted at outside interference in the crisis.

Karbaschi is a representative of the moderate faction associated with Rafsanjani and his political movement, the Servants of Reconstruction. During the Presidential elections of May 1997, Karbaschi was the lead-

ing power campaigning for Mohammad Khatami, who won an overwhelming mandate, against the conservative Speaker of the Parliament, Nateq Nouri.

Karbaschi's case will be heard in a public trial in several weeks. He is not personally accused of embezzlement or other wrongdoing; some lower-level officials under his supervision have been accused. Press accounts stress the importance of reviewing the charges in an atmosphere of calm. Speaker of the Parliament Nouri has stressed the importance of judging the case in the spirit of "justice and the law." It is expected that the factional strife which broke out, will continue, but in a more law-abiding form, where social unrest will be avoided.

## ***Myanmar seeks U.S. help in anti-drug plan***

The government of Myanmar has told the U.S. government, that with Washington's assistance, Yangon believes it can eradicate all opium production within its national territory within five years, according to Christopher Wren, writing in the *New York Times* on April 17. Myanmar is cited as responsible for 60% of the world's opium production.

Lt. Col. Hla Min, deputy director of the Office of Strategic Studies, is quoted saying, "We think we can get rid of 60% of the heroin going into the U.S. in 12 months' time." The United States cut off all counter-narcotics assistance to Myanmar after 1988, but the latest State Department drug control report admits that the United States has no evidence of involvement of the Myanmar government in drug trafficking on an institutional basis.

A positive U.S. response to Yangon's offer would be signal of crucial collaboration with regional powers to put an end to the British permanent destabilization scenario for Asia. Not mentioned in the article is that U.S. UN Ambassador Bill Richardson had wanted to visit Yangon on his current regional tour, but could not, because of travel restrictions imposed by Yangon in response to U.S. sanctions last summer.

## As his scandals mount, it's time for Starr to go!

by Edward Spannaus

In the face of a growing body of evidence regarding gross prosecutorial misconduct by Kenneth Starr and his staff, the Whitewater independent counsel has brazenly rejected allegations of his conflicts of interest, and is now attempting to put one of the Justice Department's top cover-up artists in charge of any probe of his office.

Instead, Starr should be fired—as the Attorney General has the power to do—and a full and impartial investigation of all the misconduct by Starr and his office should be launched immediately.

Recent examples of prosecutorial misconduct which have come to light include:

- Starr's top deputy in Little Rock, Arkansas, Hickman Ewing, had undisclosed and unreported meetings with a private investigator hired by Richard Mellon Scaife to dig up dirt on President Bill Clinton.

- Starr's prosecutors are continuing to use intimidation and threats of further prosecution against Susan McDougal, in order to force her to give testimony which would support the lies of Starr's bought-and-paid-for key witness, David Hale.

- Starr has admitted that there were "FBI-supervised" meetings between Hale and agents of Mellon Scaife.

- In 1996, Starr succeeded in a motion to disqualify U.S. District Judge Henry Woods from presiding over a Whitewater case involving Arkansas Gov. Jim Guy Tucker. At the time, Judge Woods said that he was the only judge in history to be removed from a case "on the basis of newspaper accounts, magazine articles, and television transcripts." Now it turns out that the articles which Starr used against Woods, were based upon information provided by operatives of the Scaife-financed, dirt-digging "Arkansas Project."

Starr's biggest conflict of interest is not the Pepperdine

University "golden parachute" financed by Scaife; it is Starr's close association with Washington attorney Theodore Olson, who serves as counsel and a board member for the American Spectator Education Foundation, which laundered about \$2 million into investigations in Arkansas designed to gather material for anti-Clinton publications, and to create witnesses for legal actions aimed at the President. Olson even personally represented David Hale, Starr's "well-tampered" witness.

Olson also reportedly hosts a weekly "salon" at his secluded Great Falls, Virginia home, which brings Starr together with a circle of friends including *Wall Street Journal* editor Robert Bartley, *American Spectator* editor Emmett Tyrrell, and various judges and lawyers, including Olson's wife, Barbara, who is chief counsel to Rep. Dan Burton's (R-Ind.) House Government Reform and Oversight Committee.

### Starr's cover-up proposal

On April 16, Starr sent a letter to Attorney General Janet Reno, responding to the April 9 letter sent to him by Deputy Attorney General Eric Holder. Holder's letter had requested that Starr investigate witness-tampering allegations which have been made concerning witness David Hale, and further suggested that Starr may have a conflict of interest because the monies to pay Hale came from funds provided by Mellon Scaife. Holder advised Starr that the Justice Department was therefore prepared to take over the witness-tampering investigation, if Starr were to determine that he indeed does have a conflict of interest.

This was clearly a shot across Starr's bow, but Starr did not get the message. In his April 16 letter to Reno—the same letter in which Starr admitted that there had been "FBI-supervised contacts" between Hale and *American Spectator* agent Parker Dozhier—Starr brazenly asserted that it is the Justice

Department, and not he, which has a conflict of interest around the Hale witness-tampering allegations. Starr wrote that while he himself may have an *appearance* of a conflict, the Department of Justice has “multiple actual conflicts of interest” because 1) under the independent counsel law, the DOJ can’t investigate matters already being investigated by the independent counsel; 2) Hale provided information damaging to the President; and 3) the FBI-supervised contacts between Hale and Dozhier took place when the investigation was under the supervision of the Justice Department. Starr totally avoided the issue of Hale’s meetings with Dozhier and other Scaife-paid agents of the *American Spectator* which took place up between 1994 and 1996, on Starr’s watch.

Starr said that since the Justice Department can’t investigate the witness-tampering charges, his office has developed “several proposed alternate mechanisms for investigating this matter.” Although Starr’s letter doesn’t further specify what mechanisms he is proposing, it has been reported by a number of sources that Starr wants to hire Michael Shaheen, the former head of the DOJ’s internal “watchdog” unit, the Office of Professional Responsibility (OPR), to conduct the investigation.

Shaheen is a fitting choice for Starr. As the one and only head of the OPR from its creation in 1975 until his resignation last year, he was notorious for covering up prosecutorial misconduct. The OPR was known for suppressing almost all allegations of prosecutorial abuses that came before it. Most of the instances of misconduct which were cited during the recent introduction of the McDade-Murtha “Citizens Protection Act” (a bill aimed at cleaning up prosecutorial abuse), are examples of complaints which OPR never acted upon.

The OPR was featured in the January 1993 *Washington Post* series on Justice Department misconduct. The *Post* reported on a 1992 General Accounting Office report which had found the OPR “disorganized” in its investigations and record-keeping. The GAO official who conducted the audit was quoted saying that “the system they have in place could not be better for sweeping things under the rug, could not be better for hiding the outcome.” One example cited was the case of John Demjanjuk: Before the Sixth Circuit Court of Appeals reopened the Demjanjuk case—which resulted in a judicial finding of serious and willful misconduct by DOJ prosecutors—the OPR had already looked at the same allegations and had declared that there was *no* substance to them. Demjanjuk had been deported to Israel and almost executed, based on evidence which the Justice Department’s Office of Special Investigations knew was fraudulent.

Similarly, in dismissing the South Carolina “Lost Trust” cases in February 1992, U.S. District Judge Falcon Hawkins blasted the OPR for failing to disclose exculpatory evidence to the defendants.

Shaheen himself was under investigation by the DOJ Inspector General at the time of his resignation last November. Shaheen and his office were being investigated for excessive and wasteful travel expenditures, and for “abuse of authority.”

## ‘Hitman’ Ewing implicated

One of the new pieces of the Starr scandal involves Starr’s top deputy in Little Rock, the notorious W. Hickman Ewing, Jr. Ewing has now come under scrutiny in connection with Rex Armistead, the former Mississippi state police official who was hired as a private investigator by agents of Mellon Scaife.

The online magazine *Salon* had reported in late March that Armistead had been retained by a lawyer associated with the American Spectator Educational Foundation to investigate whether Clinton, as Governor of Arkansas, had ordered state law enforcement authorities to turn a blind eye to drug-running and money-laundering out of Mena, Arkansas. The Mena operation, as *EIR* has reported, was conducted as part of the Contra guns-for-drugs scheme carried out by the George Bush “secret government” operation.

In checking out this story, *EIR* learned that Armistead and Ewing have been extremely close friends for many years, and that, for a period of time, while Armistead was providing security for the Midcontinental Oil Co. in Memphis, his office was just a hop, skip, and a jump away from Ewing’s.

It was therefore not surprising when *Salon* reported on April 20 that Ewing had quietly met with Armistead a number of times since Ewing has been involved in the Whitewater investigation, and while Armistead was conducting investigations of Clinton. *Salon* also reported that some of the meetings were also attended by FBI agent Steven Irons, who was detailed to the Whitewater investigation. Irons reported all of the meetings, but Ewing apparently did not.

The Ewing-Armistead disclosures immediately fueled the Starr-Scaife witness-tampering scandal, since this was the first instance reported of a top Starr prosecutor meeting directly with agents of the Scaife-*American Spectator* operation.

*Salon* also disclosed that Armistead had been hired by Scaife to investigate the personal life and family of John Camp, a CNN reporter who had stated on CNN that drug-running allegations against Clinton around Mena airport were groundless. Among other things, Armistead obtained information from Louisiana state police officials, who had once brought a libel suit against the reporter. A copy of Armistead’s report ended up in the files of the House Banking Committee, which was supposedly investigating drug-running and money-laundering in Mena.

When *EIR* asked Starr’s Washington office about the Ewing-Armistead meetings, a spokesman for Starr said only: “Mr. Ewing had no improper contacts with Mr. Armistead.” Starr’s office would make no further comment, and when asked, declined to deny that meetings between Ewing and Armistead had taken place.

Ewing was a federal prosecutor in Memphis from 1971 to 1991, and was well known for his racist targetting of black elected officials, especially former Congressman Harold Ford. Ewing is also deeply involved with various local organizations of the so-called “religious right.”

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# National News

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## Oregon will pay for you to die, but not be cured

Oregon's Medicaid rationing program, known as the Oregon Health Plan, has voted to pay for severely ill indigent patients to commit suicide, yet it won't fund treatment for patients who are also suffering from illness-related depression. The state agency is about to fund sex-change operations for the poor, yet disabled individuals in its underfunded Health Plan and state Medical Assistance Program are regularly denied specific prescriptions ordered by their doctors.

The plan's health maintenance organizations force patients to use HMO-approved cheaper drugs, despite protests from doctors that the substitutes can harm patients with complicated medical histories. In fact, the cheaper drugs have so aggravated some patients' conditions, that the originally prescribed medications no longer work. One disabled patient told *EIR*, "It's so frustrating, I think they want us to give up and 'choose' suicide."

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## Coretta Scott King calls Ray's death a 'tragedy'

James Earl Ray, who spent 30 years seeking a trial after recanting his coerced confession in the assassination of Martin Luther King, died on April 23, of liver failure at a hospital in Nashville; Ray had been seeking a liver transplant, which Tennessee prison officials had refused. "This is a tragedy, not only for Mr. Ray and his family, but also for the entire nation," Mrs. Coretta Scott King said in a statement. "America will never have the benefit of Mr. Ray's trial, which would have produced new revelations about the assassination of Martin Luther King, Jr., as well as establish facts concerning Mr. Ray's innocence."

Mrs. King said that she will continue to press for the creation of a Truth Commission to reopen the case, with power to grant amnesty to witnesses. Ray's lawyer, William Pepper, accused Tennessee prison officials of "barbarism" in not letting Ray out of

prison so he could be with his family when he died.

The judge who presided over Ray's most recent efforts to obtain a trial, and who was then removed from the case, is quoted in wire reports as having told Cox Newspapers: "It was a flat, straight-out conspiracy, and it reaches pretty high up." Judge Joseph Brown of the Shelby County Criminal Court in Memphis said that "the record raises an inescapable inference that someone else was involved," and that the conspiracy "reaches the Federal government . . . [and] some Federal players."

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## U.S. may ban arms sales to British companies

The lead article in the Sunday *New York Times* on April 19 reported that the State Department is considering a ban on all weapons sales by U.S. arms manufacturers to British companies. The possible action stems from a European Union policy of imposing no restrictions on resales abroad of weapons purchased in the United States. U.S. law mandates that any foreign company purchasing American-made weapons must agree in writing that they will not be resold abroad without prior approval from the U.S. government. The EU declared that European companies are not bound by the U.S. requirement.

Britain is being singled out, according to the *Times*, because the U.K. government makes no data available on foreign resales, and a large number of U.S.-manufactured weapons purchased there have shown up in the hands of insurgents in the Balkans, in the Great Lakes region of Africa, in the Middle East, and with Kurdish rebels operating against Turkey.

Many American-made weapons also show up in the hands of organized crime around the world. The *Times* quoted Geraldine O'Callaghan, an analyst with British American Security Information Council, who complained, "There is a total lack of transparency, an inability to get to the bottom of anything. Even a Member of Parliament cannot find out who bought or sold what."

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## Workfare slaves replace New York hospital staff

Stanley Hill, executive director of American Federation of State, County, and Municipal Employees District Council 37, representing 120,000 municipal workers in New York City, broke from his support for workfare and denounced it as "slavery" on April 23, when Mayor Rudolph Giuliani announced the layoff of 900 hospital workers, effective May 1, whom Hill said will be replaced by workfare workers.

Unlike many union leaders, Hill has been reticent to break from Giuliani, as long as union jobs were spared. Hill has now charged that Giuliani targeted the layoffs as a reprisal against AFSCME Local 420 President James Butler, an outspoken opponent of Giuliani, who has also denounced workfare as slavery in interviews *EIR*. Hill and Butler filed suit in State Supreme Court on April 16 to block the layoffs.

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## Virginia Dems bully LaRouche delegates

Virginia Democrats in the 10th Congressional District used strongarm tactics on April 20 to prevent delegates at a Rappahannock County caucus, who were pledged to LaRouche Democrat Nancy Spannaus, from being elected to the district convention on May 30. Spannaus is the most prominent Democrat seeking to run against incumbent Frank Wolf (R), the kept Congressman of the Hunt Country bluebloods. In a statement blasting county chairman Franklin Schmit and his wife Esther, Spannaus compared their actions to those of the Mississippi Dixiecrats, who in 1964 used identical tactics to prevent African-American delegates from being recognized by the party, because they were "outsiders."

"If these tactics are not immediately repudiated by my opponents, Cornell Brooks and Tim Kapper, and the Democratic Party leadership," she said, "we are headed once again toward disgrace, and disastrous defeat."



**MAXINE WATERS** (D-Calif.) called on April 9 for the merger between Citicorp and Travelers to be halted, at least until allegations can be investigated that Citicorp helped launder drug money for Raúl Salinas, the imprisoned brother of former Mexican President Carlos Salinas.

**REP. BUD SHUSTER** (R-Pa.), chairman of the House Transportation and Infrastructure Committee, who has proposed a \$217 million highway bill, became the target of a Federal investigation, after his close ally Ann Eppard was indicted on April 9. Although he is a Republican, his support for Federal infrastructure funding has the conservative wolf-pack behind the "Get Clinton" effort howling for Shuster's head, too.

**GARY BAUER**, president of the Family Research Council and a leading spokesman for the "non-religious right," promoted Rep. Frank Wolf's (R-Va.) Freedom from Religious Persecution Act, in the April 19 *Washington Times*. The basis for Wolf's bill is black propaganda lies—primarily aimed at wrecking U.S. policy toward Sudan and China—from the British intelligence front Christian Solidarity International.

**THE PROMISEKEEPERS**, after announcing that a precipitous drop in income was forcing it to lay off 315 staffers, is now claiming it has received a windfall of donations, and will re-hire the staff, according to the *Richmond Times-Dispatch* of April 19.

**PAT ROBERTSON'S** Christian Broadcasting Network has been ordered by a Federal judge to turn over to the Federal Election Commission correspondence between CBN and Robertson's Christian Coalition. The 38 subpoenaed documents describe finance and business arrangements between the two, including the sharing of employees and assets. The FEC is probing the tax-exempt, "educational, non-partisan" Christian Coalition's efforts on behalf of GOP candidates from 1990 to 1994.

When Spannaus filed a full slate of three delegates, and two alternates, "Schmidt's apparatus proceeded to call them and pressure them into withdrawal," Spannaus said. Four of her five delegates were induced to withdraw, at which point Schmidt would have cancelled the caucus altogether, but for the "perseverance of one Spannaus delegate, who had also been contacted by Esther Schmidt and pressured by her with statements such as 'The Democratic Party has tried very hard to exclude LaRouche from the party.'"

Two of the Spannaus delegates who were pressured to withdraw were African-Americans who work in the local community. "I'm sorry. I have to work for these people," one of them told a Spannaus campaign worker.

Spannaus continued: "I am currently in the process of checking with attorneys about what action can be taken to reverse this blatant violation of the Voting Rights Act and the U.S. Constitution. Lyndon LaRouche already has a suit against former Democratic Party chair Don Fowler, which includes the Virginia State Democratic Party, because it illegally excluded LaRouche's duly elected delegates to the national convention in 1996. Now, we see a different form of the same discrimination being used in my election."

## Wieczorek tells Dems how to win back Congress

South Dakota LaRouche Democrat Ron Wieczorek, who is seeking the party's nomination to run for Congress in the November election, issued a released on April 18 telling Democrats what it would take for the party to rekindle the minds of American voters and take Congress, which they had lost in 1996 through the treachery of former chairman Don Fowler and Clinton campaign adviser "Dirty Dick" Morris. First, he said, "let Democrats, from Clinton on down, have the courage to say that there is a global financial disaster, and we will do something about it. A couple of years ago, [South Dakota's Democratic U.S. Senators] Tom Daschle and Tim Johnson stood with

the ideas of JFK who said, 'a rising tide lifts all boats,' but under the pressure of the Republicans, backed off that idea, and claim that we have a 'prosperous economy.' Well, we don't have a prosperous economy, and that is why our party didn't win the Congress in 1996."

He continued, "In August 1962, John F. Kennedy was just a few miles from here dedicating the Oahe Dam, and he said, 'Let us do something worthy to be remembered.' He spoke of the great water projects, and power grids that brought electricity to rural America. In Congress, I want to continue JFK's dream with new development projects for South Dakota, including a maglev train that crosses our state; and finally opening the entire Missouri River to barge travel with a system of locks and canals."

Wieczorek charged that his opponent, incumbent Republican Congressman John Thune "stands . . . for a 'balanced budget,' no matter how many children must go hungry, no matter how many schools and hospitals must be closed. Let no Democrat put balancing a budget before human life."

## Netanyahu mobilizes in Congress against Iran

Israeli Prime Minister Benjamin Netanyahu is continuing to rabble-rouse among Congressional Republicans, around Israeli reports that Iran possesses nuclear capabilities, even though both the Pentagon and State Department have tended to deny the reports. Reps. Jim Saxton (R-N.J.) and Bill McCollum (R-Fla.) told the April 16 *Jerusalem Post* that they believe the allegations.

Saxton, who chairs the House Task Force on Terrorism and Unconventional Warfare, fumed, "I believe that Iran already has nuclear weapons and that our policy should reflect that." McCollum, a former member of the task force, claimed that there had been mounting evidence that Iran bought parts used to make nuclear weapons from Russia and Central Asian republics. McCollum said, "U.S. policy toward Tehran must be based on the fact that Iran has already crossed the nuclear threshold."

### *Time to investigate the Kigali gang*

May 17 will mark the one-year anniversary of the taking of power in Congo-Zaire of Laurent Desire Kabila, the front man for the combination of Ugandan, Rwandan, and Burundian troops that marched through Zaire in 1996-97 to bring down the regime of President Mobutu Sese Sekou. Immediately, the United States government made known that it would be unable to support the Kabila government, unless Kabila cooperated with a probe by a United Nations investigating team into the multitude of allegations of the mass slaughter of Rwandan, Zairean, and Burundian refugees in eastern Zaire throughout the war. The figures of those refugees known to have existed in eastern Zaire, and now unaccounted for, range from 180,000 to 500,000 men, women, and children.

Now, on April 17 of this year, UN Secretary General Kofi Annan decided, according to his spokesman Fred Eckhard, "reluctantly and after full consideration of all alternatives," to withdraw the UN investigative team from Congo. "In the light of the total absence of cooperation of the Government of the Democratic Republic of Congo in allowing the investigative team to carry out its work, and following a careful assessment made by a mission sent by the Secretary General for this purpose, the Secretary General has decided to withdraw the team."

The decision follows a consistent pattern of harassment of the UN team and its witnesses in the Congo, since it arrived there in August 1997, after protracted negotiations with the Kabila regime. The latest provocation came on April 7 and 8, when Congo expelled a team member from Goma and then detained him at the Kinshasa airport. "Confidential United Nations documents in the possession of the staff member were seized, searched, and assumed to have been photocopied by the authorities, in complete disregard of the obligations of Member States under the Convention on the Privileges and Immunities of the United Nations," Eckhard said.

The exit of the investigative team will not succeed in covering up the mass death in eastern Zaire. *EIR* was the first publication in the United States to decry the genocide of refugees in eastern Zaire, and Lyndon

LaRouche's Schiller Institute was virtually the only institution in the United States in late 1996 which demanded that President Clinton initiate an emergency airlift to aid the refugees who had been militarily forced out of the camps in violation of international law.

*EIR* investigations showed that the invasion of Zaire, directed by Ugandan military dictator Yoweri Museveni, was being conducted on behalf of the British Privy Council and financial interests arrayed under the British Commonwealth, who were following in the wake of Kabila's march across Zaire, killing everything in its path, including refugees.

Subsequently, the story of the mass murders of the refugees broke in the Belgian and French press, and then, finally, on May 21, 1997, in the United States, in the *Washington Post* and *New York Times*.

Then, on July 9, 1997, a virtual confession of responsibility for the slaughters by Rwandan Defense Minister Paul Kagame appeared in the *Washington Post*. "Rwanda's powerful defense minister Paul Kagame, has acknowledged for the first time his country's key role . . . , saying that the Rwandan government planned and directed the rebellion that toppled the longtime dictator and that Rwandan troops and officers led the rebel forces," the *Post* reported. Kagame also admitted that the Rwandan Army was given a free hand to destroy the refugee camps and "scatter" their inhabitants.

Thus, it would appear that Kabila is not only covering up for himself, but also for Kagame and the Rwandan government. In this context, it is noteworthy that according to Congressional testimony, U.S. embassy officials in Rwanda—who are known to work closely with Roger Winter of the U.S. Committee on Refugees—reportedly bragged to human rights workers that they had urged Kabila not to cooperate with the UN probe, in violation of U.S. policy. Although the embassy denied the report, Winter, according to his own testimony, was put in contact with Kabila through people in the Rwandan capital of Kigali, and was with Kabila when the military assault and subsequent slaughter at the Mugungu camp were carried out in November 1996.

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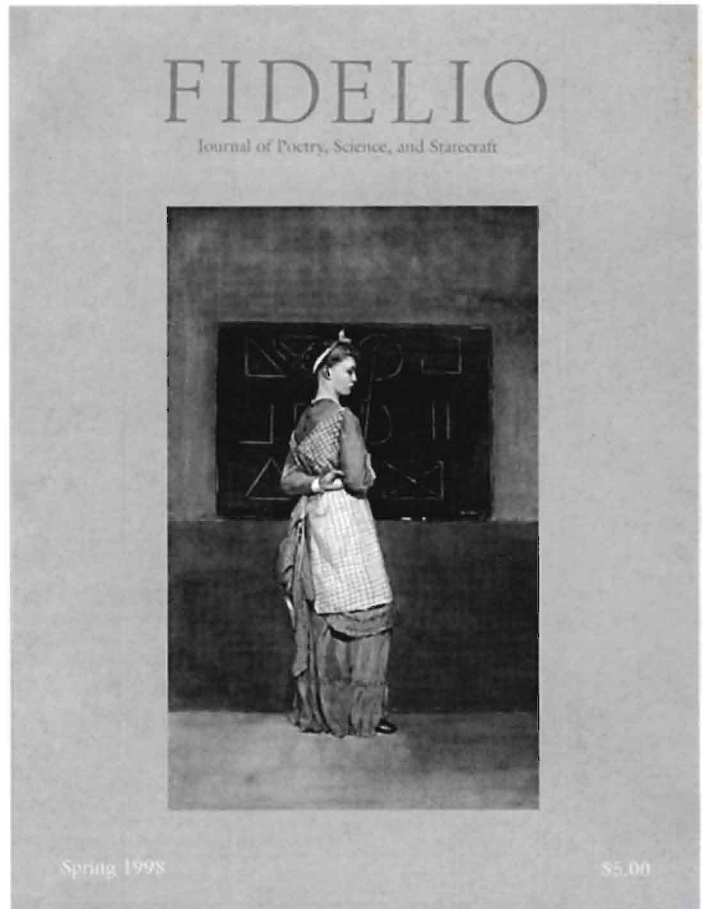
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