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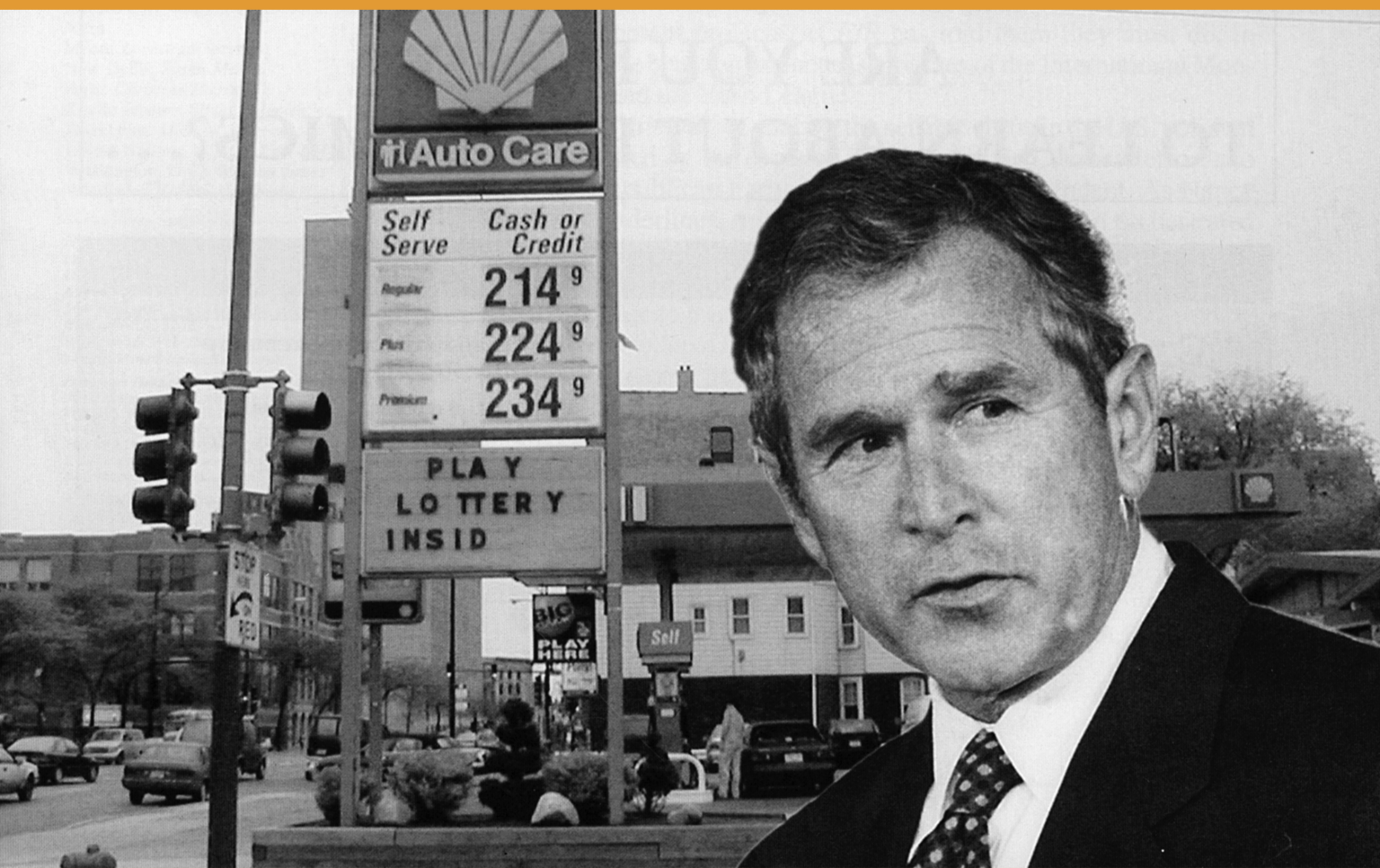
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LaRouche To Poland on Eurasia Recovery  
China Plans Maglev Rail for 'New Silk Road'  
New Senate Majority: Sign of Bigger Things

## Piracy by Bush Backers Sparks a Global Battle





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## From the Associate Editor

**A**revolt is breaking out around the world against the insane policies of the Bush Administration. Lyndon LaRouche evaluates this process, in two addresses reported in this issue: a speech before Polish parliamentarians in Warsaw, and an interview with Mexico's Radio Formula. He forecasts: "The situation is typified by the fact that the Bush Administration is not presently capable of doing anything that will succeed; everything it will do will be a terrible failure. So, with all this, a change in U.S. policy will come with a collapse of the Bush Administration in its present form. The shift of power in the Senate this past week is only an example of many things like that which are going to happen very rapidly."

In our feature package on the Global Energy Fight, we report resistance exploding practically everywhere, to the Bush League energy pirates' looting: from the U.S. Congress, to California, to Mexico, to Brazil, to the Philippines, to Armenia. This, as the latest statistics confirm a 214% increase in profits to U.S. independent oil companies in the first quarter of 2001, compared to the same time last year!

In *Economics*, nations that LaRouche has dubbed the Survivors Club continue to take major strides toward grand Eurasian infrastructure development projects, as *EIR* has told them they must do, in defiance of the bankrupt monetarist policies of the International Monetary Fund and the Bush League.

And in *National*, we analyze the seismic shifts in the U.S. political terrain, typified by the decision by Vermont Sen. James Jeffords to leave the Republican Party, and become an Independent. As Nancy Spannaus underlines, this was no fluke, but part of an orchestrated agreement behind the scenes, among national and international forces who have decided that the Bush Administration must be contained. Closely related to this, is the growing momentum being achieved by the Coalition to Save D.C. General Hospital. Seven U.S. Representatives and Senators have now signed the Coalition's resolution, or made public pledges to restore the only public hospital in the nation's capital. The focus of that battle remains the Congress, which can and must act swiftly. We urge our readers to bring the necessary pressure to bear, to win this crucial battle for the general welfare.

*Susan Welsh*

# EIR Contents

## Cover This Week

*A gas station in Chicago in May; inset, President George W. Bush, whose policies made it all possible.*



- 4 ‘Southern Flank’ in Mexico Against Bush’s Energy Cartel**  
From the United States, to Mexico, to Brazil, to Armenia, to the Philippines—all around the world—resistance is mounting to the energy pirates, the backers of President George W. Bush.
- 6 LaRouche on Mexican Radio: Willpower Needed for Recovery Program**
- 8 Fight Escalates Against Bush Energy Corruption**
- 10 Brazilian Senate Commission Hears EIR on Destruction by Foreign-Run NGOs**
- 12 EIR’s Carrasco Briefs Brazilian Senate**
- 18 Philippines Patriots Battle Against Piratization of Their Energy System**
- 21 AES Gets Run Out of Yerevan**
- 22 EIR Energy Crisis Update: Agenda for National Energy Emergency Action**

## Economics

- 24 The ‘Survivors Club’ Is Building New Silk Road**  
The group of Eurasian nations dubbed the “Survivors Club” by Lyndon LaRouche in 1998, is ever more aware of the urgency of expanding cooperation in order to counter the confrontationism of the disastrous George W. Bush Administration.
- 27 Momentum Grows for the Eurasian Corridors**
- 28 Berlin Bank Going, City Faces Collapse**
- 30 D.C. General and Berlin’s Moabit: A Tale of Two Hospitals**

## Feature

- 34 Attempt To Break Up Indonesia: British Policy of 40 Years**  
In order to understand the causes of the current potential breakup of Indonesia, it is necessary to see how the British oligarchy took control of American foreign policy, after the death of President John F. Kennedy. Michael O. Billington exposes the British hand in the coup against Indonesia’s leader of independence, President Sukarno, and shows how a faction in the U.S. foreign policy establishment, acting in the anti-colonial tradition of Franklin D. Roosevelt, tried unsuccessfully to buck the British strategic gameplan.

## International

### **46 LaRouche Appeals to Poland To Assert Its Sovereignty**

Lyndon LaRouche visited Warsaw on May 22-25, offering Poland a realistic perspective of how the self-interest and sovereignty of the country could be reestablished, in the context of international cooperation.

### **50 LaRouche Briefs Poles on Road to Recovery**

Lyndon LaRouche's speech to 13 parliamentarians in the Polish Sejm (Parliament), on May 23.

### **55 Phase-Change Toward Unity in Indonesia?**

### **57 Civil Rights Heroine Inspires Milan Youth**

### **58 Hoof and Mouth Plagues Britain's Elections**

### **60 Where Is Argentina's 'Moral Reserve'?**

### **61 India, Malaysia Pledge Broader Cooperation**

### **64 Thailand Stands Up, With Chinese Help**

## National

### **66 Jeffords's Defection Shakes Bush Administration to Core**

The Bush Administration has run into reality, just as Lyndon LaRouche said it would back in December, and the myth of its "invincibility" has been shattered.

### **68 Jeffords's Switch Means New Policy Dynamic in Senate**

### **69 Congress Showdown Looms over D.C. General**

### **70 Catania Rips Washington Post**

### **71 LaRouche Democrat Runs for New Jersey Governor** An interview with Elliot Greenspan.

### **75 Bush Solicitor General Lied to Congress**

### **76 Bush Military Policy Review Is in Chaos**

### **78 Congressional Closeup**

### **79 National News**

## Interviews

### **71 Elliot Greenspan**

The "sane Greenspan" is a LaRouche Democrat and a candidate for the Democratic gubernatorial nomination in New Jersey.

## Departments

### **80 Editorial**

"His Ideas Are Efficient to This Day."

**Photo and graphic credits:** Cover design, Alan Yue; Bush photo, EIRNS/Stuart Lewis; gas station photo, EIRNS/Sylvia Rosas Spaniola. Pages 5, 6, EIRNS/Stuart Lewis. Page 9, World Economic Development Congress. Page 13, Luciano Alves. Page 32, EIRNS/Karl-Michael Vitt. Pages 37, 57, 72, EIRNS. Pages 47, 51, 53, EIRNS/Chris Lewis. Page 64, Thai government website. Page 67, Rep. Bernie Sanders' website. Page 77, DOD/Helene Stikkel.

## ‘Southern Flank’ in Mexico Against Bush’s Energy Cartel

by Rubén Cota Meza

From May 21 through 26, Harley Schlanger, U.S. Western region spokesman for Lyndon LaRouche’s 2004 U.S. Presidential campaign, conducted a tour of the Mexican cities of Guadalajara, León, and Mexico City, where he was given widespread coverage by the media. Schlanger addressed audiences of both Federal and state congressmen, associations of businessmen and labor unionists, political groups, professors, students, and the public in general, and in every case, he strengthened his audiences’ resolve to fight the assault of the “energy pirates”—George W. Bush’s friends—who are out to loot Mexico the way they are looting California and elsewhere.

Under the theme “The Failure of Energy Deregulation in the U.S.: The Case of California,” Schlanger provided a detailed report of how the Texas friends of George Bush, owners of natural gas and electricity-generation facilities, are mercilessly looting California, and warned that the same would happen to Mexico if these “energy pirates” are allowed to take over the national electricity sector.

Schlanger explained that in 1996, the California legislature unanimously approved a law creating a deregulated market for electricity. That law established that the electricity companies should sell their generating plants to the highest bidder. Those who bought the generating plants were companies like Enron, Reliant, and Dynegy, which were already the owners of the production and distribution of natural gas, as well as of the gas pipelines. The deregulation law, which also determined that electricity was to be sold on the free market in daily auctions, became effective in April 2000. As of that date, the price per megawatt-hour, which previously had been \$35, shot up by at least ten times that amount, to an average of \$350 per MWh, although at certain points, it went as high as \$1,900 per MWh.

The distributors that buy the electricity from the generating companies immediately went bankrupt, and the state government had to enter the scene, buying up the electricity on an emergency basis, in order to keep the lights on. The California government, which until then had been operating with a fiscal surplus, was now heading toward a deficit, and was forced to slash \$3 billion from its education, health, water, and transport management budgets. In California, said Schlanger, they have created a sort of “electrical Fobaproa,” a reference that is very familiar to the Mexican public, as it alludes to the \$100 billion rescue of the privatized Mexican banking system, an amount which the Mexican government now shoulders as more debt. Despite the intervention of the California government, the first blackouts began to sweep the state on March 19 and 20, and it is expected that this Summer will see 50-70 days of blackouts, which will cause more than \$1 billion in losses.

While Californians are suffering this bloodletting, Schlanger explained, the energy cartel run by Bush’s friends has more than doubled its profits. For example, Enron, headquartered in Houston, Texas, increased its profits from \$40 billion in 1999, to \$100 billion in 2000, without any increase in the amount of electricity sold. In the face of this looting, both President Bush and Vice-President Dick Cheney have refused to establish electricity price caps on the wholesale market, because that would “interfere with the free market.” Enron has been the most important contributor of campaign funds to the electoral campaigns of the two Bush Presidencies, senior and junior. Reliant has been the second-largest contributor. This is corruption on a grand scale, concluded Schlanger.

Schlanger’s presentations included an address to the Regional Chamber of Manufacturers (Careintra) and the Graphics Industry Council, in Guadalajara. In León, in the state

of Guanajuato, he spoke to the regional Careintra there. In Mexico City, he held private meetings with legislators and other political leaders at the offices of the Chamber of Deputies, the Mexican College of Civil Engineers, and the National College of Economists.

None of those who attended Schlanger's presentations were shocked by his description of such brutal looting, all carried out in the name of "competitiveness, efficiency, and low prices." Nonetheless, many previously held assumptions were abandoned. One political leader who attended Schlanger's talk at the Chamber of Deputies in Mexico City, declared that "traditionally, we Mexicans have held an anti-U.S. attitude. It is a pleasant surprise to see that there are Americans who share our concerns and our aspirations for development."

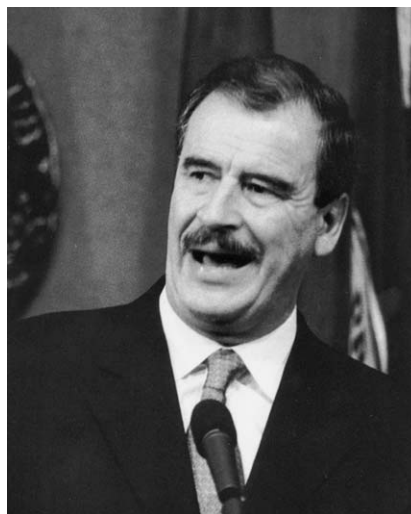
### **Fox: In Line with the World Bank and Bush**

The visit to Mexico by LaRouche's campaign spokesman, at the invitation of the Ibero-American Solidarity Movement (MSIA), intercepted the growing concerns of broad sectors of Mexico's business, political, and academic communities. They are particularly distressed over plans, recently announced by the Vicente Fox government, to change the Mexican Constitution, to permit direct foreign investment into the energy sector, and the creation of a deregulated electricity market. The previous government of Ernesto Zedillo, of the Revolutionary Institutional Party (PRI), had tried to change the Constitution in 1998, but was defeated by the Congress. Today, both the Bush Administration and the international financial institutions are demanding that the Fox Administration win that battle.

However, it will not be easy for Fox to defeat the legislature over this issue, after having lost the majority of the initiatives he has undertaken in the first six months of this government. In support of Fox, on May 22, the World Bank announced its "Integral Development Agenda" for Mexico, with more than 700 pages devoted to arguments in favor of the privatization of the country's energy sector, and of Mexico's integration into an energy common market with the United States and Canada, which is the demand of George Bush and his "energy pirates"

The World Bank recommendations were announced by Olivier Lafourcade, the bank's director for Mexico and the former boss of Mexico's Economics Secretary Luis Ernesto Derbez, at the World Bank's office for Western Africa.

Mexico needs the liberalization of its energy sector, in order to ascend to the category of "First World economy," the World Bank cynically asserts. The electricity sector alone needs an investment of \$10 billion annually over the next decade, and requires "rates that will enable it to recover costs." To facilitate this, the bank proposes dividing the Federal Electricity Commission (the state company, which for the past 40 years has generated, transmitted, and distributed electricity in virtually the entire country) into three areas: generation, transmission, and distribution. The idea would be to permit "competition" in generation and distribution. This



*Mexico's new President Vicente Fox, the great globalizer, is just in time to inherit the crises of the collapse of globalization.*

is precisely what was done to California.

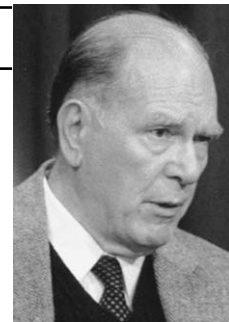
The World Bank also considers it unnecessary to maintain the monopoly of the state-run oil company, Pemex, in secondary activities, including refineries.

However, in referring to Mexico's agriculture sector, the World Bank admits that this is where the most drastic "structural reforms" have taken place over the past ten years, but where the results have been the most disappointing: stagnation and an increase in rural poverty. For this reason, the bank argues, it is necessary to liberalize the grain-producing sector.

Questioned about the World Bank's recommendations, President Fox stated that "they are very much in line with what we are contemplating." There are strategic lines "that the country must follow, in order to truly enter into a process of sustainable development." Opening up to foreign investment "in everything having to do with energy generation, is the right direction," Fox said.

At the same time, the Bush government's recently unveiled National Energy Development Policy, insists that it is the imbalance between supply and demand that defines the energy crisis in the United States, and that deregulation is not the root cause of the current disaster. To deal with this crisis, argues the Bush Administration, it is necessary to "increase the supply" of energy: oil, natural gas, and electricity. To obtain this energy, "the United States calls on the members of the World Trade Organization to open up the markets to private participation in a whole range of energy services, from exploration to the final consumer," and also "to create pro-competitive regulatory environments" in the energy sectors. What Bush seeks, is what Fox is proposing to do.

The battles lines are thus defined: Bush's energy-cartel buddies, with their armies of ideologized lackeys on the one side, and those sectors committed to meeting the general welfare of the population on the other. Harley Schlanger's tour in Mexico serves to begin forming the battalions of resistance, and to provide them with the intellectual ammunition they will require to win.



# Willpower Needed for Recovery Program

*Radio Formula's Carlos Daniluk taped a half-hour interview with Lyndon LaRouche on May 28, which was broadcast on the León, Guanajuato radio station, which is heard throughout central Mexico. Mexican President Vicente Fox is the former Governor of Guanajuato.*

**Q:** Greetings, Mr. LaRouche. How are you?

**LaRouche:** Well, I'm feeling fairly frisky. The world is very interesting. It's also dangerous, but it's interesting.

**Q:** What is the real situation that has caused this economic slowdown in the United States, and what is the direction it is headed in?

**LaRouche:** Well, it was inevitable. For 35 years, the United States has been on the wrong track. This began with the assassination of President Kennedy, and then as the Johnson Administration got into trouble, this led to the Nixon campaign of 1966-68 for President. We have generally—with a few exceptions—been going downhill ever since.

The thing that has to be understood about this, is that, in the United States, you have essentially two opposite political tendencies.

On the one side, you have what President Franklin Roosevelt called the American Tories. These are people who are very close to the British monarchy, and they have been that ever since the American Revolution, always close to the British Crown. One group is a strictly financial group, centered on Wall Street in New York City. The other, is known in Central America as the "filibusterers," or the Confederacy—the same thing. These were the supporters of the Emperor Maximilian in Mexico, for example. So, what's happened is that, since Nixon's campaign, we have shifted away from the economic policy, the traditional American policy, which Franklin Roosevelt represented, or Lincoln before him, to this American Tory tendency. And, since 1971, especially under Nixon, first, and then Carter, we have been destroying the U.S. economy, step by step, every four or five years.

So, this went through a number of generations. You had first, in 1971, the breakdown of the Bretton Woods system. We had President Carter, who was probably the worst thing we had in that whole period, which led to the crisis of 1982 in Argentina and in Mexico. Then, in 1989-90, the Anglo-

Americans decided they were going to have a world empire. And so therefore, the world as a whole has been crushed by the financial looting of this system, and we've had the political effects of that as a by-product.

**Q:** Is your New Bretton Woods proposal then—because there's been a lot of talk about the United States as the importer of last resort—for the United States to recover the productive capacity that made it hegemonic economically in the world?

**LaRouche:** The essential thing is that there's no possible way the present U.S. system, the present world system, can continue to function. It's doomed. Nothing can save it. You can save the nations, but you can not save the financial system. All the leading financial institutions of the United States are presently hopelessly bankrupt. You have the same situation in Japan, you have the same situation in continental Europe.

What you can do, is, you can put the whole world through bankruptcy reorganization. That's the only solution, which means cancelling most of the debt, especially the financial derivatives and similar debt. Most of the foreign debt of the Ibero-American nations will have to be cancelled. And then, what this New Bretton Woods means, is, going back to 1945, to the legacy of Franklin Roosevelt, to create the kind of system we had between 1945 and 1958, and continuing into the middle of the 1960s.

In other words, that means fixed exchange rates, that means capital controls, it means exchange controls, it means financial controls within and among governments. It means a protectionist policy on trade and tariffs. The best example is the Monnet Plan, the relationship between the United States and Europe during the immediate, first 15 years after World War II. There are a few differences today, but in principle, that plan, that method will work. The difference is that we have to apply it on a global scale, not just a transatlantic scale. The issue is, finding the political will to do that.

**Q:** My question, Mr. LaRouche, is: If we follow your proposal for wiping out most of the world's debt, do we then establish a credit system, to make credit available at a low, fixed-interest rate? Is this possible within the system you propose?



**LaRouche:** It's perfectly possible. The only question is, whether we have the willpower to do it or not. If we don't do it, the whole system is finished. The whole world system will collapse and disintegrate. It's a question of willpower. It's a question that people have to realize that they're in a situation for which there's nothing like it in all of modern European history.

The situation is typified by the fact that the Bush Administration is not presently capable of doing anything that will succeed; everything it will do will be a terrible failure. So, with all this, a change in U.S. policy will come with a collapse of the Bush Administration in its present form. The shift of power in the Senate this past week is only an example of many things like that which are going to happen very rapidly.

**Q:** Mr. LaRouche, this is Zaid Jaloma, the *EIR* representative in Guanajuato. I would like to ask you: What are your proposals for the immediate steps that must be taken by the United States to get out of the current crisis?

**LaRouche:** First of all, you've got to change the United States a bit, and I'm not talking about a long-term change. I'm talking about a very rapid change which is now coming on. If you listen to the U.S. reports, you don't get an accurate picture of what's going on in the United States. For example, you hear the official line that everything is going to recover. It's not true. It's all lies. We're now in a hyperinflationary phase of the financial bailout efforts of the present Bush Administration, but the variable factor here is that the financial effects, the economic effects, are terrible, they're horrible.

But change in the administration will not come in reaction to a financial situation as such. It will actually come as it did last week, with the case of the change in power in the U.S. Senate. It will come as political explosions reacting against the incompetent atrocities of the current Bush Administration.

I should explain one thing. The forces that are pushing the Bush Administration are not just U.S. internal forces. They include people from Europe and elsewhere who think the Bush Administration is crazy, and must be brought under control. If you had read the reports I've seen this past week, for example, you would see—from various editorials in certain newspapers, public statements by Republicans and others, statements by key Europeans, actions by key Europeans—that there is tremendous pressure to force the Bush Administration to change its behavior.

A good example is the totally incompetent Bush energy policy, which is going to produce a political explosion against the Bush Administration.

**Q:** In regard to what you just said, we are hearing things about what Alan Greenspan and Mr. Bush are doing. Is what they are doing favorable to the United States, or is it actually helping some other interests?

**LaRouche:** It's absolutely insane! There's absolutely no intelligent motivation behind it. There's an unintelligent motivation; I understand it very well. What you have in the United States, is a group of people who are very powerful in financial markets. They have vast so-called financial holdings, which they claim they own. Up until recently, they made super-financial profits, at the expense of the world economy. And these are people who say they would rather see the world go to hell, than they should give up their system.

And therefore, this group of fanatics—Dick Cheney, the Vice President of the United States, is one of these people—if you look at the list of major contributors to George Bush's Presidential campaign, they're the same people. This is a case of "whom the gods would destroy, they first drive mad." That is, they can not change their ways; they refuse to change their ways; they would rather be destroyed than change their ways.

**Q:** A question regarding the recent announcement by Russia, that it is going to build its portion of the Eurasian Land-Bridge. This could change the entire world dynamic. My question is, what are the implications of this? Will this change the whole financial system?

**LaRouche:** It would not, as such. It would not change the financial system, but it would be a motive for changing the financial system. You see, the only way we're going to get an economic recovery is by having, as I've said, a New Bretton Woods type of reform. But that will not spontaneously solve the problem. What we need is large-scale projects, especially infrastructure projects, which will drive a real genuine global economic recovery.

For example, take the case of Mexico. Now, Mexico has a great dependency upon exports to the United States. This is very poorly paid, in terms of Mexican labor. What happens if there's a sudden cut of 50% in exports to the United States from Mexico? It's very likely right now. So, what do we do? There's much infrastructure building which is needed in Mexico, so therefore, this is the opportunity, if you have cheap credit available, long term, to shift Mexico's labor to more emphasis on its internal infrastructure development, which will lead later to great growth of the internal economy of Mexico in the private sector.

Look at the Russian development in exactly the same context. Western Europe needs a market for its products. Russia can play a key role in taking the markets of South Asia and East Asia, opening them up, and making it possible for Eurasia as a whole to cooperate in large-scale infrastructure and other projects.

**Q:** Thank you very much, Mr. LaRouche, for this opportunity. I hope we can do a program later on, which would be a fuller program where you can explain in more detail exactly how this New Bretton Woods system would work.

**LaRouche:** It would be my pleasure. Thank you very much.

# Fight Escalates Against Bush Energy Corruption

by Marsha Freeman

If you jab at even a most docile, loyal creature long enough, he will bite back. For the past four months, Curtis Hebert, Bush's chairman of the Federal Energy Regulatory Commission (FERC) under Bush, has been under escalating political and personal attack for his agency's refusal to enforce the law, and rein in the energy speculators. On May 25, Hebert bit back at the cartels themselves, publicly attacking top Bush fixer Kenneth Lay of Enron Corp. Hebert revealed that even he, with his pro-market ideology, has been under pressure from the real controllers of Administration policy, such as Enron, who expect payback for their financial support of the Bush family, in the form of unfettered access to unlimited profits. This public spat shows the fissuring under way around the Bush Administration as its energy and other policies become objects of national scandal and anger.

Since last August, the electric utilities and regulatory agencies in the State of California have appealed to the Commission to rein in the largely Texas-based electricity and natural gas cartels that have been pillaging the economy and citizens there. As California suffered through rolling blackouts this Winter and Spring, representatives in Washington conducted a series of hearings on the crisis. A national lobbying mobilization by the LaRouche Presidential campaign in state legislatures and Congressional offices, and through demonstrations outside Enron and other Bush-aligned corporate offices, increased the pressure to act.

As Congressmen and Senators cited the obscene profits being made by the energy pirates, Hebert was grilled on FERC's refusal to cap wholesale electricity prices. Hebert stubbornly refused to curb "market-based" pricing, and corporate profits, by enforcing the Federal Power Act, which requires fair and reasonable prices. He was branded a toady of the oil, gas, and electricity cartels.

## Corruption in High Places

On May 25, the *New York Times* printed stunning revelations by Hebert, who pointed the finger Lay for trying to influence the policies of the Commission and fix other appointments of the Administration.

Hebert, whose pro-deregulation, "free markets" views are well known, revealed that Enron Chairman Lay has been pressuring FERC to move even faster and more aggressively on deregulation. Enron, which is the largest electric power marketer in the United States, wants a national deregulation program, and complete access to a compulsory, privatized

national transmission grid. Both proposals are included in the Bush National Energy Policy report, not coincidentally.

Hebert recounted that Lay called him soon after he became FERC chairman, and proposed that if Hebert and Enron could "agree on principles," Enron would support him in his new job. Hebert said that he refused the offer and "was offended" by it. The fact that Hebert refused to "play ball" may well be the reason why he is soon to be replaced as FERC chair by President Bush's recent appointee, former Texas regulator Pat Wood III.

Hebert also stepped on Lay's toes, by initiating an examination into financial "techniques" used by Wall Street and Enron, for buying and selling electricity. "One of our problems is that we do not have the expertise to truly unravel the complex arbitrage activities of a company like Enron," Hebert told the *Times*. Enron generates very little of its own power in the United States, but buys cheap and sells dear, breaking contracts and dumping customers when it cannot make a profit.

## Appointed by Enron

Lay, according to the *Times*, has also weighed in on other appointments, "interviewing" prospective Commissioners for FERC, whose rulings on pricing for wholesale natural gas and electricity will determine Enron's financial future. The *Wall Street Journal* reported on May 18 that Enron is already cozy with Bush-appointed FERC Commissioner Nora Mead Brownell, who, as a Pennsylvania regulator, helped defeat a plan that would have locked Enron out of the state's deregulated electricity market.

In addition to Lay's personal access to the President and Vice President, and his attempt to influence the personnel and policies of various government agencies, Enron moles have been placed in positions in the administration, where energy and economic policy is made. Lawrence Lindsey, the White House economic adviser, served on Enron's advisory board. The same is true of Robert Zoellick, the U.S. Trade Representative, who will play a role in negotiating energy trade deals with Mexico and other nations, attempting to steal their national patrimony for the greater good of the energy cartels.

Ken Lay and Enron's corrupt influence in the White House did not start with George W. Bush, but with his father. While the average observer may think the United States was the winner of the 1991 Gulf War, in fact it was Enron, which garnered the contracts to "rebuild" the infrastructure President Sir George Bush helped destroy, opening up numerous countries in the Middle East to Enron's investments. When George I lost his reelection bid the following year, Enron picked up former cabinet officials James Baker and Robert Mossbacher, along with their political influence and connections.

## Democrats on the Offensive

Now, President Bush, Enron, and its FERC appointees, are on the defensive, as the Democratic Party plans to take



*Kenneth Lay, energy super-profiteer of Enron Corp. and moneybags for the Bush political machine, has been determining Bush White House energy appointments. The finger was pointed, under pressure, by FERC Chairman Curtis Hebert.*

advantage of its recent elevation to majority party in the Senate, by escalating its effort to deprive energy pirates of their “right” to fleece the public. The general welfare of the population, as California Gov. Gray Davis has stressed, comes before corporate profits, no matter how much political pull the companies have with the White House.

California State Attorney General Bill Lockyear, who is planning to file civil charges against the energy cartels, put it thusly to the *Wall Street Journal*: “I would love to personally escort Lay to an 8×10 cell that he could share with a tattooed dude who says, ‘Hi, my name is Spike, honey,’ ” Lockyear has offered rewards in the hundreds of millions of dollars for information on illegal activity by wholesale suppliers.

With Democrat Jeff Bingaman (N.M.) now heading the Senate Committee on Energy and Natural Resources, Sen. Dianne Feinstein (D-Calif.) and others are increasing the pressure for legislation to force FERC to establish cost-based pricing for energy. Feinstein has already talked with incoming Government Affairs Committee Chairman Sen. Carl Levin (D-Mich.) about hearings on Hebert’s charges against Enron in the *New York Times*.

In California, Governor Davis on May 25 announced a “coordinated state legal assault to force Federal regulators to halt price gouging by energy generators.” Actions taken that day included three filings by the state’s Electricity Oversight Board, the Public Utilities Commission, and the Independent System Operator, requesting a court hearing on FERC’s proposed order to limit prices in California’s wholesale market. This proposal, described as having “more holes than Swiss cheese,” would not affect the out-of-state generators and power marketers at all, but would require a state to join a Regional Transmission Organization and lose control over its own transmission system.

Three additional filings attack FERC’s proposed price

surcharges, supposedly to pay back debt owed to the same companies that have robbed the state blind. Davis described this proposal, as “unconscionable.” The Governor called these actions “a full frontal attack on FERC’s generator-friendly policies grounded in the agency’s ideological devotion to California’s failed theory of electricity deregulation.” He added that it is time for FERC to take action “on a crisis that threatens our nation’s economy.”

On May 25, FERC was also sued by the Democratic leadership of the California Assembly and Senate, and by the city of Oakland. They assert that FERC’s refusal to limit what price the electricity wholesalers can charge California, and the rolling blackouts that result when suppliers continually withhold supplies in order to “game the market,” which thereby create artificial shortages and drive prices up, are threats to the population’s health, safety, and welfare.

When California voted its deregulation plan, back in 1996, Chairman Lay lied to the U.S. House Committee on Commerce, that “our electricity system is a relic of an earlier age. . . . It is time to bring competition to the electric business and, in the process, cut electricity rates by 30 to 40%.”

Enron has spent millions of dollars lobbying for deregulation in state houses across the nation. It has inserted its influence into policymaking on energy issues at the highest levels of government on the state and Federal level, strictly for its own gain. It has dictated economic policy to public servants in two Bush Administrations, through its financial influence.

But with national outrage at this corruption and Bush’s incompetence on energy in particular, and with LaRouche Democrats having made it an issue of national economic survival, Curtis Hebert’s decision to “bite back” may signal the beginning of the end for Ken Lay and Enron in Washington.

# Brazilian Senate Commission Hears EIR On Destruction by Foreign-Run NGOs

by Dennis Small

On May 22, *EIR*'s correspondent in Brazil, Lorenzo Carrasco, was the first witness called to testify before the Parliamentary Investigatory Commission (CPI) recently created by the Brazilian Senate to investigate the activities of the non-governmental organizations (NGOs) in Brazil.

Brazilian Congressional CPIs, as they are known, often involve more than informational hearings; they are empowered to carry out far-reaching investigations, should their members choose to do so. Leaders of the foreign-run NGOs operating in Brazil well remember, that only last year, a nationwide network of drug traffickers and their political patrons was broken up and its leaders packed off to jail, after a CPI investigation dug deeply into drug-trafficking in Brazil.

Introduced as the author of the just-published book, *The Green Mafia: Environmentalism at the Service of World Government* (he is, in reality, its co-author), Carrasco testified for four hours, during which he had the opportunity to lay out in great detail the hegemonic oligarchic strategy for which the NGOs function simply as the "shock-troops." Written in Portuguese, *The Green Mafia*, drew upon *EIR*'s long track record in exposing and combatting the oligarchy's environmentalist New World Order, he told the CPI.

"Our fight against the environmental utopia, which is nothing more than a warmed-over version of the Anglo-American oligarchy's Malthusian theses, began long ago. Thirty years ago, *EIR*'s founder, American economist Lyndon LaRouche, organized his political movement, and shortly afterward founded the magazine, as an international political force to combat the oligarchical project to plunge the world into a new Dark Age. The latter was to be achieved primarily by dismantling the post-World War II financial system, and reviving the utopia of a 'world government,' based on the old proposals of H.G. Wells and Bertrand Russell, ideologues of a rebirth of the British Empire, and on the geopolitical theories of Halford Mackinder, among others."

Carrasco situated the particular importance of the CPI's investigations into the NGOs' activities being undertaken as the world enters its gravest crisis, "characterized by the final phase of the world financial system's disintegration," on the one hand, and, on the other, "by the attempts of U.S. President

George W. Bush . . . to prop up the financial system by resorting to brute force and threats of military conflict," as seen, indeed, in "the savage pressures on Brazil to subordinate itself to the so-called Free Trade Area of the Americas (FTAA), through which the country's sovereignty would be effectively limited."

## Three Bombshells

In his opening, prepared statement (see *Documentation*), Carrasco dropped three political bombshells, which stunned the nine participating Senators, as well as the audience viewing the hearings on Senate Cable TV, which is broadcast nationally in Brazil:

1. Eighty-five percent of the financial resources of Brazilian NGOs come from *foreign* foundations, corporations, and governments—as does 51% of the budget of the Brazilian government's own Environment Ministry, Carrasco reported. "It is no mere coincidence that the same percentage of the ministry's budget is channelled to the payment of services provided by third parties or entities"—i.e., Brazilian NGOs—he noted.

The *EIR* correspondent went on to document the role of the Environment Ministry in stopping numerous energy and other infrastructure projects in Brazil, all under the guise of "protecting the environment." At that point, according to the daily *Senate Journal* of May 23, "The secretary of the CPI, Sen. Marluce Pinto (PMDB-Roraima), asked the witness to provide her with a detailed report on the resources received by the NGOs acting in Brazil. She also requested information regarding the ministry's budget, which Carrasco agreed to furnish."

2. These same foreign-funded NGOs stopped investments in hydroelectric projects in Brazil, which would have added up to 12,000 megawatts in new capacity, said Carrasco.

Brazil is currently facing an unprecedented energy crisis, as a result of a severe drought which is crippling 90% of Brazilian electricity, which is generated by hydroelectric plants. The government has announced plans to impose cutbacks of 20% on national electricity use, which was set to begin on June 1. Since the country's current capacity is

72,000 MW, every person in the Senate hearing room could quickly calculate that the NGO-sabotaged additional capacity was approximately equal to the 20% in forced cuts now politically and economically ravaging the country.

An angry Sen. Gilberto Mestrinho (PMDB-Amazonas) responded, according to the *Senate Journal*, that “with the current energy crisis, the NGOs got what they wanted: to stop the growth of Brazil.”

3. Roger W. Sant, the president of the U.S. energy giant AES — which only two weeks earlier had publicly threatened Brazil with the blackmail that it was halting \$2 billion in promised investment in energy plants in Brazil, until electricity prices were totally deregulated and allowed to rise sky-high, California-style — is also the head of the U.S. branch of the World Wide Fund for Nature (WWF). As Carrasco explained, the WWF, whose founder and honorary international president is Britain’s Prince Philip, is one of the controlling agencies directing the NGOs on behalf of “an extremely sophisticated operation, directly linked to the highest decision-making circles of the international oligarchy, organized around the leadership of the British and Dutch royal families.” Those circles are determined to stop Brazil’s development and destroy its sovereignty, he warned.

As Carrasco also reminded the Senators, the WWF had earlier this year tried to silence all opposition to its criminal policies, by filing a frivolous slander suit against the LaRouche organization in Brazil, the Ibero-American Solidarity Movement (MSIA). Caught flat-footed by Carrasco’s exposé before the Brazilian Senate’s CPI, the only response that WWF-Brazil could muster, according to *A Crítica*, a daily published out of Manaus, Amazonas, was that Carrasco was already being sued for slander — a lie, given that neither Carrasco nor *EIR* are included in the WWF’s suit.

Inside the Senate chamber, two or three Senators jumped to defend the WWF and the NGOs from the *EIR* correspondent’s withering attack, by trying to discredit *EIR* founder Lyndon LaRouche. Predictably, their questions about LaRouche’s jailing in the early 1990s, and slurs about his purported “anti-Semitism,” backfired: Carrasco was able to fully brief the Senators, and the national TV audience, on LaRouche’s unique forecast of the current global financial crisis, his proposals of how to solve it, and the reasons why the London and Wall Street financial crowd had LaRouche jailed on fraudulent charges concocted during the first Bush Administration.

## **Bush-Whacked**

The backdrop to the Carrasco testimony is an energy crisis which threatens to shatter Brazil. With a record-setting drought already forcing the government to order a 20% across-the-board cutback of electricity consumption in the most-populated three-quarters of the country from June 1 through November of this year, electricity use may be even further restricted, and the cutbacks may be extended beyond

November, if rains do not restore the water levels behind the dam reservoirs.

The impact of a sudden cut in energy usage in the Brazilian economy by one-fifth or more, is almost incalculable in its sum effect. First, is the obvious direct destruction of production. Some banks estimate that, for every 10% cut in energy, industrial production will fall by 7.7%. At that rate, even if the cuts do not go beyond 20%, Brazil is looking at a likely 15-16% plunge in industrial output, with attendant unemployment.

Squeezing already dry hydro projects for every drop of water for energy, also threatens other water-management uses, and can be expected to severely hurt agriculture, for example. This hits on top of an epidemic of hoof and mouth disease which is beginning to spread into Brazil from Argentina and Uruguay. Already, the southernmost state of Rio Grande do Sul has begun to vaccinate against the disease, and there is ill-concealed panic in the rest of the country over its expected advance.

Trying to avoid rationing by rolling blackouts, the government has adopted a crazy plan to force consumers to cut back use by imposing California-style increases in electricity prices, for those who fail to “conserve.” Households must reduce their electricity consumption by 20% from their average usage in May, June, and July 2000; industries, by 15-25%, depending on what industry they are. For now, there will be no general blackouts, and those who consume no more than 200 kilowatt-hours a month, will not pay a higher price. However, anyone consuming 201 to 500 kwh a month, will pay a 50% surcharge in their rates, and those consuming more than 500 kwh/month, a 200% surcharge. Financial incentives are offered to those who cut their consumption by more than 20%. Consumers who fail to reach the mandated cuts in July, however, will have their electricity cut off completely for three days, and repeat offenders will suffer six-day cuts!

Lawsuits against the plan have already been filed by everyone from homemaker associations to the Brazilian Lawyers Association. Labor unions, staring at mass firings, have announced protest actions. What form the social dislocations and consequent political explosions will take, cannot be predicted, but that they will occur, is a given.

Bush-linked U.S. energy giants, however, have positioned themselves to make a killing on this catastrophe. Brazil’s *Valor Economico* noted on May 28 that Enron and El Paso Energy are situated “to benefit greatly from the energy shortage ravaging Brazil,” when they start up two Brazilian thermal plants next September that will sell into the wholesale energy market. High profits from these plants are expected, *Valor* commented.

Under these circumstances, it is likely that explosions of popular rage at the devastation of their lives, may soon target these Bush-linked entities, and the Bush energy policies more broadly. It is also possible that blue-blood groups such as Prince Philip’s WWF, will also get their just deserts.

## *EIR's Carrasco Briefs* Brazilian Senate

*We publish below excerpts of the prepared statement presented on May 15, 2001, by EIR correspondent Lorenzo Carrasco, before the Brazilian Senate Commission of Inquiry investigating the role of non-governmental organizations. Subheads have been added.*

It is a great honor for me to collaborate with this Commission, to help in understanding a matter of extreme relevance to the sovereignty and territorial integrity of the Brazilian nation. Ten years ago, in August 1991, also in my capacity as a correspondent for *Executive Intelligence Review* magazine, I had the opportunity to collaborate in similar fashion with another Commission of Inquiry (CPI) in the Chamber of Deputies, which was investigating the threat of internationalization of the Brazilian Amazon. At that time, I warned about the strategic plans of certain sectors of the international oligarchic establishment, especially its Anglo-American component, to use the environmentalist-indigenist movement to impose a system of limited sovereignty on certain countries rich in natural resources, particularly Brazil.

That was during the government of George Bush Sr. in the United States, renowned internationally for the call to create a "New World Order," as he christened it, built on the ruins of a bombed-out Iraq, during the Gulf War. A short time before this, coincidentally, I had just had the opportunity to speak on this topic, at a seminar sponsored by the Command School of the Army General Staff.

What we see before us today, in the midst of a far graver global crisis, is the full implementation of the strategy I denounced ten years ago. On the one hand, that is characterized by the final phase of the world financial system's disintegration and, on the other, by the attempts of U.S. President George W. Bush, the son of the aforementioned, to prop up the financial system by resorting to brute force and threats of military conflict. One ill-disguised example of these threats is the truculent pressures on Brazil to subordinate itself to the so-called Free Trade Area of the Americas (FTAA), through which the country's sovereignty would be effectively limited.

In Brazil, *EIR's* interest in environmental issues began in 1988, when the country became a target of an intense international campaign identifying it as the planet's authentic "environmental villain number one," especially denouncing the use of fires in the Amazon, which even became the topic of cartoons in the United States. The campaign intensified at the

end of that year, after the murder of rubber workers leader Chico Mendes, the world repercussions of which, directed by an international network of environmentalist non-governmental organizations (NGOs), began to reveal the level of coordination behind the campaign, and motivated us to launch an in-depth investigation of the matter.

Our investigation revealed an extremely sophisticated operation, directly linked to the highest decision-making circles of the international oligarchy, organized around the leadership of the British and Dutch royal families. The latter, in turn, exercise direct control, both political and financial, over a vast network of NGOs belonging to the environmentalist-indigenist movement. . . .

In June 1991, *EIR* published the Portuguese-language special report *O Brasil e os Bastidores do "Ecologismo" Internacional* ("Brazil and the Interfaces of International 'Ecologism'"), which summarized our understanding of the problem at the time. Unfortunately, negotiations around the Rio-92 conference, held in Rio de Janeiro in June 1992, were such that the government gave in to the demands of the foreign-run environmentalist-indigenist apparatus, making concessions such as setting the borders of the gigantic, absurd Yanomami Indian reserve on the Brazil-Venezuela border, symbolizing that apparatus's influence in defining Brazil's public policies.

As of 1994, when we launched the weekly *EIR Scientific and Environmental Alert*, we began to continuously expose the insidious actions of the environmental-indigenist apparatus against Brazilian advanced-technology initiatives, such as the nuclear program and large infrastructure projects, especially in the areas of energy and water transportation. Opposition to water projects particularly in the central-west and Amazonian regions, stems from foreign geopolitical motives, to obstruct the emergence in South America of a vigorous food production and industrial center, capable of quickly becoming the "breadbasket of the world," as described by the great scientist Norman Borlaug, "father of the Green Revolution."

In April 1997, we published the special report "*A Grande Hidrovia*" ("The Great Waterway"), in which we exposed how the Anglo-American oligarchy and its network of NGOs acted to block the potential linking of the Amazon, Orinoco, and Plata river basins, a plan already anticipated at the end of the 18th Century by Captain-General Luiz Albuquerque de Melo e Cáceres, Governor of the province of Mato Grosso, and, later, by the famous scientist Alexander von Humboldt.

Similarly, in several articles, conferences, and public debates, we exposed the pseudo-scientific nature of the vast majority of the arguments manipulated to support the environmentalist movement, such as the distorted presentation of certain atmospheric phenomena, such as the "hole" in the ozone layer, global warming, etc. In this endeavor, we worked with real scientists, who hadn't been swayed by the sophisms of "political correctness," and never lost sight of science's



*EIR's and LaRouche's Brazil representative Lorenzo Carrasco has stirred nationalist forces in the country with his new book and his explosive testimony to the Congressional Investigative Committee on the NGOs.*

final goal, which is the permanent search for truth, and placing knowledge at the service of human happiness.

### **Environmentalism at the Service of World Government**

This effort resulted more recently in the publication of the book *Green Mafia: Environmentalism at the Service of "World Government,"* (*Máfia Verde: o Ambientalismo a Serviço do "Governo Mundial"*), whose release happily coincided, almost simultaneously, with the launching of this Commission of Inquiry. . . .

Thirty years ago, *EIR's* founder, American economist Lyndon LaRouche, organized his political movement, and shortly afterward founded the magazine, as an international political force to combat the oligarchical project to plunge the world into a new Dark Age. The latter was to be achieved primarily by dismantling the post-World War II financial system, and reviving the utopia of a "world government," based on the old proposals of H.G. Wells and Bertrand Russell, ideologues of a rebirth of the British Empire, and on the geopolitical theories of Halford Mackinder, among others.

Later, LaRouche and his movement fought the premises presented at the First World Conference on Population, held in Bucharest, Romania in 1974, and planned by the international oligarchy as a platform from which to promote Malthusianism on a world scale. During the same period, in which the Club of Rome's fallacious "limits to growth" theses ran rampant, [LaRouche's movement] exposed the real character and the intentions of the nascent environmentalist movement. These efforts coincided at that time with the vigorous Brazil-

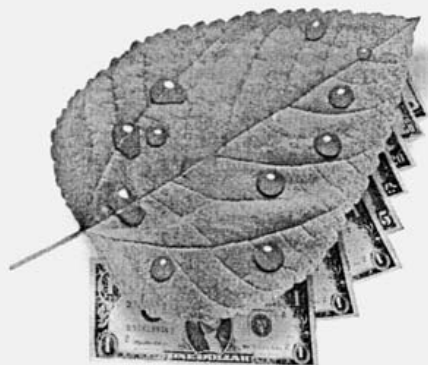
ian diplomatic opposition to this hegemonic agenda, led by individuals of the stature of Araújo Castro, Miguel Ozório de Almeida, Josué de Castro, and others. These leaders correctly insisted that the majority of environmental problems were due to a lack of development, and that the attempts to impose restrictions on underdeveloped countries, masked the intention of "freezing" world power.

### **Malthusian Plots**

At that time, there was a generalized understanding among the most cognizant of the political elites, of the real intent of the rapidly expanding international environmentalist-indigenist operation. An example of this was the forceful exposé presented to the Brazilian Congress on Feb. 12, 1968 by then-MDB party leader, and now eminent Sen. Bernardo Cabral, when he denounced the Malthusian character of such initiatives as the Hudson Institute's "Great Amazon Lakes" project, and the sterilization of Amazonian women. He said at that time that "the purpose is to create a gap, distancing that area from the country's south. The area's growth would be for foreign interests—for northern Latin America and North America, thereby separating it from the south. And that region cannot develop economically without looking toward the southern part of the country; otherwise it must submit itself to a political and economic process, directed entirely beyond Brazil. Consequently, accepting that internationalization, which is a long-held and seductive dream of foreign groups which now want, at any cost, to use the excuse of a lake for that purpose."

This entire offensive must be seen in the context of the

Cuidado com os falsos ambientalistas! Leia:



## MÁFIA VERDE

O ambientalismo a serviço do Governo Mundial



Máfia Verde foi elaborado para demonstrar que o movimento ambientalista internacional, apoiado em sua vasta rede de organizações não-governamentais (ONG's), nada tem a ver com a proteção do meio ambiente. Ao contrário, ele serve a uma hábil estratégia da oligarquia anglo-americana para obstaculizar os esforços de desenvolvimento socioeconômico em escala global, em especial dos grandes projetos de infra-estrutura no Brasil.

Este livro foi escrito pela equipe brasileira de analistas da revista Executive Intelligence Review.

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*"Protect yourself against the false environmentalists!" This is an ad for the Portuguese-language book published in Brazil by EIR, titled Green Mafia: Environmentalism in the Service of World Government.*

document produced in 1974 by the U.S. National Security Council, under the leadership of Henry Kissinger, the so-called National Security Study Memorandum No. 200, better known as NSSM-200. It established the guidelines for consolidating Malthusianism as a political doctrine of the U.S. government, particularly the use of financial resources to promote population control in countries rich in natural resources, to preserve those resources for the use of U.S. interests. The memorandum names 13 key developing-sector countries as specific targets of this strategy, among them Brazil.

The most relevant example here was Africa, where "protection of wildlife" became the ideal pretext for ensuring protection of the British Empire's colonial interests, disguised as the British Commonwealth of Nations, after many African nations became independent in the 1960s. The key organization in this process was the World Wildlife Fund [WWF, later renamed the World Wide Fund for Nature], created in 1961 by a group of European oligarchs led by Prince Philip of England and Prince Bernhard of the Netherlands, the latter a notorious militant of the Nazi Party prior to World War II. Even today, both hold prominent positions in the WWF's

hierarchy, the former as its president emeritus, and the latter as head of the so-called "1001 Club," in charge of bringing in financial support from the top layers of the international oligarchy.

As to the WWF's real intentions, I place at the Commission's disposal a report published in the Dutch environmental journal *De Groene Amsterdammer*, describing an investigation of the WWF's activities in South Africa, ordered by former President Nelson Mandela. . . . Such militancy on the part of the WWF's founders is no accident, since the environmentalist movement is nothing more than a metamorphosis of the eugenics movement, openly promoted by the highest levels of the Anglo-American oligarchy prior to World War II. In the postwar period, with the discrediting of eugenics, as a result of the Nazi atrocities committed on its behalf, oligarchic strategists directed their efforts and financial resources toward transforming the eugenics apparatus into the population control and environmentalist movements. Crucial in this process was the creation in 1948 of the International Union for the Conservation of Nature (IUCN), which might be considered the WWF's "older brother," since both had practically the same mentors and creators. Today, these make up what could be called the "General Staff" of the international environmentalist movement, which issues the policies determining the actions of the movement's principal NGOs, or "shock troops," such as Greenpeace, Friends of the Earth, Conservation International, the Environmental Defense Fund, etc.

As seen in the composition of its board of directors, the WWF is not just an organization of dilettantes. It includes members of the European and Anglo-American aristocracy, as well as top executives of some of the major multinational energy, food, raw materials, industrial, and communications companies. Of particular interest to Brazil, for example, is the fact that the founder and president of the AES energy company, Roger W. Sant, also runs the WWF's U.S. branch. Other company directors, such as Robert H. Waterman, Jr. and former U.S. Energy Secretary Hazel O'Leary, are also WWF officials. As we know, AES is actively trying to control an important portion of Brazil's energy market, hoping to take advantage of the scarcity, caused in large part by its environmentalist-indigenist partners, together with companies such as Brascan, Enron, and others. Thus, environmentalism and big business are intimately linked.

### Foreign Financing

It is worth emphasizing that the primary sources of financing for the environmentalist-indigenist NGOs are contributions from those multinational companies and oligarchic family foundations in the Northern Hemisphere (Ford, Rockefeller, MacArthur, W. Alton Jones, etc.), as well as official or semi-official financing agencies from the major powers of the Group of Seven (G-7). The most important in



the latter group are the U.S. Agency for International Development (U.S. AID), DFID (England), and CIDA (Canada).

This being the case, it's not surprising that the "agenda" of the environmentalist-indigenist apparatus is dictated by such hegemonic power centers, rather than the real interests of the Brazilian nation. This fact is admitted by leaders of the Brazilian environmentalist movement, such as former IBAMA [Brazilian Institute for Environment and Renewable Natural Resources] Eduardo Martins, who also served as a WWF director in Brazil. In an interview published in *Veja* magazine on July 2, 1998, he admitted: "Close to 85% of the funds for NGOs in Brazil come from abroad. Along with that money, comes the outline of priorities defined for each country. This causes problems. The environmental discussion sponsored by NGOs ends up dictating slogans with symbols like the lemur, the elephant, and now mahogany. Imagine if a group of European environmentalists were to meet and decide that the NGOs should support the Landless Movement (MST), because it is the new symbol in the fight for conservation. The next day, the rainforest is forgotten, and no one talks about it any more."

In a report published on Feb. 9, 1994, the same magazine confirmed the NGOs' tremendous dependence on foreigners, noting that 80% of the \$700 million moved annually by them at that time, came from foreign contributions. . . .

This dependence on foreign funds has also contaminated official agencies, such as the Ministry of Environment and the Legal Amazon. According to the Institute of Socioeconomic Studies (INESC), a Brazilian NGO linked to the international environmentalist machine, specializing in relations with Congress, 51% of the ministry's budget for this year comes from international "donations"—close to 520 million reals [more than \$230 million]. Perhaps it is no coincidence that approximately the same amount of the ministry's budget is allocated to "other services, third parties, or legal entities." This being the case, we're not surprised at how rapidly the ministry contracts the services of innumerable NGOs to perform studies and evaluations which inevitably conclude that various of the country's infrastructure projects are "environmentally unviable." If confirmed, it would be no exaggeration to affirm that the ministry is becoming a mere official conduit for funds "donated" from abroad for the NGOs linked to the international environmental apparatus . . . in practice, they function as an official obstacle to any undertaking which seeks to open new areas for development.

Thus, the investigation and registration of the funds controlled by the NGOs, and even by certain official agencies, is fundamental to the institutional alignment of entities involved with the environment, and correction of the distortions which have characterized them.

Evident in all the maneuvers is the irrational ideology underlying the actions of the environmentalist-indigenist apparatus. This is so-called biocentrism, or the notion that the

human being is only one among millions of animal species existing on the planet, without differentiated rights compared to all the others. This is outright repudiation of one of the fundamental pillars of Western Christian civilization—the notion that man is created in the image and likeness of the Creator and, therefore, can be considered His "helper" in the job of transforming nature, for the progress and Common Good of all humanity. . . .

This is the mental distortion by which the ideologues of indigenism consider the indigenous people to be inhabitants of an immense human zoo, unqualified for the ordered integration into the civilizing effort which characterizes the history of humanity.

### **Attack on Energy Projects, Waterways**

The second area in which I wish to emphasize the destructive activities of the NGOs regards infrastructure projects, where virtually all of the projects necessary for the development of the large empty spaces of national territory are being obstructed. Here, I want to show how the environmentalist-indigenist movement, which claims to defend human rights, in fact does just the opposite; that is, it destroys such fundamental human rights as progress and access to quality jobs, by aborting crucial projects to increase productivity and economic activity. Specifically, I want to discuss two areas: energy and waterways.

In terms of energy, the same network of international NGOs behind turning Chico Mendes into an international *cause célèbre*, was key in carrying out an event which launched a vast environmentalist offensive against the large projects to build hydroelectric plants in Brazil, especially in the Amazon region. This was the so-called Altamira Encounter in Pará held in February 1989, organized and financed by such NGOs as the U.S.'s National Wildlife Federation, the National Resources Defense Council, and the Environmental Defense Fund, and Brazil's Ecumenical Center for Documentation and Information (CEDI, the main arm of the World Council of Churches in Brazil), in addition to financial support from Canadian government agencies, such as CIDA. The gathering was memorialized in a picture, published around the world, of a Caiapó Indian woman waving a hunting knife in the face of a Eletronorte official. After that, all projects for building hydroelectric plants in the Amazon were practically halted, not only because of the withdrawal of financial support from agencies including the World Bank, but also because of the tightening of criteria by which the environment and interests of Indian communities were protected.

Today, the tragic consequences of abandoning hydroelectric projects in the Xingu, Araguaia, Tocantins, and Trombetas river basins, in large part on environmentalist pretexts, are there for all to see, at a time when energy scarcity will seriously limit the country's economic growth in coming years. If the 12,000 megawatts from the Belo Monte plant alone, on

the Xingu River, were available through a transmission line to the central-south region, the worst effects of the current energy crisis could be avoided.

We see here the intrinsically fascist nature of environmentalist “protection” and utopian indigenism promoted by international NGOs, and their distorted ideology which preaches “thinking globally but acting locally.” On the pretext of defending supposed local and ephemeral interests, they destroy the conditions of well-being and even survival of entire societies. Today . . . more than 260 electricity projects in the whole country are paralyzed by environmental demands. This picture could be described as truly criminal, at a time when the country is on the brink of an energy collapse.

Another display of the same absurd and insane thinking was the threat by Rio de Janeiro’s federal authorities to paralyze the operations of the Angra 2 nuclear industry, which was apparently rejected.

The sabotage of energy projects due to environmentalist criteria largely involved the collusion between the environmentalist-indigenist apparatus and multilateral lending agencies, such as the World Bank. This collusion emerged openly in the mid-1980s, through the propaganda campaign to transform Chico Mendes and the Caiapó chieftain Paulinho Paikan into international celebrities. The noisy appearances by both in Washington and other capitals, efficiently organized by NGOs such as the Environmental Defense Fund and the National Wildlife Federation, in large part provided the pretext for the World Bank to include mandatory and draconian criteria for environmental and indigenous community protection as conditions for infrastructure, and particularly energy, projects. With this, developing countries such as Brazil became hostage to the NGOs. . . .

The other infrastructure area hurt tremendously by the environmentalist-indigenist apparatus is waterway construction, crucial to the development of the interior of Brazil and South America as a whole, which provides a low-cost transportation route for the potential expansion of productive activities in the region. As I mentioned earlier, the direct goal is to stop the full development of the Cerrado region, which in coming decades could become the area of greatest agro-industrial expansion in the world. The Araguaia-Tocantins waterway in particular is a vital artery for the integration of the Amazon region with the rest of the country. From the standpoint of national security, without the development of the Cerrado region, there can be no serious defense of the Amazon.

The operation against the waterways began to take off in 1992, when the WWF led the creation of the so-called Rivers Alive Coalition, a collection of more than 200 NGOs from various countries, whose initial target was the Paraná-Paraguay waterway, then expanding to the Araguaia-Tocantins, the Teles Pires-Tapajós, and related projects. As in other cases, the campaign received direct financing from such Anglo-American foundations as W. Alton Jones and others, as

well as official agencies such as U.S. AID.

In addition to the WWF, an organization playing a crucial role in this campaign is ISA, created in 1994 by the coalition of entities which previously promoted the Altamira Encounter. Today, the ISA serves as a “consultant” for all the legal actions which have obstructed continuation of the waterway projects. . . .

### **Supranational ‘Eco-Dictatorship’**

One fundamental instrument the NGOs found to carry out their anti-development offensive is the manipulation, using environmentalist issues, of certain sectors of the state and federal agencies responsible for upholding the law. Unfortunately, this alliance has been very successful in paralyzing projects vital to national development, and which even threatens the construction of military installations, as recently occurred in Roraima.

The NGO-law enforcement alliance was described in an ISA press release, dated March 19, 2001, from which I quote: “Authorities suspend grain transport by the Araguaia-Tocantins waterway. Federal authorities in the states of Mato Grosso and Goiás, in coordination with the ISA, obtained a legal ruling embargoing the illegal transport of cargo planned for the beginning of this week in Barra do Carças. On the afternoon of Friday, March 16, Federal Judge Paulo César Alves Sodré ruled on behalf of the immediate suspension of the shipment, unloading, or transport of grains by the so-called Cargo Transfer Station in Barra do Garças, Mato Grosso. He thus halted the illegal start of grain transport activities via the Araguaia-Tocantins waterway, given that there is not yet an Environmental Impact Study approved by IBAMA. . . . The ruling was the result of coordination between representatives of law enforcement authorities in the states of Mato Grosso and Goiás and the Socio-Environmental Institute, which petitioned law enforcement authorities in Mato Grosso, related to the activities of the Xavante Indian community against the waterway.”

The ISA has a Coordination of Legal Activities division, whose purpose, according to the NGOs’ own documents, is to offer, among other services, “ISA’s legal capability to other public organizations and organized sectors of society.” This coordination is supported through foreign contributors, specifically the Ford and MacArthur Foundations, the Dutch ICCO (Inter-Ecclesiastical Organization for Cooperation and Development), and the FAFO (Norwegian Program for Indigenous Peoples).

The campaign against the new Forestry Code, proposed by Deputy Moacir Micheletto (PMDB-PR), was led by the WWF and seconded by Greenpeace and the ISA and other NGOs subordinate to it. Parenthetically, the campaign only had such huge repercussions due to the direct involvement of the media. This comes as no surprise, given that José Roberto Marinho and Pedro Sirotsky, representatives of the country’s two major communications groups, sit on the exec-

utive council of WWF-Brazil.

In this context, we face an extremely serious situation, in which a real NGO “eco-dictatorship” is being established over the country’s development potential. In this case, we see law enforcement, which was conceived of as a necessary, independent instrument to defend society’s “diffuse interests”—it was not to submit to any national political hierarchy—being manipulated by the hierarchical structure of a supranational power, which is the environmentalist-indigenist movement. It is therefore imperative to investigate how these NGOs directly interface with law enforcement sectors: to see if this is being done through seminars and courses promoted by NGOs both inside and outside the country, and how they are financed.

### **The WWF Suit Against the MSIA**

I wish to conclude this testimony with an account of . . . the suit which WWF-Brazil has initiated against the Ibero-American Solidarity Movement (MSIA), whose fortnightly newspaper, *Solidariedade Ibero-Americana*, has repeatedly exposed the NGO apparatus in Brazil and abroad. The president of the advisory board of WWF-Brazil is José Roberto Marinho. In addition, sitting on the WWF board are: Pedro Sirotsky, whose family owns one of the media networks in the south of the country; Roberto Paulo César de Andrade, of the Brascan group; Joseph Safra, of the Banco Safra; and others.

Last Jan. 19, with a restraining order issued by an appeals court in hand, WWF-Brazil succeeded in obtaining the seizure and custody of MSIA publications, supposedly “defamatory” of their activities in the leadership of environmentalist campaigns in Brazil, without the MSIA even having been notified of any court action. In the body of its complaint, WWF-Brazil asserts that “the MSIA, seeking support and recognition from Brazilian civil society, proceeded in a totally irresponsible manner to spread a series of information regarding the Plaintiff which are untrue, slanderous, and even insane.”

It should be emphasized that the request for a search and seizure order which accompanied the demand for a restraining order presented by WWF-Brazil, was initially denied by Judge Paulo Maurício Pereira, of the 24th Civil Court of Rio de Janeiro. In his ruling, the judge emphasized that “no concrete evidence is presented that the information issued by the first defendant is false or distorted, and it is also the case that they are not the only ones issuing such opinions, which summarize an entire discussion involving what nationalists call the ‘imperialist policy of the great world powers’ and ‘the policy of internationalizing the Amazon,’ matters which have for a long time been discussed in the press, including by members of the Brazilian government and military, the latter because of the duty they have to safeguard our borders and sovereignty.”

Unsatisfied with the result, WWF-Brazil filed an appeal before the 14th Civil Court of Rio de Janeiro, requesting

the decision of the first court be overturned, the which was granted by appeals court Judge Edson Scisínio, on the terms requested. The injunction also prohibits, on pain of heavy fines, the MSIA from making any critical observation about the WWF, until the merits of the slander suit are judged, the which has not happened yet. In other words, we are facing a transparent effort to limit freedom of expression and criticism, intolerable in a society which claims to be democratic.

In its Jan. 25, 2001 issue, the daily *Gazeta Mercantil* summarized the matter: “Two representatives of international civic institutions are bringing their political, ideological, and methodological differences before the Rio de Janeiro Court of Justice. . . . WWF-Brazil, led by businessman José Roberto Marinho, accuses the MSIA of damaging its good name and credibility. According to MSIA literature, the WWF is conspiring against the country’s development ‘for the purpose of rendering the Brazilian state technologically and economically inferior.’ The MSIA, formed by liberal professionals, military men, and nationalist businessmen, is inspired by the ideas of American economist Lyndon LaRouche, defender of sovereign nation-states, of rebuilding the international financial and monetary system, and of large infrastructure projects as a factor in the development of Third World countries. . . . The battle between these two organizations went on quietly, but it became intolerable after Transportation Minister Eliseu Padilha announced the suspension of the Paraná-Paraguay Waterway project, a transportation canal for the agricultural production of the center of South America. The WWF has campaigned against the waterway, alleging that it would have an unfavorable impact upon the fauna, vegetation, and population of the Mato Grosso Pantanal [one of the world’s largest swamps]. They have monitored every stage of the process. The MSIA considers completion of the project to be fundamental to the country’s economic development.”

As the newspaper suggests, what is at stake, not only in the case of the WWF versus the MSIA, but in the whole offensive of the NGOs, are two irreconcilable conceptions of development and of the responsibility of a sovereign nation-state for that development. On the one side, is the nightmarish world offered by the ideologues of environmentalism-indigenism, a world in which the human being and his or her legitimate aspirations for progress and well-being must be subjected to the dictates of an idyllic “protection of nature.” On the other, is the possibility that Brazil comes to fully assume its responsibilities in the building of a new, just economic world order upon the rubble of the present international financial system, a new order in which great infrastructure projects and the expansion of its agricultural frontiers play a fundamental role. This could hardly be done, if the NGOs and similar bodies continue to command the enormous power which they currently wield. Therefore, I believe that the work of this Commission could have crucial relevance for the immediate future of this great country.

# Philippines Patriots Battle Against Piratization of Their Energy System

by Richard Freeman and Michael Billington

The following report was prepared by *EIR* for the LaRouche Society of the Philippines, for wide distribution to the population and the political leadership of the Philippines. The Society, and a growing number of other institutions in the Philippines, are waging a fight to stop the attempted privatization and deregulation of the national energy system. President Gloria Macapagal-Arroyo, together with former President Fidel Ramos (who orchestrated the military coup in January that placed Arroyo in power) have moved rapidly to do the bidding of the actual powers behind the throne—the international financial institutions and the Anglo-American power cartels—by attempting to ram through the Congress the long-stalled Omnibus Power Bill, privatizing the National Power Company (Napocor) and deregulating the entire energy system of the Philippines.

Arroyo and Ramos decided that the failure of their candidates to sweep the May 14 Congressional elections (the results of which are still not official) has forced them to call a special session of the lame-duck Congress, with the hope that the bill could be driven through in the aftermath of the chaos surrounding the State of Rebellion declared by Arroyo following anti-government demonstrations on May 1, and before the full story on the disaster of California's deregulation is fully known to the Philippine people. This report is of interest to *EIR* readers around the world, both because the crimes of the international energy cartels are so similar everywhere, and as a model of how the LaRouche movement is bringing the international fight into each specific location around the world, as a single political campaign. The report and related material were delivered to the President of the Senate and other Senators on May 31 by a lobbying team from the LaRouche Society of the Philippines.

Bracketed clarifications and subheads have been added.

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## No to Privatization

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1. Beginning May 29, a special session of the Philippines Congress will be held to push through the Electric Power Industry Reform Act of 2001, which would deregulate the entire electric power industry. The same group of financiers and energy companies, centered under the British Crown in London and Wall Street, who deregulated the electric power

industry in the United States, are sponsoring this legislation in the Philippines.

The legislation will end the nation's primary means of control over the power industry, and turn it over to a group of thieves, like the Enron Corporation, which is a key part of the machine which has placed George W. Bush in the U.S. Presidency. As in California, they will be ready to raise rates by 50% to 500% as soon as the opportunity is created, thereby destroying industry and agriculture, shutting down hospitals and schools, and looting residential consumers of electricity, whose bills will soar. In carrying out this plan, these foreign forces are buttressed by Miralco of the Lopez family, the network of former President Fidel Ramos, and the business machine of Maurice Greenberg of AIG insurance.

As in the United States, much of the money sucked out of the Philippines through deregulation will go to propping up the financiers' international speculative financial bubble.

This is a direct assault on the national sovereignty of the Philippines. It must be stopped.

## The Current System Works

2. The current government regulation of the Philippines electric power industry, while severely undermined over the past decade, essentially works. The state-run National Power Corporation (Napocor) functions, and could expand both its generating capacity and the improvement of electricity transmission, were it not for contracts, imposed, by dictate, by former President Ramos in the early 1990s, which have permitted the looting of Napocor by the very companies and forces that are now calling for it to be "privatized."

3. The sponsors of the "Electric Power Industry Reform Act of 2001," have incorporated many of the same features as the law which deregulated the electric energy sector in California. The Act would auction off sections of Napocor's 19,000 kilometer transmission lines to "concessionaires," break up and sell off Napocor's electric-generating capacity to these same bandits, and set up a "Wholesale Electricity Spot Market," where speculators will bid up the price of electricity to whatever price they desire, something that could not be done through the present regulated system.

4. The private corporate looters try to throw up a smoke-screen, saying that they are for "free markets," and will lower prices by 27%. These same deceitful statements were made to get California to pass energy deregulation in 1996. Since

late 1999, once they controlled the flows of energy, these looters have charged whatever they could squeeze out: They have raised energy prices by more than 1,000% at the wholesale level, and thus far, more than 45% at the retail level. There are almost daily brownouts in different sections of California.

In the Philippines, as in California, the looters will say anything to get their legislation through. They know that the International Monetary Fund [IMF] bankers have stated that unless the Congress bows down and passes the energy deregulation bill, the IMF, the World Bank, and the ADB [Asian Development Bank] will withhold loans to the Philippines. These are the same IMF bankers whose demands and conditionalities have brought havoc upon the Philippines, South Korea, Indonesia, and other developing nations, especially since the speculative attack on the Asian economies in 1997-98.

5. The story of how this network of pirates has worked to destroy the Philippines' energy grid, through thievery, and has wrecked the energy system of California, as well as of countries such as Brazil, shows how dangerous their current plans are.

6. The Marcos government [in the 1970s] wanted to build 8 to 12 nuclear power plants, on contract with Westinghouse Electric. This was blocked, as part of the process of the overthrow of the Marcos Administration. The only plant which was nearly completed, a 1,400 megawatt plant located in Bataan, was shut down by the Aquino government [installed after the 1986 overthrow of Marcos—also orchestrated by Ramos]. If the Marcos plan had been implemented, the Philippines would have had sufficient energy, so that it would not have been forced into the sweetheart deals later concluded by President Ramos with the power producers.

Under President Corazon Aquino, no new energy generating capacity was added.

### **Ramos Given Emergency Powers**

Nine months after Ramos became President in June 1992, under pressure of (possibly contrived) energy shortages and threats from the IMF and World Bank, the Congress granted Ramos emergency powers to deal with the energy crisis. The President was authorized to exempt private power projects from public bidding, grant 100% foreign ownership, revamp Napocor, override a Supreme Court decision preventing the raising of energy prices, and grant virtually any other conditions demanded by the foreign energy producers. He did exactly that.

Under the emergency powers, President Ramos instructed Napocor to sign deals with private providers of electricity, called independent power producers, or IPPs. The deals stipulated that Napocor must purchase a fixed quota of electricity from the IPPs every year, at a fixed price, whether the electricity was needed or not. This was justified by projections that the demand for energy would rise dramatically in the future, projections that were grossly exaggerated.

Dozens of IPPs were constructed under these conditions.

The plan was hailed by the financiers, and singled out in reports by the World Bank and the ADB, as models for all of Asia and the entire underdeveloped world. Rahul Khullar of the ADB enthused that the difference between these power contracts and such projects as toll roads, is that "the government is not able to guarantee road users will be willing to pay the going tariff rates. For power, on the other hand, such risks do not exist. The government can simply pledge to buy a certain quota in advance." The added benefits, he said, according to the Oct. 2, 1995 London *Financial Times*, were that the IPPs were "eligible for tax holidays, the right to import capital equipment duty free, and government-backed foreign exchange guarantees."

7. To see the results of this scam, we need only read a *Financial Times* article published in the Dec. 16, 1999 issue of *AsiaWeek*: "The IPP deals were made in the early 1990s, when the country was desperate for generating capacity amid blackouts of as long as 12 hours a day. At the time, the government of Fidel Ramos got emergency authority to negotiate power contracts without bothering with cumbersome bidding and review.

"The projects were approved based on demand forecasts that have now proven excessive. 'The anticipated growth [in demand] did not happen because of the Asian Crisis,' says Secretary Tiaoqui. 'Instead there was a decline.' (Similarly in Hong Kong, the government had authorized capacity expansion by CLP, one of the country's two power utilities, only to see consumption drop and consumers get hit with nearly \$440 million in excess charges.) Eventually, the NPC (Napocor) or its future owners may have to negotiate lower fees or purchases. It now buys 48% of its power from private suppliers at about 6.5¢ a kilowatt-hour [kwh]—some 20% more than what Meralco (the private energy company owned by the Lopez interests) pays its IPPs. Plus the NPC uses only half the electricity it buys, at a cost of \$1.1 billion a year. That's an annual loss of some \$550 million."

### **Napocor Would Have Been Profitable**

The *AsiaWeek* article also reported: "Last year [1998] the company . . . lost \$90 million on revenues of \$2.45 billion, mainly due to having to buy IPP power. For this year's red ink, it has to borrow \$170 million from the government."

But if the \$550 million payoff to the IPPs is taken into consideration, Napocor actually had a \$380 million surplus, rather than a \$170 million loss!

Thus, while Napocor is being privatized under the excuse that it is losing money, and would be more efficient and profitable under private, deregulated ownership, the fact is, that Napocor actually would be profitable, were it not for this theft, brought about through the collusion of the same government and private concerns which are now demanding full privatization and deregulation.

But, there is more. Let us look at the \$550 million that NPC paid to the IPPs, and for which it actually got electricity in return. As we saw, Napocor paid for this electricity at 6.5¢

per kilowatt-hour, which is 20% more than private company Meralco paid for its electricity from the IPPs. Thus, Napocor overpaid 20% for the \$550 million worth of electricity it received, an overcharge of \$110 million on that account.

Napocor therefore paid \$550 million in overcharge for electricity it did not receive, and \$110 million in overcharge for electricity it did receive, a total overcharge of \$660 million to the people of the Philippines.

If we return to the above example, in 1999, were it not for the \$660 million overcharge, Napocor would have had a \$490 million surplus, money that could have gone for new power plants, transmission lines, and improved maintenance. There is more, but the point is established.

8. There is also the question of what to do with the "Stranded Debt Costs," which are placed at approximately \$5.4 billion, but could be twice that amount. These are the "unpaid obligations" which Napocor has not recouped by charging higher rates. These costs, fully the result of theft through collusion, are to be gouged from the population, either through taxes, higher energy costs, or, as proposed by Energy Secretary Camacho, through the use of royalties from the huge Malampaya gas fields being developed by Shell and Texaco—i.e., by giving away the nation's patrimony to the thieves, foreign and domestic.

9. Over the years since the 1993 Ramos emergency measures, the cumulative amount of loot that these forces took out of Napocor totalled an estimated \$2.5-\$4 billion, if not more. Energy deregulation would now come back for more.

In 1993-94, these same international financiers pushed through other coordinated measures to make the Philippines more amenable to their looting: measures that restructured/liberalized the central bank, including the elimination of exchange controls which stood in the way of speculators, and a measure to privatize the water system, which has proven to be a disaster.

They are now planning to increase the damage they have already done.

### **The Lessons of California and Brazil**

10. In California, the same forces have savaged the economy. First, they promised that they would create competition that would lower prices. In 1999, the long-term price that a utility in California paid for electricity was \$35 per megawatt-hour (MWh). Companies such as Enron, Reliant Energy, etc. many of them owned by the Bush backers of the Macapagal-Arroyo/Ramos government, bid up the price of electricity on the California Electricity Spot Market, the same spot market they want to set up in the Philippines. They drove up the average price to \$510 per MWh, far more than a 1,000% price increase. The electricity retail prices have been increased by 46% so far.

California produces 10.2% of America's manufacturing output, and a huge amount of America's agricultural output, including 100% of its prunes, olives, pistachios, and walnuts; 97% of its grapes; 91% of its broccoli; 90% of its processed

tomatoes; 77% of its lettuce; 66% of its carrots; and so forth. Both its manufacturing and its irrigated agriculture are highly energy intensive, and the energy thieves' manipulated price hikes are hitting them very hard.

The Philippines' "Power Reform Bill" replicates all the key destructive features of what was done in California.

11. The global nature of the energy crisis is evident everywhere. One dramatic example is Brazil, where the government has imposed draconian energy rationing, with penalties on those who fail to comply. The crisis is blamed on a severe drought, but the drought would have been a manageable problem if the country's energy potential had not been sabotaged by a process that included the following: privatization of distribution lines, leading to a delivery system inadequate to move available hydroelectric energy to the cities; the role of the World Wildlife Fund and other radical environmentalist bodies in stopping the development of the hydroelectric potential in the Amazon region; and IMF conditions on the budget, which prevented investment by either the central government or the states in producing new power facilities.

### **Overturning Deregulation**

12. The obvious failure of the privatization and deregulation policies in the United States and around the world have brought the ideas of Lyndon LaRouche to the forefront. In states across the United States, legislators are introducing bills to stop energy deregulation, or to re-regulate where deregulation has already been passed. California Gov. Gray Davis (D) is now demanding not only that the price gouging be stopped, but also that the Texas-based companies responsible for the theft be criminally prosecuted. With the Senate now being run by a Democratic majority, the issue of overturning the Bush "free market" energy lunacy will move to the top of the agenda.

In the city of Düsseldorf, Germany, a referendum was placed on the ballot to stop a deregulation plan passed by the corrupt local government, and the referendum passed by a 90% majority. In Mexico, efforts to deregulate are being countered by friends from across the border, warning them of the realities of deregulation as demonstrated in California. Similar moves are afoot around the world.

13. This international movement provides the necessary opening to fight the forces that are destroying the Philippines economy, and the world economy. By placing the issue of the General Welfare of the population, as spelled out in the U.S. Constitution, above that of the "shareholder value" of a select financial oligarchy, LaRouche has initiated an international alliance of forces committed to putting the world financial system through bankruptcy proceedings, and creating a New Bretton Woods financial-monetary system. The pivot of this policy is the "Great Projects" approach to the development of the vast Eurasian continent, through rail-centered development corridors connecting Europe and Asia. This, and not subservience to international pirates, can provide a future for the Philippines in keeping with the aspirations of its citizens.

# AES Gets Run Out Of Yerevan

by Hovhannes Galajian

*This article originally appeared in mid-May in the Armenian newspaper Iravunk, under the title, “When National Interests Are Upheld, the Colonialists Retreat.”*

Everybody expected that AES Silk Road, the special daughter company of Virginia-based AES for acquisitions in the Transcaucasus and Central Asia, would become owner of a majority stake in four electricity distribution networks, comprising the bulk of Armenia’s power grid, after competitive bidding on April 21. It didn’t happen, however, because no tenders were submitted at the appointed time.

Naturally, the majority of the population received this news with satisfaction. But the attitude of the authorities was not the same; or, perhaps, the Prime Minister’s extremely convoluted explanation of the matter was incomprehensible to the people. It is worth mentioning that Tigran Naghdalian, the public television personality who was one of the main official boosters of the deal, made a half-threatening prediction that in the future, we ourselves will be begging to sell the power networks as scrap. At the same time, he remarked that these transmission lines are the best in the CIS [Commonwealth of Independent States] countries.

This latter acknowledgment, made after the great shock of the failed auction, is very important, because for months, the authorities were trying to assure the population that the only solution for the power grid would be privatization, as our networks were already rotten. The fact of our grid’s being the best in the CIS was also mentioned on April 23, at the press conference given by some members of the government — Justice Minister David Harutunian, Vice Minister of Energy Areg Galstian, chairman of the Parliament’s Committee on Finance and Economics Gagik Minasian, and Vice President of the Power Commission Nikolai Grigorian. All of these speakers blamed Ukraine for the failure of our tender (the Ukrainians having recently privatized their grid). At the same time, they said that the failure had been “an important experience” for them. That makes clear, of course, that previous major privatizations, such as the privatization of Armenia’s cognac plant, were done *without* benefit of experience!

There is no doubt that AES had reason to back out of the deal. The population did not like the idea of privatization. And, when the members of Parliament were forced to vote on the privatization, it caused a crisis in the parliamentary majority. Certainly, state propaganda also played its role, the

main emphasis of which was to claim that the grid was in a bad state and was being looted by current management, against which the government was powerless. Of course, everybody would like to buy high-quality goods, and everybody would wish to have their rights protected against various sorts of robbers. Thus, the mass media propaganda, backfiring, had a certain negative effect on AES Silk Road.

## Interests of the State

But the most important thing is the following: Thanks to concerted efforts by some political forces, a special law was passed, which takes into account the interests of the state. Thirty political parties and public organizations, and at least one-third of the members of Parliament, came out strongly against the privatization as a threat to the national security. On the eve of the tender, thousands demonstrated in downtown Yerevan against the sale. Moreover, unlike with previous privatizations, a special committee was formed this time, charged with making sure that at least the minimum requirements of our nation were taken into account.

The negotiations had to do mainly with the distribution networks, but AES wanted also to get control over the power-generating companies, and over import and export of the electricity. This was rejected, which may have been yet another reason for AES Silk Road, and the international financial organizations supporting it, to back out of the deal.

It goes without saying, that the failure of this deal will greatly affect the position of Prime Minister Andranik Margarian. Now, President Robert Kocharian has the opportunity to dismiss him at any time, invoking the decrease in anticipated budget revenues, which would have accrued from privatization of the electricity networks. The Prime Minister, in turn, will be obliged either to force the shadow economy to pay taxes, or to try to force the Parliament to reconsider and accept the issue of privatization.

The organizers of the above-mentioned press conference on energy, did not exclude the possibility of such reconsideration. Only there are a few “buts.” For one thing, it is not pleasant for elected deputies to become the enemies of the population. Moreover, we have already seen how Russia was increasing pressure for the collection of Armenia’s debts for natural gas deliveries, one reason for which pressure was the pending Armenian deal with AES on the sale of the electricity grid. Earlier this year, for example, after Russian Gazprom’s subsidiary Itera was excluded from bidding for the electricity grid, Russia reportedly shifted to seeking a 50% stake in the Medzamor nuclear power station, in exchange for writing off Armenia’s gas debts. With the failure of the sale of the networks in the first round, there would have to be 60 days before a second attempted tender, and it is evident that Moscow would take steps to get into the act again — likely with a new attempt to bid for the electricity networks. [As of May 24, the Armenian government announced its intention to try again to sell the distribution networks, in November 2001. — ed.]

# Agenda for National Energy Emergency Action

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## I. Senate Changeover June 5

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With the new Democratic Senate Majority, the Senate Energy Committee Chairman will be Jeff Bingaman (D-N.M.), replacing Alaska Sen. Frank Murkowski. Before taking chairmanship June 5, Bingaman announced he would give an energy briefing in Washington at the Energy Newsmakers Breakfast (sponsored by *Energy Daily*).

Sen. Carl Levin (D-Mich.), the incoming head of the Senate Permanent Subcommittee on Investigations, announced before taking over the Committee, that he will investigate whether recent oil industry mergers have lessened competition, and led to gasoline price hikes. He has already asked the General Accounting Office, a Congressional investigating arm, to under-

take an independent probe. Recent mergers combined Exxon and Mobil Corp., Chevron and Texaco, British Petroleum and Amoco; and Tosco Corp. is about to merge with Phillips Petroleum Co. *EIR*'s analysis on the mergers' relationship to higher gas prices has circulated widely in Washington.

Senator Levin said, "The oil companies need to explain why gas prices have increased so dramatically, given that there has been no comparable increase in the per-barrel cost of oil to them."

What about Enron? On May 25, California Sen. Dianne Feinstein (D) contacted Levin to ask for hearings specifically on the new charges made in the May 25 *New York Times* by Federal Energy Regulatory

Commission (FERC) Chairman Curt Herbert, that Enron—a Bush family corporate backer—is the controller of White House energy policy (see p. 8).

With the increasing disgust at the blatant mega-profiteering of Bush energy cartel companies, such as Enron, Reliant, and El Paso, and with state legislatures backing away from energy deregulation, there is now opportunity to force the issue in Congress of *re-regulating* energy.

The months-long LaRouche mass organizing drive of state capital "Lobbying Days," emergency town meetings, and campus mobilizations, is creating tremendous political heat, and citizen leadership. After 600,000 copies of "LaRouche on the California Energy Crisis" were circulated during February through April, in May, a new 24-page pamphlet, "Join LaRouche's Battle for The Common Good," has been released ([www.larouchein2004.com](http://www.larouchein2004.com)).

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## II. Federal Cost-Based Pricing

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On May 26, Rep. Jay Inslee (D-Wash.) announced that he would file a petition for action by the House Energy Subcommittee on June 5, to discharge his pending bill for energy pricing based on cost of production (plus a fair profit).

The Energy Subcommittee is still chaired by Joe Barton (R-Tex.), and still has before it the May 1 "Barton Bill," the infamous "Electricity Emergency Relief Act" (better known as the Emergency Rule Act). That draft law, H.R. 1647, orders the Federal Emergency Management Agency (REMA) to be ready for blackout emergencies, and otherwise would grant sweeping powers of Federal eminent domain to FERC, for infrastructure siting giveaways to private power cartel companies.

But the Barton Bill is fast becoming a

political liability. Technically it is in markup stage, but back it, and you may find yourself out of office come 2002.

Inslee's bill, the "Energy Price and Economic and Stability Act of 2001" (H.R. 1468), instructs FERC to implement short-term cost-of-service-based energy rates. There are counterpart bills in the Senate. Senators Feinstein and Gordon Smith (R-Ore.) have a bill to cap wholesale power prices for a specified period of time.

### California

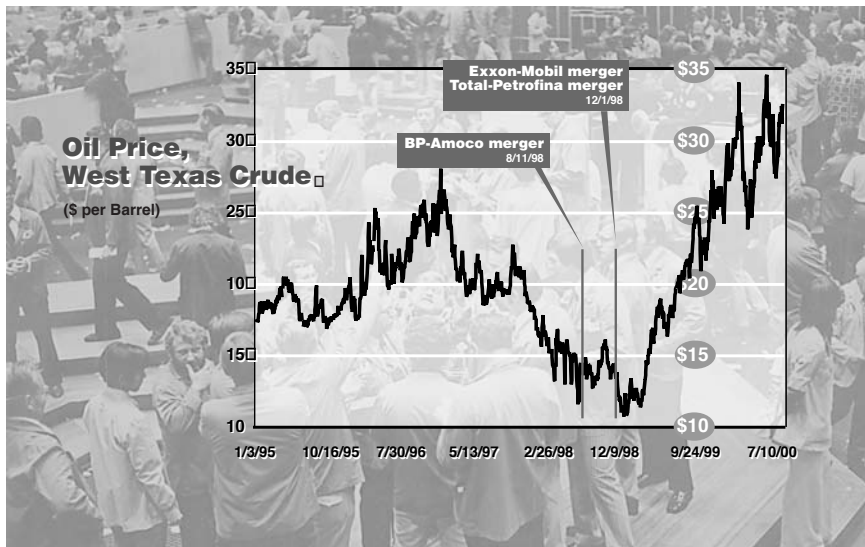
As of early June, the situation in the state is critical. On May 30, a Stage 2 Electric Emergency was called in the afternoon, when electricity reserves fell below 5%. On the financial side, there is no way that

the timing, terms, and amount of the state's prospective bond issuance can meet the out-of-control wholesale electricity prices. The circumstances for resorting to using the state's new Power Authority, to take over and run generating plants, seems more "practical" by the hour. This contingency has been pointedly mentioned by Gov. Gray Davis (D), who otherwise is activating lawsuits.

After meeting with President Bush on May 22, Davis said that California is prepared to sue FERC to compel it to fulfill its mandated role in controlling wholesale power prices. Days earlier, Davis denounced the FERC plan, due to go into effect June 1, for only nominally addressing wholesale prices.

On May 25, three California state agencies made legal filings, calling on FERC to reconsider its position, and to impose tough price curbs during power emergencies. The filings singled out AES Corp.





The graphic shown is from an EIR cover in September 2000. The same graphic was featured in an FDR-PAC education packet in wide use since Fall 2000.

and Williams Co., Inc., demanding that FERC revoke the authority of these firms to charge market-based rates, on the

grounds that the record shows that these companies unlawfully profited from California's energy crisis.

### III. The General Welfare

The international LaRouche movement is conducting an expanding educational drive to make known the American Constitutional concept of the "General Welfare" as a guiding principle for emergency policies, such as controlling runaway energy prices, and restoring electricity reliability. Under this concept, temporary price caps,

cost-based, plus-a-fair-profit pricing, and selective Chapter 11 bankruptcy actions, can be used as required.

As late as February, energy was not even an "issue" for the Democratic National Committee. At that time, the DNC website listed 59 issues, and did not even include "energy" in that category! Nor did

### IV. Cartel Counter-Offensive

The effectiveness of the LaRouche mobilization for energy re-regulation is shown by the scale of counter-effort from the Bush League energy cartel. In late April, a new 400-member corporate coalition was formed of energy cartel associates, to propagandize for the Cheney National Energy Program. The approach was described in a May 21 secret memorandum quoted by the *Washington Post* (May 30), written by lobbyist Wayne Vallis. "In my opinion, \$5,000 is a very low price to join," Vallis said. "To join the coalition, you must agree to support the Bush energy proposal in its entirety, and not to lobby

for changes to the bill. Should the bill change, you must support the changes in the legislation or drop out of the coalition. If you are caught attempting to lobby behind the back of the White House, you will be expelled from the coalition. I have been advised that this White House 'will have a long memory.'" Vallis expressed still deeper political concerns: "The White House recognizes that Bush's whole administration hinges on how he does out of the chute with his energy bill. If the President fails or is perceived to fail on this test, he will immediately become a weak President, jeopardizing both the

The state is asking that "cost-based" rates, with a percentage of reasonable profit added on, be the basis for pricing, not market-based pricing. The three state agencies making the filings were the Public Utilities Commission, the Independent System Operator, and the Electricity Oversight Board.

A civil suit is being readied for filing by California officials, in the U.S. Ninth District Court of Appeals in San Francisco, against FERC, for endangering 34 million people with electricity blackouts and price hikes, under Bush policy direction. California Attorney General Bill Lockyer hopes for criminal charges.

California Reps. Henry Waxman, Anna Eshoo, and other California Democrats spoke to reporters on Capitol Hill on May 25, with renewed calls for Federal pricing regulation. "We are calling on the President to either instruct FERC to put these limits on prices in place, or endorse the [price cap] legislation that all of us are backing," Waxman said.

the word "energy" appear, even in passing.

How far the tide had turned, is shown by the flak given to House Minority Leader Richard Gephardt (D-Mo.) at a closed-door House Democratic Caucus meeting in mid-May, for Gephardt's wishy-washy Democratic energy plan, released May 15, in opposition to the May 17 Bush-Cheney National Energy Policy. The Gephardt statement, released with great fanfare at a Washington, D.C. Exxon station, was specifically weak on energy price controls.

2002 and 2004 elections."

One hundred and one U.S. independent oil refiners, oilfield companies, and refiner/marketers reported a net income of \$2.96 billion in the first quarter of 2001, a 214% increase over their \$942 million net income in the first quarter of 2000, according to the Department of Energy's Energy Information Administration on May 29. Leading the pack were the 50 independent oil and gas producers, with a 282% increase in net income, followed by a 166% increase for the 45 oilfield companies, and a 96% increase for the six refiners. The price of natural gas at the wellhead rose 177% over the period, and the price of oil for refiners fell 8.5%, helping the refiners to post a 52% increase in gross refining margin per barrel of oil.

## The 'Survivors Club' Is Building New Silk Road

by Mary Burdman

In his speech to the third Foreign Ministers Meeting of the Asia-Europe Meeting (ASEM) in Beijing on May 24, China's President Jiang Zemin called for the creation of a "New Silk Road" between Asia and Europe, "to actively boost exchanges between these two civilizations in the new century." Jiang's short, but pointed, speech, is only one of many recent indications, that the group of Eurasian nations dubbed the "Survivors Club" by Lyndon LaRouche in 1998, is ever more aware of the urgency of expanding cooperation in order to counter the "all sides" confrontationism of the disastrous George W. Bush Administration.

At the opening of the one-day meeting, Jiang said that Asia and Europe "have made indelible contributions to the advancement of human civilization and the promotion of world peace and development." However, he said, currently, "the development of the world is unbalanced or even inharmonious. . . . The unjust and irrational international political and economic order remains unchanged. . . . It will be a long and uphill journey to bring about a lasting peace and the common development of mankind.

"In the new century, it is the responsibility of statesmen and people of all countries to find ways to seize the rare opportunities for development. . . . ASEM should be developed [and] should become a major channel for exchanges between Eastern and Western civilizations. Both Asia and Europe are cradles of human civilizations and have long been associated with each other. The ancient Silk Road, which used to be an important passage of interflow between Asian and European civilizations, has played a unique role in the exchanges between Eastern and Western civilizations. ASEM should build up a new Silk Road to actively boost exchanges between these two civilizations in the new century." He concluded that

ASEM "should be an important force for promoting the establishment of a new international political and economic order."

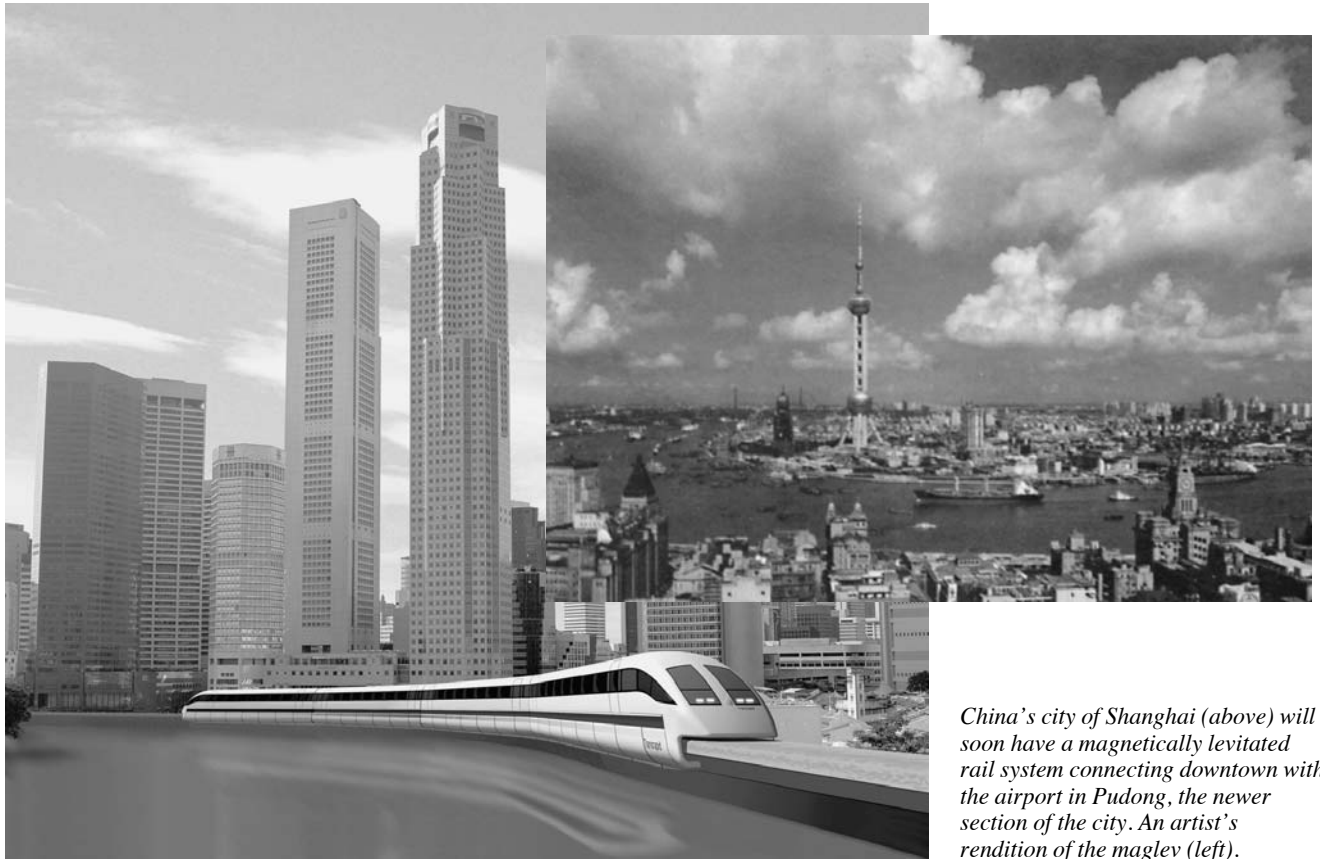
### Transrapid Moving Fast

A leading example of the level of Eurasian cooperation, which will provide "a rare opportunity for development," is the progress of the Chinese-German project to construct the world's first commercial Transrapid magnetic-levitation (maglev) technology train in China. The first section of this project, a 32 kilometer line from downtown Shanghai to its airport in the Pudong area, is now being built at a speed that is taking even its German contributors, ThyssenKrupp AG, which created the Transrapid technology, and the German Transport Ministry, by surprise.

There is every indication from the Chinese side, that the ultimate purpose of the Shanghai project, is to expand this short Transrapid line into a project that would revolutionize world transport: building a 1,300 km Transrapid to connect Shanghai, China's biggest industrial city, to the capital, Beijing.

Already, a project "general staff" has been created in Shanghai, led by engineer "commander" Wu Xiangming, who recently received German Minister of Transport Kurt Bodewig and ThyssenKrupp AG Chairman Ekkehard Schulz during their May 19-26 visit to China. The German delegation took note, that the Chinese factory to produce the cement supports for the maglev track is much larger than would be required for just the short Pudong line, and already, maglev terminals are being planned for the cities of Hangzhou and Nanjing — which are several hundred kilometers from Shanghai, and clearly, "jumping-off points" for the line to Beijing.

When Bodewig and Schulz met Prime Minister Zhu



*China's city of Shanghai (above) will soon have a magnetically levitated rail system connecting downtown with the airport in Pudong, the newer section of the city. An artist's rendition of the maglev (left).*

Rongji in Beijing on May 23, Zhu told them that the decision on which technology to use for the long-planned high-speed rail line between Beijing and Shanghai, will be decided by the success of the Pudong project. The Chinese Prime Minister, an engineer who comes from Shanghai, told his German guests that he would prefer to use the Transrapid technology. To convince skeptics, who are critical of the cost of the project, Zhu emphasized that it is important that the Pudong project—which is on schedule—be completed by early 2002 as planned, so that the working commercial maglev can be assessed for the government's discussion of the new national infrastructure development plan, to be finalized in Spring 2003.

Bodewig signed a memorandum of understanding with the Chinese Transport Minister, on the mutual exchange of technology and know-how, including from the actual project construction in China, for further application in commercial maglev projects in both China and Germany—where, to date, only a demonstration Transrapid has been built. A joint Chinese-German review is planned for late 2002, and feasibility studies on new projects, such as Beijing-Shanghai, should be prepared for early 2003, Bodewig and his Chinese hosts decided. Another project already being proposed, is to connect Beijing with the port city of Tianjin on the Bohai Sea.

Beijing Mayor Liu Qi met with Schulz, and called for cooperation with the German group to develop Beijing's urban transportation system, including with the maglev.

Also on May 23, in Berlin, 10,000 km to the west, the German and Chinese Finance Ministers were meeting, to discuss China's construction of the Transrapid. "Now there are greater chances for further use of the technology," German Finance Minister Hans Eichel stated after their meeting. Chinese Finance Minister Xiang Huaicheng, who received a model maglev from Eichel, said that the project "is a breakthrough for Transrapid," and both governments are "focussed on making it a success. . . . I hope that Transrapid will be able to be used in an even larger scope. The success of the Shanghai rail system can point the way to other uses in other regions of the world." Xiang also met with German Chancellor Gerhard Schröder to discuss, among other things, that both nations will now name a Transrapid commissioner.

### **Revolutionizing Transport**

Reflecting on his talks in Beijing after his return to Germany, ThyssenKrupp's Schulz said that there is a "vision to bring the Transrapid from this country to others, through joint ventures." The Pudong project will be for the maglev train, what the 1835 Nuremberg-Fuerth rail line, the first in Ger-

many, was for the German rail system, Schulz said.

While the German side will produce the trains for the short Pudong project—creating 1,000 jobs in Germany—for the potentially much greater projects, it would be essential to have train production on site, in China. This would likely mean a genuine joint venture, in which both sides have equal access to the Transrapid know-how. China's Science and Technology Minister Xu Guanghua, with whom Bodewig also signed a memorandum of understanding, called for broad Chinese participation in the construction of the Beijing-Shanghai project, to help reduce the cost, estimated at 50 billion deutschemarks (about \$25 billion).

In the longer term, this could mean German-Chinese cooperation to build Transrapid projects in other regions of Eurasia. The maglev technology, not just for passenger travel but also for freight transport, would transform the economic potential of the Eurasian land-mass, because of its speed, economic efficiency, and utility in extreme terrain. Use of the maglev and other such new technologies, is the kernel of Lyndon LaRouche's unique concept of the Eurasian Land-Bridge.

Another "Great Project" is also moving forward on schedule: the railroad to the "roof of the world." The construction of the first 100 km of the Qinghai-Tibet railway is set to begin as planned in July, Vice Minister of Railways Sun Yongfu announced in Beijing on May 21. To meet the unique problems presented by this rail project, which will be built not only at unprecedented altitudes, but also on frozen ground and across extremely rugged terrain, the Rail Ministry is bringing together the most talented engineers from all over China to work on it, Sun said.

## Re-Linking Korea

These rapid developments highlight the importance of the "Survivors Club" bringing all its resources to bear to resolve another critical situation: the current impasse on the Korean peninsula. Almost a full year after the historic inter-Korean summit in Pyongyang on June 13-14, 2000, when South Korean President Kim Dae-jung called on North Korean National Defense Commission Chairman Kim Jong-il and the Pyongyang leadership to "re-link the broken railways," work on this vital link in the Eurasian Land-Bridge remains stalled. Last Autumn, South Korea launched, with well-merited fanfare, work on its end of the 20 km section of track needed to reconnect the North and South Korean rail systems, which has been cut since 1953 by the Demilitarized Zone.

Yet, this Spring, no progress has yet been made on the rail construction—a result of provocative and stupid comments made by President Bush on North Korea, when Kim Dae-jung visited Washington in February. Administration policy has been followed up by the visit to Seoul in early May, of professional wrestler look-alike, State Department Undersecretary Richard Armitage.

Pyongyang, for the time being, is simply not going ahead with construction. One essential measure, clearing the dense land mines in the DMZ, has not been begun, and a North-South military agreement for joint cooperation to begin the clearance, has yet to be signed. There are reports that Pyongyang has withdrawn both workers and construction equipment from the site where they had been since last September, although this could be due to deployments to other construction sites.

Seoul had hoped that the rail line could be reopened by this Autumn, but, unless work begins soon, it will be difficult to complete construction until next Summer.

China, Europe, and Russia, are all taking diplomatic steps to ease the situation. Italy, Germany, Sweden, and the European Union have all extended diplomatic recognition to Pyongyang since last year, and EU current chairman Göran Persson visited North Korea in May. The ASEM foreign ministers' statement of May 24 supported the implementation of the Joint Declaration signed at the June 2000 Inter-Korean Summit, and called for the early convening of a second inter-Korean summit, which would mean that Kim Jong-il would visit Seoul. No date has been set for this yet by Pyongyang.

Also in May, Russian and North and South Korean rail experts presented their reports on the potential for linking a united Korean rail system to the Russian Trans-Siberian Railway, to all three governments. The Russian government has just issued a proposal for coordinating rail communications among the three countries, and with China.

Beijing has taken a particular initiative. Li Peng, chairman of the Standing Committee of the National Peoples' Congress, paid a five-day visit to South Korea, where he met President Kim Dae-jung on May 25. A central item on the agenda, was the urgency of Chinese and other nations' diplomacy to help re-start North-South Korean moves toward reunification.

In his meeting with Li Peng, Kim Dae-jung said that the most important issue for the Korean peninsula, is to establish the basis for peaceful existence and exchange between North and South Korea, and asked for China's help in ensuring that relations between the two Koreas, and between North Korea and the United States, develop in parallel. Kim stated that "not only should inter-Korean ties be improved, but the relationship between North Korea and the United States should be enhanced at the same time. In that regard, I hope for China's cooperation."

Li Peng responded that the "artificial separation" of a nation would not historically last long, and that the ultimate independent and peaceful unification of Korea would benefit the region and the world. "China firmly backs all efforts made by the South and the North to improve relations, realize reconciliation and cooperation, and achieve the independent and peaceful reunification at last," Li said.

*Rainer Apel contributed to this article.*

# Momentum Grows for The Eurasian Corridors

by Rainer Apel

With the Schiller Institute's 40-nation conference in Bad Schwalbach, Germany on May 4-6, serving as a crucial catalyst, the international debate about grand transport infrastructure corridors across the Eurasian land-mass has gained in depth.

For example, in Russia, the Caucasus, and Central Asia, there has hardly been a day without some of the leading media there reporting on new conferences, new projects, and new bilateral diplomatic meetings focussing on the development of infrastructure. Even the German media, usually uninterested in news other than on terrorism from the Caucasus and Central Asia, paid more attention to the economic side of the countries in those regions, and that had to do with the fact that Germany's Foreign Minister, Joschka Fischer, visited three of them—Azerbaijan, Kazakstan, and Uzbekistan—for the first time, on May 20-24. Fischer then travelled to Beijing, for the Asia-Europe Meeting (ASEM) foreign ministers conference, which received an extra Eurasian impulse with the outstanding "New Silk Road" speech by Chinese President Jiang Zemin (see accompanying article).

The ASEM meeting was only the latest of several international conferences that have dealt in great detail with the development of transport infrastructure. In most cases, this involves primarily the restoration of existing or formerly existing railroads, highways, and sea and inland shipping lanes, rather than the construction of new corridors centered around the most modern technologies, such as the maglev train system, as proposed by the Schiller Institute. But, the concept of grand corridors crossing numerous countries along the Eurasian land-mass, is featured prominently in the projects that have recently been discussed in Moscow, Almaty, Tashkent, and other capitals. This lays the ground for the rapid, long-overdue implementation of the newest generations of technology in the next few years, so that existing, traditional technologies can be replaced by more efficient systems.

## Rapid-Fire Conferences

Among the international conferences that have taken place in recent weeks, only a few are mentioned here: On March 26-27, the **TransRussia 2001** conference was held in Moscow. Keynotes were delivered by Russian Transport

Minister Sergei Frank and Deputy Russian Railway Minister Alexander Misharin, with special emphasis on rail projects such as the Grand Eurasian Corridor from China to Europe, via Russia's Trans-Siberian Railroad.

A big step forward was then taken with the **Eurasia Trans-Kazakstan 2001** conference, in Almaty, Kazakstan, on April 25-27. Attended by senior officials of the transport and customs authorities of China, Kazakstan, Russia, Belarus, Poland, and Germany, the conference established a coordination council of the respective national institutions. Parallel to this conference, which took place in this form officially for the first time, was an exhibit, "Transit Trans-Kazakstan 2001," which displayed prospects for transportation along the envisaged road-rail corridor from China to Europe.

Presentations at the Almaty conference noted progress on two of the three main Eurasian routes: 1) the northern, Trans-Siberian main route, with links to the Chinese rail grid, and 2) the central, China-Kyrgyzstan route, linked to Europe via the Russian railway grid. Work on 3) the comparatively shorter, southern route, from China to Kazakstan, Iran, and Turkey, which would particularly benefit the Central Asian countries, has been delayed—also, because the Chinese give preference, at present, to the Kyrgyzstan link, which seems to be easier to bring to fruition. The Almaty conference resolved that the Kazak rail grid urgently needs improvement, because its present bad condition slows down freight trains to a maximum speed of 60 kilometers per hour (kph), often even only 40 kph, as compared to the 120 kph which can be reached on the Trans-Siberian route.

## Russia Takes a Major Step

Then, on May 16, ten days after the Schiller Institute conference in Bad Schwalbach, Russian Transport Minister Frank announced the formation of a Eurasian Transport Union in Moscow, with special emphasis on the Grand North-South Rail Corridor (see "Russia's New Transport Union To Change Map of Eurasia," *EIR*, June 1, 2001).

That corridor, which will establish a direct connection for freight transport between the eastern Baltic Sea and the Indian Ocean, had been outlined earlier at the Almaty conference, by Russian Deputy Prime Minister Viktor Khristenko. He said, in a speech on April 26, that, in addition to the Great Eurasian-Transasian Railway corridor, which runs from China to Germany, via Kazakstan, Russia, Belarus, and Poland, another grand project worth considering was the creation of a network of marginal and latitudinal south-west-north transport corridors that would be linked to the Iranian railways, creating a direct communication line for the countries of Western and Northern Europe, Russia, and the Central Asian states. The implementation of such a project might increase freight and passenger transit, and double the pace of cargo transportation by land from Europe to the Indian Ocean, Khristenko said.

This perspective gained prominent support from Georgia's President Eduard Shevardnadze, who said in Almaty the following day, that work on rail corridors should be expanded into a north-south transportation link through the Caucasus — which would be the shortest distance from Iran to Russia, via Azerbaijan, Armenia, and Georgia. Numerous reports on, and references to these remarks, have appeared in Caucasian and Central Asian media since the end of April.

### Initiatives in Central Asia

The Central Asian aspect dominated the agenda, then, at the **New Silk Road** conference in Tashkent, Uzbekistan, on May 29. It focussed on the European Union's road-rail Transport Corridor Europe-Caucasus-Central Asia (TRACECA) project, which covers the entire region from Turkey to the Chinese-Kazak border. What made this event worth special note, was the attendance of a large delegation of senior representatives of Chinese construction and other industrial companies. A recurring theme in conference presentations was that "the economic prosperity of Uzbekistan and other Central Asian countries depends on convenient international transport communication." Envisioning a strategic improvement in trans-Eurasian highway transportation, the Uzbek government announced a project for a new 2,000 kilometer highway, running across Uzbekistan, from its western border with Turkmenistan to its eastern border with Kyrgyzstan.

Only a week after that Tashkent event, a four-day conference on rail development was scheduled to begin in Baku, Azerbaijan, on June 5, with the participation of senior rail officials from the 15 former Soviet republics, in addition to those from ten other states in Eastern Europe and Asia which are members in the Railway Operators Cooperation Organization. In between these events in Tashkent and Baku, rail and related transport issues were also expected to come up in talks at the Commonwealth of Independent States (CIS) summit in Minsk, Belarus, on May 31. Two other big international conferences in mid-June, one of the CIS, on economic policies, in Moscow, and another in Beijing of the Shanghai Five (Russia, China, Kazakhstan, Tajikistan, Kyrgyzstan), are scheduled to discuss the same issues, among others, as well.

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## Berlin Bank Going, City Faces Collapse

by Lothar Komp

When speculative bubbles burst, the taxpayer has to bleed. True to this principle, the Japanese government over the last ten years, presented one bailout plan after another for the failing private banks of the country, and thereby built up a gigantic mountain of state debt, such that now, along with the banks, the Japanese state as well is on the brink of bankruptcy. The taxpayer finds himself dealt a bad hand of cards, when his government itself has speculated and lost. In 1994, Orange County, California had to declare bankruptcy, after it had lost \$2 billion in derivatives speculation, which had come from a fund for schools, water supply, and public transportation.

Now the German capital, Berlin, has been hit. The Berliner Bankgesellschaft, the tenth-largest German bank with 400 billion deutschemarks in assets, faces bankruptcy, as a result of bad real estate loans. On May 31, the biggest bank collapse in post-war Germany was avoided by a hair: After the BBG had written off DM 7 billion in bad loans, from 1994-1999, it had to list another DM 5 billion in loans as "to be surveilled." As a consequence, the German banking supervision agency threatened the bank with closure, because its core capital due to the write-offs had shrunk below the required minimum of 8% of its total credit volume. This would have meant not only 16,000 jobs lost, but also the end of the Berlin economy's biggest creditor.

Only through a formal guarantee by the Berlin Senate on May 22, that the large financial hole would be filled within weeks by the public, was the collapse of the BBG stopped. Just how much taxpayers' money Berlin will have to pump into the bank, in which it has a 56% share, is not yet clear. In mid-April, BBG board chairman Wolfgang Rupf estimated the deficit of the bank's core capital to be about DM 2 billion. The Financial Senator Peter Kurth, on May 22, spoke of "at least DM 4 billion," while other members of the Berlin state government reckoned with DM 5 billion. And, by the time the banking supervision has completed its special auditing in the beginning of June, the amount is bound to go higher. In the German Savings and Loans Association, the figure of DM 8 billion is circulating.

The Berlin real estate bubble, which was built up right after unification, started to burst in 1994. While Berlin's in-

dustry was massively downsized, a huge stream of credit had been poured into the construction of innumerable office buildings, which no one wanted to rent. Instead of constantly rising, real estate prices collapsed, and today, 1.3 million square meters of office space are empty.

### **Covering Up Speculative Losses**

When the real estate bubble burst, it left its mark on the banking sector, often being covered up as usual by mergers and takeovers. For example, in 1994, the Berliner Bank, already hard-hit, was merged with the Berliner Hyp and the Landesbank Berlin, to form the BBG. In order to compete with the big Frankfurt banks, the credit volume was further expanded. And because there were barely any industrial investments available in the Berlin region, most of the credit flowed again into the construction sector.

Alongside the real estate credit business, the investment fund business also flourished. The IBG, which belongs to the Landesbank Berlin, rose to become the biggest German issuer of real estate funds by promising generous guarantees to 70,000 high-paying investors.

Meanwhile, more and more loans went bad, which led the BBG board, heavily interconnected with the Berlin government, to attempt one bizarre cover-up after another. For example, the leadership of the BBG, at the end of 1999, wanted to hide the total loss of its DM 660 million loan to the Aubis construction company in such a wild manner, that the whole credit department of the Berlin Hyp refused to be any part of the deal.

The managers of BBG showed special creativity also in their attempt, at the beginning of this year, to “sell” the daughter bank IBG, in cahoots with J.P. Morgan. For the purpose, they found a “buyer” in the tax haven Cayman Islands, a financial group named Greico. Greico did not want to buy IBG with its own money (if it had any); instead, J.P. Morgan was supposed to lend Greico \$300 million, and for the rest of the price, the “seller,” the BBG, was to give Greico a loan. Due to the intervention of the German banking regulators, the deal did not go through.

In the meantime, the Berlin state prosecution has opened 23 investigations into BBG managers, regarding possible criminal activities.

### **‘Close All the Schools’**

It will take some time, before all the machinations have been clarified, which led to the losses of billions of deutsche-marks at the partially state-owned BBG. But what is immediate, is the threat of financial collapse of the city of Berlin. On May 28, Mayor Eberhard Diepgen admitted that Berlin this year would have to go into new debt worth DM 9.6 billion, three times the scheduled DM 3.6 billion: The extra DM 6 billion will be needed in order to bail out the BBG, as promised on May 22, and also to cover the revenue gap,

as a result of the impossibility at the moment of selling BBG shares.

Admittedly, that even without this bank crisis, Berlin would be in dire financial straits. Even if the BBG were to be sacrificed, according to the Berlin financial authorities, by Autumn, at the latest, Berlin would be insolvent, and would not be able to pay employees, construction firm bills, or suppliers. Despite massive budget cuts over the past years, Berlin’s debts have grown to DM 65.4 billion and at the end of the year could already reach DM 75.0 billion. From the expected tax revenues next year, amounting to DM 17.1 billion, DM 4.6 billion will immediately go to the banks in interest payments.

Even the attempt to fund the additional interest payments of DM 300 million per year, (for the additional DM 6 billion of new debt), by further cutting expenditures in the Berlin districts, would have catastrophic consequences. The district mayor of Berlin-Mitte Zeller declared: “Then there would be no road repairs; on the unplanted garden areas, one could only rake dust; in the schools there would be nothing more—no chalk and no textbooks—and even the youth centers would get no funds.” District mayor Klett from Marzahn-Hellersdorf stressed, if his district has to cut another DM 25 million in expenditures, after the dramatic cutbacks of the past years, “then we can close all the schools, because that is exactly the amount we have budgeted for equipping and maintaining schools.”

### **Debt Moratorium Instead of More Budget Cuts**

It need not come to this point. Berlin has to put on the financial brakes, and, until the situation is clarified, declare a debt moratorium. Berlin satisfies both criteria cited in the German Constitutional Court decision of May 1992, defining an “extreme fiscal emergency”: First, the credit financing quota—that is, the share of expenditures which is financed through credit—is more than double the national average. In fact, Berlin exceeds by three times the national average of 3%, with its 9.3%. And second, the interest/tax quota, the ratio of interest payments to tax revenues, is far above the national average. In Berlin, 24.5% of tax revenues are allocated for interest payments, while the national average is 11%.

With a debt burden of DM 19,400 per resident, double the national average, and a per-capita tax income which is not even one-third what it is in Hamburg, it is obvious that the German capital is not currently capable of meeting its commitments without outside help. But even with a couple of billion more per year from the Federal Finance Ministry, nothing will be solved. The problem of the wrong economic policy of the last decade has to be faced. Instead of brutal austerity, which in the case of Berlin has produced only more debt, what is required is the reindustrialization of the entire Berlin area, which in turn, can only be realized in the context of a long-overdue trans-European reconstruction program.

# D.C. General and Berlin's Moabit: A Tale of Two Hospitals

by Alexander Hartmann

Sometimes, similarities between political events, proceeding at two distant locations, at the same time, can be astonishing — so much so, that one is tempted to assume that the same brains were responsible for these events, even if that cannot readily be documented. Or, is it rather that those responsible are “*gleichgeschaltet*” in their way of thinking; that is, basing judgments on the same criteria, and, therefore, coming to the same results and decisions? In the following, I will present a shocking example of such cases, and leave it to our readers, to draw any conclusions.

This is the case of two national capitals and of two hospitals within these capitals: Washington is the capital of the presently most powerful nation of the world, the United States. In Washington, there is a (until recently public) hospital, which is supposed to be closed: District of Columbia General Hospital. The other capital we are talking about is Berlin, the capital of the economically most powerful nation of Europe, Germany. As in Washington, there is a public hospital in the process of being closed: Krankenhaus Moabit.

Both hospitals have a history. D.C. General was founded in 1806, as the first hospital within the newly founded capital of the United States, and has been one of the pillars of health care for Washington's population. It is the hospital of last resort, providing health care to everyone in need, regardless of their ability to pay, and it is located in a quadrant of the city with a very high percentage of black and poor people. Without the hospital, death rates among the poor, which are already as high as those in Third World countries, will rise further.

Krankenhaus Moabit was founded by none other than Rudolf Virchow, the “father of public health,” as a tuberculosis clinic. Working at this hospital, Robert Koch discovered the bacterium that causes tuberculosis. Today, it is the most important hospital in the district of Moabit, one of the poorest sections of Berlin—in some of Moabit's streets, unemployment is at 40%, and the percentage of Turks and Arabs is exceptionally high.

## The Anacostia and Spree Rivers

On the other hand, the two neighborhoods have a special location which is attractive for real estate speculators. D.C. General is located right by the Anacostia River. Nearby, there is the D.C. Jail, the Robert F. Kennedy Stadium, and the D.C. National Guard Armory. Only about two miles away, there is

the Capitol and Union Station. Right around D.C. General, there are public parks along the river.

Well, a private cabal, the Federal City Council (no relation to the elected City Council), headed by *Washington Post* owner Katharine Meyer Graham, thinks it were nice to have a marina at these parks, especially if the marina could be surrounded by posh high-rise apartment buildings, which would create huge profits for real estate speculators, and attract wealthy — tax-paying — citizens for the city. There is only one problem with the idea: In order to pull it off, the black folks have to leave. There is even a *terminus technicus* for this urban renewal policy: It is “Negro removal.” An obviously racist policy, but that does not deter those pushing it; rather, it may very well be their reason to push it.

What Anacostia River is for Washington, is the Spree River for Berlin. On its southern bank, some illustrious people reside: Bellevue Palace is the residence of the President of the Federal Republic of Germany, and only a few hundred yards away, there is the new Office of the Chancellor and his residence, inaugurated on May 2, and, a little further, the Bundestag, Germany's Parliament. Right across the street from Krankenhaus Moabit, is the newly built Federal Ministry for the Interior.

Possibly the most famous building in district is Moabit prison, and close by is the Post Stadium with 50,000 seats. At the eastern end of Moabit, Berlin's new central railroad station is being built, to be completed by 2004. On the other side of the station, there are the Federal Ministries for Economics and Transportation.

All these Federal Institutions have hundreds of well-paid employees, who can reach their offices in a few minutes from Moabit. And someone might think, that real estate prices would explode, if one could exchange the Moabit Turks for Federal civil servants. For commercial real estate, floor-space on Moabit's Stromstraße, which sells for 2,100 deutsche-marks per square meter, is the most expensive in all of Berlin. There has been speculation in residential apartments in Moabit, too — with such activities, the publisher of extreme right-wing *Nationalzeitung*, Dr. Frey, and a company with connections to Scientology made headlines several years ago. But, might not someone have come upon the idea, that their profits might be “peanuts,” compared to what could be made by “de-Turking” Moabit?



One of the instruments used to “gentrify” city districts is to raise housing rents. But, since some cities have rent control, another tool has proven effective, as was done in New York: You can make life miserable for the inhabitants, by closing down public services — such as the public hospitals!

In the case of D.C. General, no replacement is planned, or rather, the promised replacement is in another part of the city. A central role is being played by private “health-care providers,” which buy up several hospitals in a city, and close some of them, in order to run those left at much greater profit.

In the case of Krankenhaus Moabit, there is talk that the “health-care campus” shall be preserved; but, how should the working poor benefit from a private hospital, which has been removed from city’s “hospital bed plan,” and therefore, is unavailable not only to uninsured people, but even to those enrolled in Germany’s state-chartered health insurance, which is (still) better than some “health maintenance organization”? For higher-level Federal civil servants, who are usually so well-paid that they have private health insurance, this won’t be a problem, of course.

Well, unlike Washington, where KKK-Katie Graham’s Federal City Council has provided evidence, in the form of a publicly presented model of the new marina-centered settlement, that these are no mere conspiracy theories, such plans have not been published for Moabit — not yet, at least.

### The Case of Klaus Theo Schröder

But, there is some evidence of such plans which might be considered admissible in a courtroom. For example, there is a company called Rhön-Klinikum AG, which is negotiating to buy up several public hospitals in Berlin. What has this to do with Krankenhaus Moabit? Well, the plan to close Krankenhaus Moabit and other health-care facilities in Berlin was drawn up by a certain Klaus Theo Schröder (no relation to Germany’s Chancellor Gerhard Schröder).

Klaus Theo Schröder started out as an aide to the present manager of Germany’s governing Social Democratic Party (SPD), Müntefering, when the latter was still in the state government of North Rhine-Westphalia. In the early 1990s, he was “on loan” for five years to Thuringia, one of the five new states that joined the Federal Republic of Germany after the fall of communism. In those five years, Schröder taught the East Germans how to run health care à la free trade — eliminating 2,500 hospital beds in a state with 2.5 million citizens.

When his five years were up, in 1999, there was a reshuffling in the Berlin government (Berlin is one of Germany’s 16 states), and the new Senator for Health, who had no experience in the field, needed an “expert” deputy. Schröder went to Berlin, where, within four months, he drew up a completely new hospital plan, including the closure of Krankenhaus Moabit, and the privatization of other state-owned hospitals.

Only months later, Schröder left his position, to become an executive of Rhön-Klinikum! When, shortly later, Rhön-Klinikum placed a bid for Berlin’s Klinikum Buch — “the

biggest hospital in Eurasia” — in the far northeast of the city, there were press reports about Schröder having insider knowledge. As of March 2001, Rhön-Klinikum seemed to be all set to take over Klinikum Buch, while other contenders threatened to sue over Schröder’s involvement. But, in early May, it was announced that Buch would be bought up by Helios, another hospital chain. Rhön-Klinikum had insisted that Buch slash more jobs than the city was willing to allow.

But by then, Schröder was no longer at Rhön-Klinikum; in November 2000, he had moved on, becoming an expert for the new Federal Health Minister, Schmidt.

Soon afterward, it became known, that the Bundeswehr, Germany’s defense forces, wanted to relocate their 300-bed hospital in Berlin. The new 500-bed facility, of which 200 beds are for civilian use, is to be built at the compound of the famous Charité hospital, which is only about two miles from Moabit. And, sure enough, Rhön-Klinikum is said to be interested in running that hospital.

*Honi soit, qui mal y pense. . .*

### The Case of Klemann, Ristow, Ehlerding & Wissmann

There is another case of musical chairs between public and private executives reported from Berlin. The former Berlin Senator for Construction, Klemann, whose responsibilities

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*A demonstration against hospital closings in Germany. The signs read: "Are you in pain? No problem—until the next time you have to go to a hospital!"*

included public housing, went into the "private sector," becoming an executive of the GEHAG housing company. GEHAG used to be owned by the city of Berlin, and, like most large housing companies in Germany, had been a non-profit company, until non-profit status was legally abolished in the early 1990s.

Under Klemann, GEHAG, which owns 30,000 apartments, had been sold to RSE, whose chairman Lutz R. Ristow had been Senator for Economics in the city government of Hamburg, before he bought the Rinteln-Stadthagen Railroad Co. (RSE). It is known that men like to play with trains; but, Ristow wanted a really big railroad; so, he bought 35,000 apartments for his company in Berlin. Later, he merged his RSE with the WCM (Württemberg Cattun Manufacture) of Karl Ehlerding, who, like Ristow, was collecting apartments. In the meantime, Ristow left the company, and bought up—the Tegernsee railraod, to keep on collecting apartments.

As mentioned, Ehlerding likes to collect apartments, too, and after the merger with RSE, he owned 70,000. His hobby

got him into the headlines: He and his wife donated close to DM 6 million to the Christian Democratic Union (CDU), the major conservative party, making him its largest contributor in 1998.

All well and fine—but embarrassing, when the word spread, that CDU Treasurer Matthias Wissmann, in his earlier incarnation as Federal Transportation Minister, had sold 31,000 apartments owned by the Deutsche Bundesbahn, the German state-owned railroad, to Ehlerding. The scandal forced the sale to be cancelled.

### **Bankruptcy Vultures Circling Over the City**

Behind all of this, is the miserable financial condition of the cities. Five years ago, the U.S. Congress, which is responsible for the District of Columbia's finances, effectively put the city into receivership under the Financial Control Board, with far-reaching authority to interfere with Washington's administration. Berlin's situation is becoming similar: The city's debt is exploding, and it is widely known that the city-owned Berliner Bankgesellschaft, which posted some DM 6 billion in losses, due to real estate speculation, needs a huge capital infusion to avert bankruptcy. Whereas the city-state had planned to raise DM 2 billion by selling its 57% share in the bank, it must now cancel the sale, and go deeper into debt, to bail out a truly profligate institution, while turning its back on a truly worthwhile one.

It is at least an interesting question, whether this financial crisis has been arranged, in order to increase "privatization pressures," and thus possibilities for speculative profits. In any case, the practical consequence is, the city is now trying to raise cash fast, through privatization—of hospitals, for example.

### **By Legal Means, or Otherwise**

Although the privatization of Krankenhaus Moabit is not as obviously connected to real estate speculation as in the case of D.C. General, the two cases clearly have something in common: Political institutions have been working to shut the hospitals down, using all possible means, including some which make a mockery of democracy and rule of law (and at least suggest that there is massive corruption involved). In both cases, the political argument goes, the hospitals are running up debts, and are "economically not viable." But, on closer inspection, we see, in the case of D.C. General (and all U.S. hospitals), that budget cuts in Medicare and Medicaid, the Federal health insurance for the elderly, poor, and disabled, have slashed reimbursements to health-care providers, and now deem some routine services to be "excessive." But the Congressmen who voted up the Balanced Budget Act cuts in Medicare and Medicaid, are the same ones demanding the closure of D.C. General, because it can't stay within its vastly underfunded budget.

And in Berlin? The two major health insurance plans in the city are the AOK, the public health insurance for the city,

and the BKK-Berlin, which covers city employees. Both are supervised by the city-state government. Both plans were quite late on payments, when changes in the Federal law threw them into financial difficulties, and they suddenly, and illegally, started to withhold payments, disputing the legal standing of the hospitals' claims.

The city authorities told the hospitals to go to court, instead of outright ordering the insurance companies to pay according to legally mandated procedures. The city government knew full well that this would bankrupt Krankenhaus Moabit, long before it could exhaust the legal appeals process. "We cannot interfere into an ongoing court procedure," said Berlin's Pontii Pilati, washing their hands of the constitutional principle of the Common Good. Faced with the imminent bankruptcy of Krankenhaus Moabit, the Borough of Berlin-Mitte, which technically "owned" the city-owned hospital, and had supported the hospital against the city government's arrogance, decided to turn the hospital over to the city government, thereby sealing its fate.

### The LaRouche Factor

In Washington, the result might have been similar, if the LaRouche movement had not made the fight to save the hospital an international *cause célèbre*, in the name of fighting for the general welfare of all citizens.

As of this writing, the Coalition to Save D.C. General

Hospital is mobilizing for a citywide rally on June 6; lobbying in Congress to overturn the illegal contract closing the hospital and to appropriate the funds to keep it operating; and organizing to pack the Federal courthouse on June 8, when the lawsuit, brought by City Councilmen Kevin Chavous (D) and David Catania (R), seeking an injunction to keep the hospital open, will be heard. At the same time, resolutions are pouring in from state legislatures and city councils throughout the country, and even from abroad—including from some of Krankenhaus Moabit's medical staff—rejecting the closure of D.C. General.

The battle for D.C. General has widened to become a fight in which every Congressman has to take sides, and must say whether he is ready to uphold the Constitutional principle of the General Welfare, or not. And these Congressmen know that they will be judged by their constituents accordingly.

What can we learn, from this tale? It is wrong to give up the battle for the Krankenhaus Moabit. Rather, the probable corrupt background to this affair has to be thoroughly investigated, and all deputies in Berlin—in both the city council and the Bundestag—have to be confronted with the question, whether they place the financial contributions to their parties above the well-being of Germany's citizens.

At a time, when all over the world, old and new diseases are appearing with ever-greater virulence, no country can afford to close even a single hospital.

# Challenges of Human Space Exploration

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## Attempt To Break Up Indonesia: British Policy of 40 Years

by Michael O. Billington

*This article, essential to understanding the causes of the ongoing potential breakup of the Indonesian nation—an outcome which would have wide-reaching evil consequences for Asia if not prevented—is excerpted from a forthcoming report by the author, “The British Takeover of American Foreign Policy After JFK: Asia, 1963-65.”*

In an earlier report, I demonstrated the importance of Indonesia, Vietnam, and China in the mid-1950s effort to circumvent London’s Cold War division of the world into warring blocs.<sup>1</sup> In particular, I showed how Indonesia’s Sukarno and China’s Zhou Enlai, at the 1955 Asia-Africa Conference in Bandung, Indonesia, set in motion the “Spirit of Bandung,” an alliance of Third World nations committed to bringing together East and West, North and South, toward the development of the formerly colonized nations.

Three tragic and world-shaping developments which struck Asia in 1965-66—the plunge of the United States into full-scale war in Vietnam, the coup and subsequent mass slaughter in Indonesia, and China’s “Cultural Revolution”—were all part of a brutal British assault on this “Spirit of Bandung,” and on what remained of Franklin Delano Roosevelt’s anti-colonial legacy in U.S. policy toward Asia.

The attempt by John F. Kennedy during his brief Presidency, to revive Roosevelt’s anti-colonial policy, was the immediate target of the British deployments of 1965-66 and their terrible outcome. These developments were part of a downward, global “cultural paradigm shift,” following the assassination of President Kennedy and the successful cover-

up of that assassination.

In the Spring of 1965, the United States began ten years of neo-colonial warfare against Vietnam, including the introduction of ground troops, and the most extensive aerial bombardment in world history to that point, over both North and South Vietnam, and soon spreading to Laos and Cambodia.

A few months later, in Indonesia, following the still-obscure kidnapping and murder of six leading generals by a rebel group of senior Army officers, gangs of Indonesian youth, armed by the military, joined the Army in slaughtering several hundred thousand supporters of Indonesia’s founding father, President Sukarno, targeting especially those who were also aligned with one or the other of the numerous popular organizations that had been set up by the Indonesian Communist Party (PKI).

The third tragic development began in the Spring of 1966, when the youth of China were mobilized into Red Guard units to attack every vestige of authority in the social structure of the country, including the leadership of the Communist Party (CCP) itself, thus launching the ten-year bloody nightmare known as the Great Proletarian Cultural Revolution.

These disasters were entirely avoidable, but they were the *intended* result of British geopolitical policy, aimed at ending once and for all the impact of the anti-colonial, *American System* policies which had been promoted by Franklin D. Roosevelt in the United States and around the world. President Kennedy, for his part, during his brief tenure in the White House, had increasingly come to terms in his own mind with the dangerous, and evil, Cold War mentality promoted by the British and by much of the American establishment—including most of his own advisers.

The assassination of Kennedy at the hands of British intel-

1. “Britain’s Cold War Against FDR’s Grand Design: The East Asian Theater, 1943-63,” *EIR*, Oct. 15, 1999.



*Indonesian President Sukarno with U.S. President John F. Kennedy, in Washington, April 1961. While the Anglo-American establishment denounced Sukarno as a communist, Kennedy called him “the George Washington of Indonesia”; both Sukarno and Kennedy were eliminated from the political scene by the British oligarchy.*

ligence<sup>2</sup> must be seen in this context, and in conjunction with the simultaneous efforts to assassinate French President Charles de Gaulle (by the same British intelligence networks that killed Kennedy), and political operations to remove Kennedy’s other collaborators in Europe: German Chancellor Konrad Adenauer and British Prime Minister Harold Macmillan. Macmillan, undermined by the Profumo scandal, made way for the man preferred by the City of London, Harold Wilson, who prided himself as an “East of the Suez” man, dedicated to maintaining Britain’s imperial role in Asia and Africa. The ongoing and unavoidable de-colonization process, initiated by Macmillan’s “Winds of Change” policy, was to be “the pursuit of Empire by other, informal means,” as reported even by London’s official historians.<sup>3</sup> Crucial to this process was London’s taming of the American giant, the subversion of America’s optimism and commitment to the idea of progress, and the use of America’s economic and military strength to enforce British geopolitical, neo-colonial strategic interests around the world.

The destruction of this historical American impulse required the elimination not only of the leaders of the Bandung Conference, but also of President Kennedy and his European allies, as well as several other American statesmen, now long-forgotten or slandered in the history books written almost universally by their enemies. These American patriots, such

2. “Why the British Kill American Presidents,” *New Federalist* pamphlet, December 1994.

3. John Darwin, *Britain and Decolonization: The Retreat from Empire in the Postwar World* (New York: St. Martin’s Press, 1988).

as Ambassador to Indonesia Howard Jones, despite their shortcomings, had committed themselves to FDR’s ideal of ending European colonialism and developing the Third World with American System methods.

The resulting Asian disasters of the 1960s were totally unnecessary. Likewise, the disasters unfolding today in Asia and elsewhere—in particular, the destabilization and threatened economic and political disintegration of Indonesia—can be reversed. But this requires that the citizens of the Western nations act decisively to replace the International Monetary Fund’s (IMF) bankrupt financial institutions and the financial oligarchy governing American and British Commonwealth affairs.

The same foreign and domestic interests responsible for the holocaust in 1965-66 are again mobilized to destabilize the emerging political unity of ASEAN-Plus-3 (the alliance of the ten members of the Association of Southeast Asian Nations with China, Japan, and South Korea) against the speculation and looting passed off as “globalization.” This Asian-wide defense of national sovereignty and development, against the onslaught of neo-colonial financial controls and destabilization, is more than “local” self-defense, but, as Lyndon LaRouche has insisted,<sup>4</sup> it could, in league with Russia, India, and other Eurasian nations, serve as a seed-crystal for the required formation of a new world economic order, based on the original intent of the Roosevelt-inspired Bretton Woods system. This defines the urgency of this historical report.

4. Lyndon H. LaRouche, Jr., “An Asian Monetary Fund,” *EIR*, May 26, 2000.

## Indonesia's 1965 Holocaust

Howard Palfrey Jones, U.S. Ambassador to Indonesia from 1958 to 1965, was a man shaped by the Cold War strategic environment in which he was employed, but who retained a belief in and dedication to Franklin Roosevelt's idea of global peace and development, through the application of America's scientific and industrial capacity to the development of the former European colonies in the Third World.

Jones was, like then-U.S. Ambassador to Vietnam Frederick Nolting, forced out by Averell Harriman and Henry Cabot Lodge, to facilitate launching the U.S. war in Vietnam. While the failure of the cause of men like Jones and Nolting can be traced in part to their inability or unwillingness to recognize that the British-created Cold War was inimical to the fundamental interests of the United States, it is most important for our purposes here to demonstrate that such moral individuals posed a mortal threat to the Anglo-American oligarchy, and had to be removed along with President Kennedy.

As we shall see, one of Jones's most praiseworthy qualities, all too rare in recent American statesmen, was his willingness to publicly identify the destructive, duplicitous, and anti-American policies of the British in Indonesia, as carried out both directly, and indirectly through influence upon U.S. policy.

In his memoirs, *Indonesia, The Possible Dream*, Ambassador Jones reflects the influence of the ideas of Abraham Lincoln, Franklin Roosevelt, and John Kennedy: "The world cannot exist half-poor and half-rich. Yet the gap between the developed and the less-developed nations is year by year becoming greater rather than less. There is an alternative to accepting today's world conflicts merely on a political level: to explore and to understand the social and economic pressures that are the source of the conflicts and have their roots in a contrasting culture."<sup>5</sup>

Jones was appointed by President Dwight Eisenhower as Ambassador to Indonesia in February 1958, just at the peak of the covert British and American sponsorship of a subversive movement within Indonesia, aimed at splitting the country and bringing down Sukarno. Secretary of State John Foster Dulles, like the British, had made clear his "sympathy" for the rebel forces, but instructed Jones to inform Sukarno that the United States had no involvement. In fact, as Jones wrote later, with reference to a CIA role in the rebellion, "numerous published accounts lend credence to that assumption. In May 1958, however, neither the fact nor the extent of such support was known to us in the Embassy." Jones's own view, after careful analysis of the situation within Indonesia, was that, if the United States engaged in supporting the separatist movement, "U.S. pretensions to non-interference in internal affairs of Asian nations would have been completely discredited, and

the moral quality of our leadership, so recently established in Asia by our voluntary act in granting independence to the Philippines, would have been lost."<sup>6</sup> Jones believed that both John Foster Dulles at State and Allen Dulles at the CIA, and others in Washington, were acting in Indonesia in a manner contrary to the needs of the country, and contrary to U.S. interests as well. He described the subversion as "another case of predilections blinding us to facts, of prejudices blocking judgment, of the wish being father to the thought . . . , and unmovable objects, preconceptions in the minds of the readers [of my reports to Washington]."

Jones was worried about the growing strength of the Indonesian Communist Party (PKI), but recognized that London's and Washington's identification of a nationalist like Sukarno as a "communist" was ludicrous. Sukarno once asked Jones why the United States was so concerned with the large PKI vote in Indonesian elections. "You aren't worried about France and Italy's communist votes, yet theirs is higher," said Sukarno. Jones responded: "We were worried about Communism in these countries. That is what the Marshall Plan was all about." He pointed out that the Communist votes in Europe were decreasing as a result of economic development. Like Kennedy, he belittled the posture of "fighting Communism," if there were no true effort to foster economic development.

Jones studied Indonesia's history and culture, and confessed a deep love for the country. His admiration for President Sukarno grew from his appreciation for the richness of Indonesia's past, and the perfidy of colonialism which Sukarno had battled to overcome. He also agreed with Kennedy that Sukarno deserved the title of "the George Washington of Indonesia." Although appointed by a Republican administration, Jones showed his admiration for Kennedy during the 1960 electoral campaign by presenting Sukarno with a copy of Kennedy's book, *Strategy of Peace*, a collection of his Senate speeches. Sukarno later told Jones, "If President Kennedy means what he says in these speeches, than I agree with him completely."

Jones's anti-communism was constrained by his appreciation for the legitimate national aspirations of the former colonial peoples. He took Sukarno seriously when the President told him that PKI leader D.N. Aidit was an "Indonesian communist" rather than simply a communist, and that he was "Indonesian first, a communist second"—just as Ho Chi Minh had described himself as a "nationalist first, a communist second." Jones believed that "Aidit and his associates were confident of riding the democratic road to power." While he considered it a legitimate U.S. policy to oppose that rise to power, he thought that such an effort must be accomplished by proving the superiority of republican methods of economic and social development. Jones highlighted a quote from a

5. Howard Palfrey Jones, *Indonesia: The Possible Dream* (New York: Harcourt Brace Jovanovich, 1971).

6. *Ibid.*

FIGURE 10

**Southeast Asia in the 1950s**



Sukarno speech in 1958: “Indonesia’s democracy is not liberal democracy. Indonesian democracy is not the democracy of the world of Montaigne or Voltaire. Indonesian democracy is not à la America, Indonesia’s democracy is not the Soviet—No! Indonesia’s democracy is the democracy which is implanted in the breasts of the Indonesian peoples. . . . Democracy is only a means. It is not an end. The end is a just and prosperous society.”

Sukarno pursued what he called “Guided Democracy,”

whereby the political parties continued to function in the society, but the cabinet was composed of all the major parties (including the communist PKI), while a National Council, under Sukarno’s leadership, included both party representatives and others from the “functional groups” in society (labor, peasantry, military, religious, business, etc.).

John Foster Dulles found Guided Democracy to be adequate evidence to prove that Sukarno was taking Indonesia down the road to communism.



*U.S. Ambassador Howard Jones, with President Sukarno, gives the shout “Merdeka!” (“Freedom!”). Jones studied Indonesia’s history and culture intensively, and expressed admiration for both the country and its President.*

Following the failure of the Anglo-American separatist subversion in 1957-58, Dulles and his British allies tried to instigate another military coup against Sukarno in 1960. The plot collapsed when the Dutch (with backing from London and Washington) insulted Indonesian nationalism, by reinforcing their military position in Irian Jaya, the western half of the island of New Guinea, which the Dutch had refused to liberate from colonial control at the time of Indonesian independence. The Indonesian military rallied behind Sukarno’s uncompromising demand that the Dutch relinquish colonial control over Irian Jaya. The Army would not turn on Sukarno while that nationalist battle for liberation from colonialism remained incomplete, and the coup plot evaporated.

With Kennedy’s inauguration in 1961, U.S. relations with Indonesia improved radically. Sukarno was warmly received on a visit to the White House and the Congress, and Kennedy delegated his brother, Attorney General Robert Kennedy, to convince (or coerce) the Dutch to give up Irian Jaya, which he accomplished in short order. At the same time, the last holdouts of the 1957-58 rebellion in Sumatra and Sulawesi were finally subdued, and the Darul Islam, a movement dedicated to making Indonesia an Islamic state, put up their arms—all due in great part to the publicly acknowledged termination of all U.S. backing for subversion. In 1962, for the first time since 1945, there was peace throughout Indonesia.

Sukarno also initiated a process aimed at the integration of the three nations composed primarily of the Malay people—Malaysia, the Philippines, and Indonesia—to be called Maphilindo. Potentially included in the union were the three British colonies of northern Borneo: Sabah, Brunei, and Sarawak (the

larger, southern portion of the island of Borneo is part of Indonesia). President Kennedy supported Sukarno’s Maphilindo project, much to the consternation of the British.

### **British Sabotage**

Although the British had granted independence to Malaya in 1957, it retained colonial control over Singapore (run by London’s leading comprador in Asia, Lee Kuan Yew) and the three North Borneo states. The British had not completely broken from their Nineteenth-Century methods of assigning colonial power to a “private” firm under Crown control, such as the British East India Company. Sabah had been run by the British North Borneo Chartered Company until the Japanese occupation, while British adventurer James Brooke, who was accorded the title of Raja of Sarawak in 1841, founded a dynasty of “White Rajas” that ruled the colony until World War II. Both Sabah and Sarawak became “traditional” British Crown Colonies, controlled by London, after the war. Brunei, the oil-rich mini-state, was separated off and run indirectly by British Malayan Petroleum (later Brunei Shell) through the resident Sultan. In 1950, when the Sultan threatened to break from British control (with some help from the United States), he conveniently died in Singapore while en route to London, and his written instructions to his subordinates, including his choice for his successor, were ripped up by the British Resident of Brunei, who handed titular leadership to a more pliant brother of the Sultan.

It was in Brunei, the most tightly controlled British enclave, that a Malay-nationalist revolt in December 1962 was turned to London’s advantage in its drive to sabotage Maphilindo and eliminate Sukarno. The British wanted to include





*The Indonesian Republic's first postage stamps show the new nation's orientation toward the American System. Shown are leaders from the Sukarno era, clockwise from top left: Mohammad Hatta (with Abraham Lincoln); A.A. Maramis (with Alexander Hamilton); Haji Agus Salim (with Benjamin Franklin); and Sutan Sjahrir (with Thomas Jefferson).*

the North Borneo colonies in a proposed merger between the colonial city-state of Singapore and Malaya, forming a new state to be called Malaysia. Although Indonesia was not totally opposed to the creation of Malaysia, the Sukarno government insisted that the people of the North Borneo states be allowed to determine whether or not they wished to join the union.

The leader of the Brunei revolt, Sheikh Ahmad Mahmud Azahari, was not some loose cannon, but the head of the dominant political party in Brunei, with good relations with the Sultan. He had a long history of ties to Indonesia, where he had lived after World War II, fighting alongside the Indonesian nationalists against the Dutch, and serving in local government until 1951, when he returned to Brunei and established a political movement. His movement, and the December 1962 revolt, were not against the Sultan (whom they expected would support it), but against the British, against absorption into Malaysia, and for a unification of the North Borneo States. Azahari also had close ties to government leaders in the Philippines, and supported Sukarno's Maphilindo concept of close ties between and among all the Malay states.

The Sultan, however, did not back the revolt as expected, and the British Army moved in, crushing the revolt, and blaming it on Sukarno. In January 1963, with British troops heavily deployed along the Indonesian border to suppress the broad-

based popular revolt, Sukarno announced a campaign to confront the British over the forced inclusion of the North Borneo States into the new union of Malaysia, calling the campaign by the Dutch term "Konfrontasi" (confrontation).

The Konfrontasi was to last, with ebbs and flows, for the next three years, leading eventually to the aborted coup of Sept. 30-Oct. 1, 1965, and the slaughter that followed. Throughout the Konfrontasi, Sukarno tried to sustain the Maphilindo initiative, posing this as the proper framework for solving the conflict over Malaysia. Several conferences were held between Sukarno, Malaya's leader Tunku Abdul Rahman, and Philippines President Diosdado Macapagal, or their representatives, eventually reaching an agreement on Maphilindo, and arranging a UN-controlled appraisal of the views of the North Borneo populations regarding the Malaysia merger. All three leaders agreed to abide by the results of the UN survey.

In his memoirs, U.S. Ambassador Jones reviews the various theories proposed by Western sources as to Sukarno's "real" reason for launching the Konfrontasi: that Sukarno and Zhou Enlai had agreed at Bandung to "split up" Asia between them, with Sukarno getting the islands; or that Sukarno was only trying to divert attention from his domestic economic problems by creating a foreign diversion. Jones dismisses these theories as "wholly inapplicable." Sukarno, he writes, was sincerely and legitimately concerned about British colo-

nialism: “He was ready to fight for people’s freedom anywhere, at any time; he was highly suspicious of British motivation.”

Jones also reported on a most revealing discussion he held with the British Deputy High Commissioner in Singapore in June 1963. The commissioner, after adding his voice to those who criticized Jones for being “soft” on Sukarno, lied that the British had no plans to topple Sukarno, but nonetheless “wanted to know whether there was a possibility of a breakup of Indonesia owing to the antagonism between Sumatra and Java.”

In other words, the British were still trying to reactivate their 1957-58 subversion, by turning the outer islands against the center, and angling for a re-run of U.S. support for their dirty work. When Jones told him that such plans were unrealistic, the commissioner went to the next level: “What, in your opinion, would happen if Sukarno were no longer on-stage?” Coming just a few months before the assassinations of President Kennedy and President Ngo Dinh Diem in Vietnam, such a question was not idle speculation.

Jones travelled to Manila to be “in the wings” at the crucial heads-of-state Maphilindo conference at the end of July 1963, and helped shape a deal which brought in UN Secretary General U Thant to conduct the survey in the North Borneo states. The British tried by various means to sabotage the process (Commonwealth Relations Secretary Duncan Sandys, said Jones, “had determined to make it as difficult as possible”), and then, just days before the survey was complete, the British brought the Malayan leader, the Tunku, to London, where they declared that Malaysia would be formed regardless of the results of U Thant’s survey! Since it was generally acknowledged, even by Sukarno, that the survey would turn out in favor of Malaysia, the announcement had no purpose other than to insult Indonesia and the Philippines (which concurred with Indonesia in regard to the Malaysia question), making it impossible for Sukarno to concede with dignity to the results of U Thant’s survey. Ambassador Jones wrote that the Indonesian leader “was quite aware, as I was, that the British were a key factor in determining the Tunku’s position.”

The situation exploded precisely as the British had desired. With the Manila agreement in shambles, the Konfrontasi continued, and Indonesia refused to accept the declaration creating Malaysia in September. Jones returned to Washington for consultations, meeting with President Kennedy at some length on Nov. 19, 1963 — just three weeks after President Diem’s assassination. He briefed the President on the British duplicity, urging “empathy” for Indonesia, despite Sukarno’s intransigence and the mounting anti-Anglo-American sentiment within Indonesia. President Kennedy concurred, and *agreed to schedule a trip to Indonesia in early 1964*, pending only a peaceful settlement to the Konfrontasi, while also agreeing to ship emergency rice to Jakarta, to resus-

citate a stalled aid program, and to help in setting up another Maphilindo meeting. Three days later, President Kennedy was killed.

### **The Disaster Plays Itself Out**

Jones met with the new American President, Lyndon Johnson, a few days later. Indonesia was not foremost on the President’s mind, and nothing was concluded. Almost immediately, however, Johnson submitted to the British approach, supported by the advisers left over from the Kennedy Administration, as well as most of Johnson’s friends among the Southern Democrats, to punish Indonesia for allowing the existence of a strong Communist Party, and for its resistance to England and Malaysia. Johnson refused to sign a required assessment that aid to Indonesia was in the national interest, thus sabotaging the promised U.S. aid, a “major setback in our efforts to build a good-will bridge,” according to Jones. Defense Secretary Robert McNamara, who was concurrently planning “progressive escalation” of the war in Vietnam, proposed “progressive curtailment” of aid to Indonesia, supposedly to force the U.S. will upon Sukarno.

Johnson did agree to send Robert Kennedy back to Indonesia, to try to settle the Konfrontasi. Drawing on the continuing goodwill from his role in settling the Irian Jaya issue, Kennedy succeeded in setting up a new Maphilindo meeting, including Malaysian Prime Minister Tunku Abdul Rahman. But Kennedy’s report back to Washington fell on deaf ears, and lack of U.S. support contributed to the failure of the new initiative.

Jones continued to work with Sukarno toward solving the Konfrontasi and arranging economic aid. One of the biggest problems he faced came from the fact that the Economic Declaration worked out between Indonesia’s financial leaders and the United States in March 1963, was essentially an IMF prescription for cuts and austerity. One of the earliest “IMF assistance” programs, it was just as disastrous as the IMF looting 35 years later, which brought down the Suharto regime and threw Indonesia into chaos. The March 1963 program provided an IMF loan, but the conditions included 400-600% increases in the prices for transportation, postal, electric, and other utilities, along with devaluation of the currency, the rupiah, and imposition of overall austerity. Food prices doubled in 1963. The result was almost universal rage, not only from the PKI base, but from the business sector and the military as well. Easily foreseeable anti-Chinese riots broke out, as responsibility for the price hikes was falsely blamed on the Chinese, who dominated the business and retail sectors. And, of course, anti-U.S. sentiment skyrocketed, feeding the PKI’s identification of the United States as the most dangerous imperialist power.

The outbreak of the Konfrontasi in the Fall ended the Economic Declaration, and the IMF program, but Jones (who does not appear to have acknowledged the destructiveness of

the IMF conditions) had to face mounting anti-U.S. antagonism, in trying to rebuild relations.

The related problem Jones faced, was overt subversion by the British. Jones was convinced that Sukarno was prepared to call off the Konfrontasi if the British would stop intentionally humiliating his country, and allow the development of relations within the Maphilindo framework. However, wrote Jones, "Part of the trouble was that the British and Malaysia had no intention of supplying Sukarno with an easy solution. They felt they had this troublemaking Asian leader on the run."

This is also the view of one of Indonesia's most prominent citizens, the author Pramoedya Ananta Toer, who spent 14 years in prison (without any charges ever being brought against him) under General Suharto's New Order, after 1965. In his introduction to a recent book by Australian Greg Poulgrain on the Konfrontasi,<sup>7</sup> Pramoedya writes: "G30S [the abbreviation for the Sept. 30, 1965 coup attempt which sparked the bloody reaction] is nothing but the metamorphosis of protracted British opposition to Sukarno's confrontation policy. . . . Until now, generally the suspicion is rather one-sided towards the Americans, the CIA, while, in fact, British intelligence played a substantial role in the G30S conspiracy," beginning with the multiple military and political provocations during the Konfrontasi.

The British, in fact, welcomed the Konfrontasi as the opportunity to destroy Indonesian nationalism once and for all. The British Chief of Staff had already prepared a staff report, at the time of the September 1963 provocation which led to the Konfrontasi, which proposed covert operations to achieve their goal. Lord Louis Mountbatten, who had led London's effort during and after World War II to recolonize Asia, was now Chief of the British Defence Staff, in charge of operations. The British had lost patience with President Kennedy, who had refused British demands to cut off all aid, to undermine Sukarno. Once Kennedy was removed by an assassin's bullet, the British rushed into action. At Kennedy's funeral, the new British Prime Minister, Sir Alec Douglas-Hume, met with U.S. Secretary of State Dean Rusk, who agreed to take punitive action in Indonesia. In December, Commonwealth Relations Secretary Duncan Sandys met with Rusk to go over the details.<sup>8</sup> McNamara, preoccupied with preparing a war in Vietnam, was delighted to have the British take the lead in covert operations against Sukarno.

During 1963 and 1964, London reactivated the separatist

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7. Greg Poulgrain, *The Genesis of Konfrontasi: Malaya, Brunei, Indonesia, 1945-1965* (Bathurst, U.K.: Crawford House, 1998), Foreword by Pramoedya Ananta Toer.

8. David Easter, "British and Malaysia Covert Support for Rebel Movements in Indonesia during the Confrontation, 1963-66," in Ed Richard and J. Aldrich, *The Clandestine Cold War in Asia, 1945-65*, Western Intelligence Propaganda and Special Operations (London: Frank Cass Publishers, 2000).

movements it had sponsored in 1957-58. The most successful British front was in the Celebes, but they also supplied weapons and support to rebels in Kalimantan, Sumatra, and elsewhere. However, toward the end of 1964, and especially after the Harold Wilson government came in, in October, the British made a shift in tactics, reflecting the lesson of their failure in 1957-58. The operative British policy document of January 1965 noted that, "in the long term, effective support for dissident movements in Indonesia may be countproductive in that it might impair the capacity of the Army to resist the PKI." Britain should, therefore, "make it clear to the Indonesian Army that any support for dissidents is no more than a tactical response to 'confrontation.'"<sup>9</sup>

Beginning in August 1964, the British established secret contacts with the man in charge of the military side of Indonesia's Konfrontasi, General Suharto, who deployed his intelligence chief, Col. Ali Murtopo, to meet with British and Malaysian leaders in Malaysia.<sup>10</sup> The details of those contacts have never been revealed. Any competent analysis of the 1965-66 mass slaughter must examine the timing and content of those meetings in relation to the simultaneous British determination to cultivate Indonesian military opposition to Sukarno and the PKI.

A few words about the Army leadership and the PKI are necessary. Sukarno used the acronym NASAKOM to describe his approach to nationalist cooperation in governing Indonesia—nationalism (NAS), religion or *agama* (A), and communism (KOM). Sukarno had always tried to balance the three primary social forces in Indonesia: the revolutionary Army; the popular, mass-based Islamic organizations; and the PKI. When the 1957-58 subversion threatened to dismember the nation, Sukarno declared martial law and strengthened his Guided Democracy, bringing the PKI into his coalition government. Following the successful battle over Irian Jaya, in 1962, Sukarno ended martial law, over the opposition of the military, and shifted the Army leadership. Long-standing Army chief Nasution, who had served the nation admirably while also occasionally clashing with Sukarno, was "kicked upstairs" to Chief of Staff of the Armed Forces, and Gen. Ahmad Yani took over the Army. Nearly all the military leaders were anti-communist to some extent, in the sense that they wanted to at least prevent a PKI rise to power. But Yani and his circle were essentially loyal to Sukarno himself, and were more willing to tolerate the strength of the PKI, as long as the government remained within Sukarno's general control. There was not a clear, factional breakdown between Yani and Nasution, and many of Nasution's closest allies retained their positions when Yani took command, but Yani replaced several regional commanders with people in his own circle, who

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9. Ibid.

10. Ulf Sundhausen, *The Road to Power: Indonesian Military Politics, 1945-67* (Kuala Lumpur: Oxford University Press, 1982).

were also strong supporters of Sukarno.

Tensions within the military increased during 1964. At the same time, the PKI was strengthened, due both to its leading role in supporting Sukarno's Konfrontasi, and because of a militant PKI organizing campaign in the countryside, based on the enforcement of Sukarno's land reform policies. As a result, in December 1964, both Yani and his critics agreed that a direct meeting of the emerging military factions was necessary to prevent a breakdown in the high command. A secret meeting was held on Jan. 13, 1965, between six members of Yani's group from Army headquarters, and five generals, including General Suharto, who held grievances against Yani in regard to the role of Sukarno and the PKI. The problems were not resolved.<sup>11</sup> It is most pertinent to note that four of the six generals representing Yani at this meeting were killed, along with Yani himself, in the Sept. 30, 1965 aborted military coup, while three of the five critics of Yani and Sukarno became leaders in Suharto's deployment to "crush the coup."<sup>12</sup> These facts, and many others, dramatically challenge the credibility of the "official" analysis of the aborted coup of Sept. 30, 1965 as a PKI-led operation.

Since the generals targeted for kidnapping and assassination were all part of the Yani group (with the exception of Nasution), and were among the strongest supporters of President Sukarno and the President's policy of accommodating the PKI, it is beyond credibility that the military coup attempt was masterminded by the PKI, although PKI leader Aidit had clearly had some association with the coup group. As the writer Pramoedya said: "That the G30S kidnapped generals who were faithful to Sukarno indicates that the wishes of Sir Andrew Gilchrist (then British Ambassador to Indonesia) were carried out."<sup>13</sup> Pramoedya quotes a telegram which Gilchrist sent to London in 1965, which said: "I have never concealed from you my belief that a little shooting in Indonesia would be an essential preliminary to effective change."

The claim that the kidnapping and brutal murder of the six generals was an attempted "PKI coup," later became the justification for the slaughter of hundreds of thousands of supposed communists. Therefore, the question must be asked, how was this patently false and simplistic claim "sold" as legitimate? As in all such strategic matters in a time of great global crisis, the answer cannot be found within Indonesia alone, but in the policies emanating from the centers of power internationally. As is easily demonstrated, the "PKI coup" story was ready-made in London and Washington, and filled the London-controlled world press almost before the event took place!

Most of the accounts of the 1965-66 aborted coup and

11. Harold A. Crouch, *The Army and Politics in Indonesia* (Ithaca, N.Y.: Cornell University Press, 1988).

12. Peter Dale Scott, "The U.S. and the Overthrow of Sukarno, 1965-1967," *Public Affairs*, 58, Summer 1985.

13. Poulgrain, *op. cit.*

subsequent slaughter which have at least challenged the official line, have painted the United States as the controlling hand behind the Suharto-led forces who crushed the coup and ran the operation to wipe out the PKI and Sukarno's base of support. Some, such as Peter Dale Scott, have argued that the Army faction that carried out the Sept. 30 coup attempt were actually "set up" by the United States and its assets within Indonesia, in order to wipe out the Yani faction, so that the more virulent anti-communists, centered around General Suharto, could take over, blaming the coup on the PKI, and even on Sukarno himself. Not only do these accounts leave out the crucial British role in these events, but they ignore the most important strategic evidence: that the governing policy faction in the United States, which opposed British colonial policy in the area — namely, President Kennedy and Ambassador Jones — had to be eliminated *in order to drag the United States into submission to British policy.*

To follow this trail, we must examine the process whereby Howard Jones was replaced as Ambassador by Marshall Green, who arrived in Indonesia in July 1965, a few months before the Sept. 30 coup attempt. In his memoirs, Green paints himself as the exact opposite of Jones in regard to statecraft, and, perhaps unintentionally, also exposes his virtually satanic world view. While Jones immersed himself in Indonesian history and culture, seeking what was best in that culture as a basis for collaboration, Green took no interest in the nation or its culture, concerned only with imposing what we now know as the "Kissingerian" view of America's supposed narrow self-interest — a euphemism for U.S. support for British geopolitical interests. One example: Jones, after careful study, and hours of intensive conversation with Sukarno and other Indonesians, noted: "The Indonesian believes deeply in God. His occult trappings are carried along with him as baggage, which he thinks helps him communicate with the Infinite."

Green, while making no attempt to understand Indonesia's religious beliefs, embraced the occult "baggage"! Green reports: "My experiences in Indonesia left me somewhat shaken in my disbelief in the occult." He describes how the new U.S. Embassy in Jakarta had been haunted by certain ghosts, until a "Javanese exorcism ritual, that involved several of us on the Embassy staff, preceded by chanting officiants carrying incense sticks, parading through the new building." He claims the exorcism worked (although Green, clearly a ghoul, continued haunting the place for years to come).<sup>14</sup>

Politically, Green's role in sabotaging President Kennedy's policy in Indonesia began long before his appointment as Ambassador in May 1965. He had worked closely with John Foster Dulles on East Asia policy since the 1950s, playing a hand in a coup in South Korea, and in America's belligerent China policy. Immediately after Kennedy's assassination,

14. Marshall Green, *Indonesia: Crisis and Transformation, 1965-1968* (Washington, D.C.: Compass Press, 1990).

Green was brought into LBJ's State Department as Deputy Assistant Secretary for the Far East, working closely with Cold Warriors Dean Rusk and the Bundy brothers, William and McGeorge. He soon took a leading role in opposing Ambassador Jones directly on Indonesia policy. Green writes that he and Jones were of different "schools," where Jones wanted to improve relations with Sukarno, and Green wanted to get rid of him.

Jones identifies the turning point as July 1964, when, "just as the improving internal situation (in Indonesia) seemed to justify undramatic albeit hopeful expectations that U.S.-Indonesian tensions would be eased, the boom was lowered." Robert Kennedy's trip had brought about new hope for a peaceful end to the Konfrontasi, and Jones had strongly appealed to President Johnson to remain neutral in regard to Malaysia. Then, in July 1964, without any pre-consultation with Ambassador Jones, President Johnson went over to the British side, signing a joint communiqué with the Malaysian Tunku, pledging U.S. military aid to Malaysia to fight Indonesia. In the Tunku's press conference in Washington, Sukarno was compared to Hitler, and Indonesia described as a greater threat to Malaysia than colonialism.

A few weeks later, in his annual Aug. 17 Independence Day speech, President Sukarno announced the "*vivere pericoloso*," the "Year of Living Dangerously," declaring Indonesia

to be dedicated to the cause of revolutionary resistance to colonialism. He defined an axis of anti-imperialist nationalist defense, passing through Beijing, Panmunjong, Hanoi, Phnom Penh, and Jakarta. "I have to address a few words to the government of the United States," he said. ". . . On the part of Indonesia, the desire to be friends with the U.S. is already very clear." He explained that he had forgiven the subversion of 1957-58, the insults and efforts to impose conditions contrary to Indonesian sovereignty, but, "with a heavy heart, I have to state that the Johnson-Tunku Joint Statement is really too much. It really exceeds all bounds."

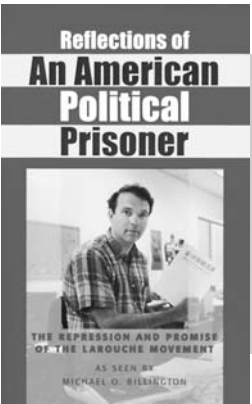
Sukarno strengthened relations with China. A plan to create an armed militia within Indonesia, a "fifth force," was put forward by Sukarno for discussion, provoking strong reactions in the military. Rumors that China was already shipping small arms to the country to equip the fifth force, and especially the PKI cadre, although they were subsequently proven to be false, further aggravated the situation.

Jones continued his efforts to settle the Konfrontasi, but got no response from the British. In January 1965, he asked President Johnson to meet with Sukarno, a proposal which soon-to-be Ambassador Green proudly admitted to have sabotaged. Johnson did send Ellsworth Bunker to Indonesia in April 1965—a month after the war was launched in Vietnam—and Bunker, after extensive meetings with the Indonesian leadership, including President Sukarno, totally backed Ambassador Jones's policy to continue working with Sukarno. However, the combination of the "Rolling Thunder" bombing campaign in Vietnam, and the U.S. invasion of the Dominican Republic in April 1965, "sent tidal waves that rocked the Indonesian boat," as Jones put it.

In July, Green arrived in Jakarta to replace Jones as Ambassador. Like Ambassador Henry Cabot Lodge in Vietnam, who considered his mission to be the overthrow of President Diem and the implementation of a military dictatorship under U.S. control, Green's explicit intention was the elimination of the host nation's President, by whatever means necessary. "To leave without having a real showdown with Sukarno," wrote Green, "would, in my opinion, be a mistake." A British pro-consul couldn't have said it more clearly. In fact, Green gushed with pride in his memoirs: "My closest colleague was the British Ambassador, Sir Andrew Gilchrist (and later, his successor Horace Phillip), who lived across the street from our residence."

Jones, after years of intimate collaboration (and conflict) with President Sukarno, described him as "a human being of great warmth and magnetism, a leader of vision who . . . stuck by his precepts of unity in which he had always believed, even though this meant pulling the pillars of his temple down upon his head." Jones believed Sukarno had a tragic flaw, that he "lost himself in self-glorification, forgetting that the truly great are humble, and in so doing, betrayed his people."

Whatever the truth of this judgment, compare it to that of Green, who knew nothing of importance regarding either



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Indonesia or Sukarno, but proclaimed Sukarno to be “a vain-glorious man—a dangerous man, to be sure, but not a very serious man,” who merely wanted to “get into the world spotlight,” and who had “a striking resemblance to Mussolini.” Here we see clearly the degeneration in American statecraft in 1964-65.

Green asserted that three of the four branches of the Indonesian Armed Forces were “penetrated” by the communists. “The Army,” he wrote, “was the only remaining effective counterforce against communism; *however, the Army was loyal to the President*” (emphasis added). Reversing this, to his mind, was the neo-colonial task he was required to carry out, in league with the British, who were already on the job.

### The PKI and the Slaughter

Without trying to analyze the PKI, a few points are necessary to understand the enormity of the subsequent mass slaughter. The PKI was taken over in 1951 by four young men, headed by D.N. Aidit, who remained together as the collective leadership throughout the next 14 years of the PKI’s existence. All four had been part of the nationalist youth movement during the 1945-49 independence war with the British and Dutch, joining the Communist Party in the process. From the beginning of their period of leadership, the four never deviated from a policy of achieving political power through peaceful means. Their dedication to Sukarno grew stronger over the 1950s, as the President demonstrated that he valued the revolutionary zeal of the communist organizers, while he was always cautious to keep this zeal bounded by the requirements of the general welfare of the population.

The PKI developed into the largest Communist Party outside of China and the Soviet Union. Aidit remained neutral in the Sino-Soviet split until late 1963, and, rather than adopting a “line” from either Moscow or Beijing, developed his own view of the social forces active within Indonesia. Unlike the theories advocating either “armed struggle” (associated with Beijing) or the doctrinaire “popular front” (from Moscow), Aidit rejected class distinctions altogether, to pose a division of society between those who are “pro-people” and those who are “anti-people.” While focussed on organizing workers and peasants into mass organizations, his general policy was to work with all those who were “fighting for the establishment of a national and democratic economy.” The “pro-people aspect,” said Aidit, “is embodied in the progressive attitude and policy of President Sukarno.”<sup>15</sup> The PKI provided much of the organizational muscle for Sukarno’s campaigns against the Dutch over Irian Jaya, against the Anglo-American-backed rebellions of 1957-58, for land reform across the country, and in the Konfrontasi with the British. The PKI won 16% of the vote in 1956, and was expected to have done even better, had there been subsequent elections. The PKI-initiated

labor unions, peasant organizations, women’s organizations, and youth groups, all had several million active members.

There had always been antagonism between the military, the Islamic organizations, and the PKI, and Sukarno carefully balanced their influence. The PKI relations with the Muslims became more acrimonious in 1964, when the PKI expanded their campaign to implement the official land reform policies of the Sukarno government. Faced with stalling and diversion from landlords, often directly or indirectly tied to the Islamic institutions in the countryside, the PKI launched “unilateral actions” to seize the lands designated to be distributed to landless peasants. Sukarno backed this, saying, “I am impatient. I can no longer wait. Perhaps the farmers will also box the ears of those officials who are moving too slowly.”<sup>16</sup> However, too many ears were getting boxed on both sides, and the campaign was scaled back in 1965, leaving behind extreme hostility against the PKI among certain Islamic layers, hostility which would be tapped by the Army under Suharto to facilitate the slaughter.

As reported above, the Army officers who conducted the kidnapping and murder of General Yani and his allies in the Army leadership all came from Army units associated with General Suharto, and several were very close to him personally. Suharto, although second in command to Yani, was inexplicably *not* included on the list for kidnapping, and the rebel forces who occupied the central square in Jakarta did *not* block the side facing the Special Forces offices under Suharto’s command. Suharto moved quickly and easily to crush the coup. Chief of Staff General Nasution, although not a member of the Yani group, was targeted for kidnapping by the coup plotters, but managed to escape. However, Suharto, upon seizing control of the Army during the coup attempt, never relinquished power to his superior, Nasution.

The actual role of the PKI in the coup is still not entirely clear. Aidit had had some contact with the conspirators, and was at the coup headquarters, an Air Force base, on the day following the kidnappings, as was President Sukarno, while the outcome of the coup was still uncertain. Both Aidit and Sukarno left (separately) before the air base was taken over by General Suharto’s forces. The PKI membership base was never mobilized or activated to support the coup in any way, and, except for a few localized pockets of resistance, was never even mobilized to defend itself against the slaughter that followed.

What *is* clear, however, is that the British, the Australians, and the U.S. Embassy under Ambassador Green, immediately declared the attempted military coup to be a *communist plot*, and promoted the massacre. Green wired Washington on Oct. 5: “Muslim groups and others except communists and their stooges are lined up behind army. . . . Army now has opportunity to move against PKI if it acts quickly. . . . In short, it’s

15. Rex Mortimer, *Indonesian Communism Under Sukarno: Ideology and Politics, 1959-1965* (Ithaca, N.Y.: Cornell University Press, 1974).

16. J.D. Legge, *Sukarno: A Political Biography* (New York: Praeger, 1972).

now or never. Much remains in doubt, but it seems almost certain that agony of ridding Indonesia of effects of Sukarno . . . has begun. . . . *Spread the story of PKI's guilt, treachery and brutality—This priority effort is perhaps most needed*<sup>17</sup> (emphasis added).

Australian Ambassador Shann echoed this sentiment: “Now or never. . . ; if Sukarno and his greasy civilian cohorts get back into the saddle it will be a change for the worse. . . . We are dealing with such an odd, devious, contradictory mess like the Indonesian mind.”

The British-American-Commonwealth leadership knew of the killing from the beginning. Under the direction of the military, much of the slaughter was carried out by enraged Muslim youth, armed and turned loose against any and all supporters of the Sukarno/PKI programs.

Ambassador Green's cables as early as Oct. 20 referred to hundreds of summary executions, but warned that the PKI was “capable of recovering quickly if . . . Army attacks were stopped.” He praised the Army for “working hard at destroying PKI and I, for one, have increasing respect for its determination and organization in carrying out this crucial assignment.” A cable from the American consul in Medan, in Northeast Sumatra, is most revealing: “Two officers of Pemuda Pantjasila [a Muslim youth group] told consulate officers that their organization intends to kill every PKI member they can catch . . . , much indiscriminate killing is taking place. . . . Attitude Pemuda Pantjasila leaders can only be described as bloodthirsty. . . . Something like a real reign of terror against PKI is taking place. The terror is not (repeat) not discriminating very carefully between PKI leaders and ordinary PKI members with no ideological bond to the party.” He added that there was “no meaningful resistance.”

Approximately one-half million Indonesians were murdered in cold blood over the next several months.

Green concluded in his memoirs that “the bloodbath . . . can be attributed to the fact that communism, with its atheism and talk of class warfare, was abhorrent to the way of life of rural Indonesians, especially in Java and Bali.” Ambassador Jones concluded otherwise: “I have witnessed what occurs when reason is replaced by fear and suspicion, when decisions are based on prejudice, rumor and propaganda.”<sup>18</sup>

It is coherent with Green's fond embrace of the genocidal “solution” to the problem (as he perceived it), that he went on to become one of the world's leading promoters of population control, setting up population control units in the State Department and the National Security Council, and heading the U.S. delegation to the UN Population Commission.

One final comparison of Jones and Green situates the analysis in the broader context of America's failure in the post-World War II era. Jones concludes his memoirs with a quote

17. This and the following quotes are all from David Jenkins, the *Sydney Morning Herald*, July 12, 1999.

18. Jones, op. cit.

from Franklin Roosevelt, written on April 11, 1945, intended for the fireside chat which was cancelled due to FDR's untimely death the following day: “Today we are faced with the pre-eminent fact that, if civilization is to survive, we must cultivate the science of human relationships—the ability of all people, of all lands, to live together and work together in the same world, at peace.”

Green, on the other hand, after helping to drive the United States into a neo-colonial “Thirty Years' War” in Asia, invited Anglophile geopolitician William Bundy to write the foreword to his memoirs, in which Bundy's praise of Green included the following incredible statement: “History is likely to regard the period from 1946 to about 1970 as the golden age of the American Foreign Service.”

Only one person of stature in American politics questioned U.S. support for the mass killing in Indonesia. Robert Kennedy, in 1966, said: “We have spoken out against inhuman slaughter perpetrated by the Nazis and the Communists. But will we speak out also against the inhuman slaughter in Indonesia, where over 100,000 alleged Communists have not been perpetrators, but victims?”<sup>19</sup>

19. Arthur M. Schlesinger, *Robert Kennedy and His Times* (Boston: Houghton Mifflin Company, 1978).

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## LaRouche Appeals to Poland To Assert Its Sovereignty

by Frank Hahn

Many people in Poland had long awaited it, and now the time had finally come, that American 2004 Presidential pre-candidate Lyndon LaRouche paid a visit to Warsaw. The timing of the visit, from May 22-25, was fortuitous, as Bill Clinton had given a speech in the Polish capital on globalization a few days before, and on June 10, President Bush was expected. To both the former and the current U.S. Presidents, LaRouche presents a welcome contrast: He offers a country like Poland a realistic perspective, of how its self-interest and sovereignty could be reestablished, in the context of international cooperation. His Polish audiences, looking to LaRouche as the real “President” of the United States, hope that he will be successful in realizing his years-long concern, that the United States, instead of embracing its would-be friends with a death grip, should give friendly countries the freedom to decide for themselves, the future of their nations.

But for Poles, relations with America were not their only interest at the time. The great mission of the Polish Pope, John Paul II, to promote the common good in the context of an ecumenical effort, and to define a way out of the economic and cultural desolation of a globalized world, in the Platonic and Pauline tradition of Europe, is a topic of heated discussion in Poland, and gives the country enormous moral support. LaRouche not only honored this great mission of John Paul II, but presented his own commitment to build Eurasia, in coordination with the Pope’s ecumenical mission.

A third point characterized the political-strategic atmosphere in which LaRouche’s visit took place: the desire for closer relations to Russia. With its unofficial, but real 30% unemployment rate, Poland stands on the brink of social explosion; the axioms of neo-liberal free-trade ideology and monetarism have been shaken at their foundation; and the European Union threatens, demands, and blackmails, yet the blessing of Poland’s entry into the EU not only seems to be

moving further and further away, but some in Poland even doubt whether the EU’s horn of plenty will ever be open to their country. In this situation, it is necessary to seek out other options for international cooperation, and Russia is at the top of the list. The repeated message expressed by LaRouche’s various interlocutors during his visit, was, “The Polish people have no fear of the Russian bear!” People were highly interested in LaRouche’s evaluation of the Russian situation, and in his role as an American political figure who is highly esteemed in Russia.

### Speech in the Polish Parliament

On May 23, LaRouche was invited by the Peasants Party (PSL) group to give a presentation in a room of the Sejm (Parliament), which appears below. Thirteen parliamentarians from the party (which had elected a prime minister a few years ago), as well as other groups from the former Solidarity Election Alliance (AWS), came to hear the American speaker.

First LaRouche explained the need and the mechanism for a bankruptcy proceeding for the world financial system, and its reorganization on the international and national levels. The model for this, he said, was the policy of President Franklin Delano Roosevelt in the United States, and, on the international plane, the founding of the Bretton Woods system in 1944. The main aim of a New Bretton Woods today, must be the economic development of Eurasia. “It was my concept in 1989, when the Comecon [the socialist countries’ Council on Mutual Economic Assistance] disintegrated, to start with such Eurasian development projects—and I looked at the Polish railways as a potential to be at the frontier of such developments,” he said. Instead, the administration of the elder George Bush supported International Monetary Fund (IMF) shock therapy, which led to the destruction of the economies of Poland and other Comecon countries. It will be possible





*One of the three major public events which punctuated Lyndon LaRouche's visit to Warsaw in late May. LaRouche (second from right) addressed a group of members of Parliament May 25, a Polytechnic Institute seminar, and (here) a Schiller Institute forum.*

today to solve Poland's problems, only if the country is allowed to act in its own self-interest, LaRouche said, and added, that he would do everything in his power, to change the constellation of forces inside the United States in this direction.

In rather undiplomatic language, LaRouche warned the Polish parliamentarians about George W. Bush: He is "an idiot, comparable to the Hitler phenomenon, representing a racist oligarchy, which controls the mass media, popular entertainment, in a way comparable to the mass entertainment of the Roman Empire, where the lions were eating the Christians." The political and economic crises in the United States, however, have created an enormous potential to change the situation. He reported that he was personally in the process of rebuilding the Democratic Party in the Roosevelt tradition.

The parliamentarians were visibly impressed: This was indeed the first American politician who had taken them seriously, and who surprised them with his extraordinary knowledge of history and strategy. The first questions that were asked, concerned the Balkans and the Middle East. LaRouche indicated clearly, that these conflicts—just as in the case of the 1991 Gulf War—were the result of a geopolitical chess game of the Anglo-Americans, in an attempt to establish a unilateral world order. As theoreticians of these geopolitical conflicts, he named Samuel Huntington and Zbigniew Brzezinski. This was important to restate, because Brzezinski, who is of Polish descent, unfortunately still enjoys popularity in Poland.

Other questions dealt mainly with Poland's entry into the

European Union: Should we or should we not? One Parliamentarian asserted: "Poland has no sovereignty in monetary matters; everything has to be agreed upon with the International Monetary Fund. The destruction of our health system, together with the dismantling of agriculture and industry, means genocide! It is high time that we renegotiated all treaties of the past ten years, but Europe does not seem to have any interest in Poland. The EU deals with Russia over our heads, it looks as if it were a new Ribbentrop-Molotov Treaty."

LaRouche warned against a hasty Polish entry into the EU, since today's Union is shaped by the Thatcher-Mitterrand policies of the early 1990s, when both wanted to contain Germany, through the economic straitjacket of the Maastricht Treaty that created the European Union. Today's EU is looting the economic resources of Europe, instead of developing them. What is the solution, then, for a country like Poland, and also other Central and Eastern European nations, such as Hungary, Slovakia, and the Czech Republic? All these countries "are squeezed between the hammer of the EU and the fear of Russia. The solution has to be looked for on the background of a collapsing system. In this situation, Germany can't survive without opening to Asia, to revive its role as a leading high-tech exporting nation. Germany needs, for that, cooperation with Russia. Italy is, for several reasons, the natural intellectual partner for Poland. Such a partnership can help to put Germany in the right position, and open the cooperation with Russia."

These were completely new considerations for the Polish

parliamentarians, and indeed LaRouche had presented them a masterpiece of diplomatic strategy and tactics. They thanked LaRouche heartily for the unexpected “dose of optimism.”

### Round-Table with Scientists

On the morning of May 24, a round-table discussion was organized, with scientists from various disciplines at the Warsaw Polytechnical University, where LaRouche was invited to speak on “Education and Scientific Renaissance in the 21st Century.” There were 20 scientists, economists, physicists, mathematicians, engineers, a nuclear physicist, an historian, and a musicologist (an expert on Chopin). The meeting was opened by Prof. Jerzy Oledzki, former Vice-Minister of Education under the Hanna Suchocka government of 1992-93. He stressed that this was the first time that LaRouche had been personally present in the group, but that he was very well known to its members, since they had been reading his articles for years, and following his campaigns on the Internet.

LaRouche presented a very condensed speech: It was a genial demonstration of true statecraft, which must always be based on science, philosophy, and Classical art. With the examples of scientific discoveries from Leibniz to Fermat, to Gauss and Riemann, LaRouche made clear the difference between a robot and a human being: “Here, formal logic breaks down, and human cognition takes over. Formal logic can be also produced by a machine, but no robot can discover a new physical principle.” The difference between living and non-living forms of matter, as well as the cognitive form of life, as the most efficient physical principle in the universe, was worked through in the most wonderful manner by the Russian-Ukrainian scientist Vladimir Vernadsky, in his differentiation of the biosphere from the noosphere, the realm of cognitive activity. Vernadsky showed himself to be a real Platonic thinker. “Platonic thinking means to discover the reality behind the shadows. Science is not accounting, not connecting the dots, but science is working in the relativity of time, to discover universal principles by solving paradoxes.” This is the task of education, and also of statecraft, to develop the capacity in each child to develop this creative method of discovery. This approach is precisely what liberal education methods today want to destroy. Students must relive important moments in the history of human discovery, LaRouche said. “Students must relive the moment in history when Archimedes shouted out his ‘Eureka!’ When this is accompanied by a lively presentation of the city of Syracuse, and the historical setting, then the student learns to communicate with people from all historical epochs, as if they were contemporaries today.”

As an illustration of this idea, LaRouche used Raphael’s painting of *The School of Athens*. The same method of bringing forward creative ideas, is at the basis of Classical composition in music, such as to constitute a continuous thread of ideas, from Plato, through Leonardo da Vinci, Kepler, and Leibniz, to Bach. It is only these ideas of creative discovery,

expressed in science and Classical art, which lead to economic value, which we measure as increased productivity. Through pilot projects in science, the state must contribute to this increased productivity, and the aim of education, therefore, is “to better understand man’s relationship to the biosphere and the relationship within the biosphere, to increase man’s productivity and power over the biosphere”—not to be fixated on one’s career as a scientist, but to become more like the Creator.

In the very lively discussion, there were two aspects that were stressed: how to better understand the difference between empiricism and creative scientific work, as well as the application of these ideas to education. LaRouche took this question as an opportunity to attack the empiricist-statistical method, from Paolo Sarpi to Bertrand Russell and John von Neumann. “Statistics is not science, but intentions are scientific principles. If man can discover and create intentions, what is the intention of man’s existence? The intention of man is dictated by the intention of God—this is natural law; if this is denied, you get cultural pessimism in the society.”

This “cultural pessimism” was the key term. Poland, as all countries in Europe, has been hit hard by cultural pessimism, but it is fighting against it—in fact, Poland has been almost continuously in a state of resistance, for hundreds of years. Thus, the last question at the seminar was, what LaRouche saw as the mission of Poland? LaRouche linked his considerations concerning natural law again with the figure of Vernadsky, and said, “Take the example of the great Vernadsky: He was in constant conflict with official Soviet state ideology, but he placed his scientific work at the service of the nation and of all mankind, just as Pope John Paul II dedicates his great ecumenical mission to natural law and the common good of mankind.” The development of Eurasia is the concrete expression of this spiritual mission, in which the spiritual tradition of Poland must be present, was LaRouche’s answer. At this moment, it seemed that the smiling, satisfied faces expressed the fact that LaRouche had moved them, as the Pope had. Speaking for them all, one historian said, “This was a turning point in my thinking.”

### A Good Polish Custom, Not To Give Up

That afternoon, the Schiller Institute had organized a public meeting with LaRouche in the same tradition-rich Warsaw Polytechnical University. Although the conference was organized on short notice, 160 people attended from various institutions. There were representatives from four ministries, eight embassies, ten political parties (including the Polish Party of Engineers, which has already integrated the concept of the Eurasian Land-Bridge into its program), four Catholic newspapers, members of the Polish industry lobby, institutes representing the chemical, electronic, and aerospace industries, the Polish Asia-Pacific Council, the Catholic Social Union (PZKS), as well as numerous professors and teachers from the various universities and the Polish Academy of Sciences.

Introductory remarks were made by the second chairman of the Polish Schiller Institute, Prof. Janusz Czyz. He introduced LaRouche as an economist in the tradition of France's Maurice Allais and Charles de Gaulle, Italy's Enrico Mattei, and Poland's Eugeniusz Kwiatkowski, who above all elaborated a constructive alternative to the dominant neo-liberal economic policies of today. Then the president of the Catholic Social Union, Wieslaw Gwizdz, read a message of greetings from Bishop Antoni Dydycz, from Drohiczyn, in eastern Poland. The Bishop praised the services of LaRouche and the Schiller Institute, in helping to reestablish Poland's dignity, so that it is no longer an object of globalization, but can be an active protagonist in the community of nations.

LaRouche himself set a very optimistic tone, from the outset. "We live," he said, "in a time of great opportunities: The bankruptcy of the present global financial system gives us the unique opportunity to build a better world." The foundations for this lie in European civilization, in which the principles of Christian love and natural law have spread, from the Hellenistic spirit, through the mission of St. Paul and the Renaissance, up to the great ecumenical work of Pope John Paul II. LaRouche emphasized the statements by the Pope on Thomas More, and his criticism of globalization. "The Renaissance of the 15th Century," he said, "led to Europe's and later America's, becoming a continuing source of technological innovation—and these sources we must use today, in order to link up Central and Northern Asia, through infrastructure corridors. This is the only way to establish peace and justice on a global level today."

Again the question was raised, about what less politically influential countries, like Poland, could do to contribute. LaRouche stressed that, at the moment, "there are only three nations or institutions in the world which think globally: the United States, the British monarchy, and Russia. But the Poles, too—at least those in this room—think globally, in that they would be very happy, if they would not always have to ask Brussels or Washington for permission to do something good for their country." This was greeted with applause.

LaRouche attacked the foundations of today's culture, in which money, career, and the satisfaction of immediate needs of the individual, are the central point of a person's planning. It is high time, he said, to find a way out of this imprisonment in the earthly here and now. Once again, LaRouche gave his listeners food for thought, with reference to their own history. "Why did people in Poland make revolutions? By instinct? In order to satisfy their needs? No, it was because they wanted to build a better world for their nation and their posterity. And in this sense, today, we have to give our life a higher meaning. We can not win tomorrow morning, but we want to win the war, and it is an old Polish custom, not to give up!" LaRouche's speech was welcomed with a long, standing ovation.

Out of the heated debate which followed, one aspect should be noted: Some expressed the old Polish fears, of being

overrun from all sides, especially from Germany and Russia. Those who are weighed down by such fears, are often those who have a completely wrong image of America, especially of the Bush Administration. LaRouche took this up, to explain in detail, how the grandfather of the current President, Sen. Prescott Bush, had supported Hitler's seizure of power, and that the Bush and Harriman families were actively involved in the IG Farben company's operations in Auschwitz. A line of continuity links this past to the current Bush Administration, such that there exists the danger today, which should not be underestimated, that Bush junior could turn into another Hitler phenomenon.

This idea was especially shocking for the Poles, and may take time to be digested.

In the discussion, many constructive questions were also raised, about the Eurasian Land-Bridge. This is significant, since, as one longtime friend of the Schiller Institute remarked, "You have managed in eight years, not only to transform the original misunderstanding or even rejection of the Eurasian Land-Bridge concept into support for it, but it has been your achievement, to make this Land-Bridge concept known."

The meeting was outstanding, and certainly did not make it any easier for George W. Bush's June 10 visit. In Poland, LaRouche showed himself to be a friend and adviser, a great statesman and philosopher. And the near and distant future, will show the consequences of this trip.

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# LaRouche Briefs Poles On Road to Recovery

*Lyndon LaRouche, a Democratic pre-candidate for President for 2004, gave the following speech to 13 parliamentarians in the Polish Sejm (Parliament), on May 23. Subheads have been added.*

We are presently in the most dangerous situation on this planet since some centuries. It is worse, potentially, than anything European civilization faced during the last century.

The first thing is, that the international financial system is, at present, hopelessly bankrupt. Nothing can save the present IMF system in its present form. It has no possibility of surviving. There are no tricks, no magical solutions which will keep this system functioning. For example, the United States has an estimated Gross Domestic Product of \$11 trillion. The general estimate for the world GDP of combined nations is \$42 trillion. In the last year, the collapse of market values in the United States was actually over \$10 trillion. About \$6 trillion of that was reflected in reported figures, and another \$4 trillion or more was a yet-unreported figure. If we include the off-balance-sheet debt, the total world debt now is about \$400 trillion or more. Every leading bank in the United States is bankrupt, hopelessly so.

A similar situation exists in the banking systems of Western Europe. In the United States, despite the fact that the market index figures are being artificially maintained with a hyperinflationary expansion of money, if you put aside the so-called index reports on so-called economic figures, and you look at the actual unemployment index figures, as reported by leading companies themselves as to their unemployment plans, the United States is already in a severe depression of the 1930s type, economically.

## Chapter 11 Bankruptcy

Now, there are solutions for this problem. One of the most respected institutions in finance in history is bankruptcy. The most important concept in bankruptcy is what is called in the United States “Chapter 11 bankruptcy.”

This was given a strict meaning during the early 1930s under President Franklin Delano Roosevelt. So, in a Chapter 11 bankruptcy, the court does not merely consider the debtors and the creditors. The first party in any Chapter 11 bankruptcy, is called the “Public Interest.” This law of bankruptcy applies especially to institutions which are technically bankrupt, but whose continued functioning is essentially important to survival.

For example, we have a major fight inside the United States right now on this kind of issue. For example, health care is a matter of the public interest. If an essential hospital is financially bankrupt, then the public interest demands that the hospital continue to function despite its bankruptcy. In the case of the California energy crisis, the ability of industries to function, and homes to continue to function, means that the supply of energy must be available to them at reasonable prices.

The same thing applies to certain major banks. A bank is not merely a financial institution, it is an essential, functional institution of the economy, of the society. It’s an instrument of deposit for governments and private individuals and organizations. It’s an instrument for having insurance clients, it’s an instrument through which government may deliver credits to foster some necessary purpose.

Obviously in the present world situation, the same idea of the General Welfare, or Common Good, which underlies a Chapter 11 bankruptcy, applies to the world as a whole.

In any financial reorganization, governments must continue to function; essential industries must continue to function; essential government functions on which the population and society depend, must continue to function. Now therefore, we can solve this international financial crisis by using the same principle on an international level. The IMF is not the ultimate political authority in the world. By my principle, sovereign nation-state governments are the highest authority in the world. If there is an agreement among sovereign nation-state governments, then that is the authority to reorganize the world financial system.

## A Model for Recovery

Our experience with the 1930s to the 1950s gives us a model for understanding how to deal with this kind of process. The United States recovered from the Great Depression of the 1930s under Franklin Roosevelt. Through the power of the United States which depended upon Roosevelt’s economic leadership, the issues of World War II came to an end. Roosevelt had many important policies for the postwar period which were stopped at the point of his death. Many of the evils of the past 60 years would never have happened if Roosevelt had lived. But nonetheless, as we see in the cooperation especially between Western Europe and the United States, up to about the middle of the 1960s, there was a great recovery in Western Europe and the United States.

This recovery was made possible by the original form of the Bretton Woods agreements. It was a reorganization of a world in bankruptcy. So, we instituted a system of relatively fixed exchange rates, no floating exchange rates. A system of strict capital controls, strict exchange controls, strict adherence to protectionist methods for trade and production. And then, the use of the power of government to generate credit for fostering the construction of basic economic infrastructure, largely a state enterprise, and also for the fostering of the



*Lyndon LaRouche's most frank and fruitful exchanges with Poland's parliamentary and other leaders, were on the subject of the nasty, short, and brutish nature and prospects of the Bush Administration.*

rebuilding of industry and agriculture. This worked very well.

The Schuman Plan was one example of this. The development of France under the leadership of de Gaulle was an example of this; the development of Germany, first under the leadership of Adenauer, and then under the leadership of Ehrhard; in Italy, until the death of Mattei. So, these are examples from the past which worked. The situation today is worse than then, but the same principles can work again.

Therefore, the problem is not an economic and financial problem; the economic and financial problem is one we must solve, but the threat to civilization comes from the lack of a political solution which permits the economic and financial problems to be solved. The additional problem is that never before in all recorded history has the entirety of the human race been as much in jeopardy at the same time as now. In no history since the melting of the glaciers, which began about 25,000 years ago—most crises had been limited to one part of the world. For example, you had the great crisis which hit Europe in the period from the end of the 12th Century into the beginning of the 15th Century. This hit in all North Eurasia, from China through to the Atlantic Ocean, in the coincidence of the Mongol invasion of Europe and similar kinds of problems. But South Asia was less affected, and China began to recover sooner than other parts of the world. Which defines that modern European history began with the 15th-Century Renaissance as a general rebuilding of civilization from the ruins of that previous period.

## The Situation Today

Now let's look at the situation today: Africa, Sub-Saharan Africa is undergoing deliberate genocide, Anglo-American-directed genocide. It's pure, massive genocide, aimed deliberately to reduce the population of the Africans.

Until the beginning of the 1980s, Central and South America consisted chiefly as viable, relatively healthy sovereign nation-states. Today, Mexico is in jeopardy, the Dominican Republic still holds on—that's an exception—but all of the rest (putting Cuba to one side, which is a special case), all of Central and South America except Brazil, has lost its sovereignty in a greater or lesser degree. The situation is impossible. We are in a situation where a Middle East war is almost inevitable now. The President of

the United States wishes a Middle East war to occur. He is a supporter of Sharon—for a while. The United States does not intend to participate in the war, but it intends to support Israel to conduct a war.

There are no issues causing war. The issue is that certain people wish the war, and they will launch the war because they wish to, not because of some reason. It's like Hitler's invasion of Poland. There was no reason for it, he just intended to do it. This kind of Nietzschean mentality of determination to do something evil because you intend to do it. Such a war launched by Israel would have a chain-reaction effect, in which Turkey would be involved, as well as Syria, Lebanon, Iran, and other countries. The effect would be worse than that of the Balkan wars of the last decade. There would be an evil spreading out, affecting Central Asia, Transcaucasia, and so forth.

## The Possibilities for Recovery

Western Europe is hopelessly bankrupt. The only possibility of reviving the economy of Western Europe from absolute bankruptcy would be a recovery of Germany as a leader of a general export drive of high-technology production from Western Europe into Asia. This is reflected somewhat in the negotiations between Schröder, the Chancellor of Germany, and Putin, the President of Russia. There is a general intention now, centered around a group called the Shanghai Five, which is to bring Asia, Russia, and Western Europe together for

economic cooperation. This is a long-term trend in European civilization which began with Peter the Great, and which took off in 1877 with the work of Mendeleyev in building the transcontinental railway.

The objective impulses today are similar. Eurasia is the center of human society. The development of Eurasia has so far been based largely on the coastal areas moving somewhat inland. Central Asia to North Asia to the tundra region is essentially an underdeveloped area, one of the great frontiers of the world. We have the potential technology now — which should have been begun in 1989, when Poland began to become liberated. The disintegration of the [socialist countries' trading bloc] Comecon should have been the symbol for a great rebuilding effort throughout Eurasia, for a combination of great combined transportation, water management, power generation, corridors of economic development. At that time in 1988, when I first proposed this in an address I gave in Berlin, I looked at the railway-building potential of Poland as one of the great potentials, for spreading this kind of development of Eurasia as a whole.

Poland actually is on the frontier, in a sense, of this Central Eurasian development area, an area of underdevelopment which requires great infrastructure development.

### **The Political Requirements**

Now, my conception has been, and has been for many decades, that we can solve these problems, if the United States would play a leading role, together with countries in Asia, Western Europe, and so forth, in launching this kind of orientation for rebuilding the planet. Temporarily, my proposal was accepted by President Reagan in the famous, so-called SDI proposal. Unfortunately, Andropov was the General Secretary in the Soviet Union at the time. Otherwise, it would have happened. I often have said that Andropov and Gorbachov destroyed the Soviet Union. Sometimes the failure to accept a rational alternative leads to the destruction of the person who refuses the alternative.

The essential problem today is this: There are only three national cultures on this planet which think globally: The British monarchy thinks globally, the United States thinks globally, and Russia, Russian culture, thinks globally. China does not think globally. Europe is naturally an area of potential global thinking as representing European civilization, but, because of 20th-Century history, European nations, continental European nations, do not think this way. Poland is an example of that.

Obviously, people in Poland can think globally, if they wish to, but you are involved in government. You know what the problem is. There are things you know you can do for Poland. But if you propose them, the international institutions will not allow you to do it. So, the answer comes back: It's not practical, it can't be done. There are many things you would do, which are very practical to improve

conditions of Poland, but the IMF says no, the European Union says no, and that's the end. That's what I mean by being able to think sovereignly in a global way. So, this is a typical situation in this part of Europe, of Poland, the Czech Republic, Slovakia, Hungary. You have the same problem, caught between former Western Europe and the former Soviet Union as a kind of a buffer area still. So, when an American comes to Poland to speak about problems that involve Poland, that's the first question which should arise: "Why did you not let us do it?"

The same thing we discussed in the Czech Republic, the same thing we discussed in Slovakia, in Hungary, the same problem: That sovereign governments are not allowed to act in a sovereign way. But, on the other side, contrary to the would-be globalizers, the entire history of European civilization and world history shows us that the sovereign nation-state based on the principle of the General Welfare is the only form of civilized existence. So, that means that the sovereignty of Poland should be intact, that Poland should be able to apply the rules of general welfare to make its own policy, which the IMF presently will not permit. So, how do you deal with this kind of problem among a group of nations, each of which suffers this problem? It means you need a combination of powers, which is agreed on the principle of the sovereign nation-state, in creating a common solution.

### **The Question of the U.S. Government**

Now, that brings everything back to the question of the government of the United States, because you have three powers, that is, national cultures, that think globally today — Russia, the British monarchy, and the United States.

For Europe, Putin is extremely interesting on the Russian side. It's a complicated question, but it's an interesting question. But the solution will not come from there; the solution will not come from the British monarchy. Therefore, the initiative must somehow come out of the United States. If we have the right government in the United States, everything can be done now. Well, some people made sure that wouldn't happen, at least so far.

Now, in order to be absolutely truthful, I should be very undiplomatic. As you all understand, there are certain points where diplomacy must give way to truth.

The financial oligarchy which actually runs the U.S.A. at the present time — it's a racist financial oligarchy, it's an alliance based on New York bankers and similar types, with the tradition of the Confederacy. In the present form, it was consolidated by the Nixon election campaign of 1966-68. On the Democratic Party side, it was consolidated by the takeover of the Democratic Party by the Carter Administration in the late 1970s. And we as a nation have been degenerating morally ever since. We now think in Washington of money, money, money, market, market, market.

So, you have people who are in their twenties and thirties,



*LaRouche spoke to a seminar at the Warsaw Polytechnic Institute on May 24, along with Prof. Jerzy Oledzki (right), former Vice-Minister of Education of Poland. Translator is at center.*

who are trading on the stock markets, the financial markets — they are absolutely insane, they can't think for more than three minutes. It's money, money, money, markets, markets, markets.

Now, this crowd, this financial, Southern-related crowd, is also based in this power on the mass media, which is both the entertainment and the so-called mass news media.

You can understand this phenomenon better here by looking to what happened to the mass media in Russia in the recent period of liberalization, what happened to the mass media in Poland itself, the change in politics by the Polish mass media in the recent period. This evil parasite sucking on the brains of the citizens, and worse than the news media, is the entertainment media. You have a mass media, which is dedicated to entertainment media, to sex and violence, sex and violence, so that you have a substitute for thinking and a substitute for knowledge, just like the Roman Empire, with Nero in the Colosseum and the Romans cheering for Christians being eaten by lions, under Nero. It's a similar kind of culture.

And this phenomenon of moral and intellectual degeneracy, is protected by the magic word of "democracy." It's a prostitute's conception of democracy: every man a client. What has happened in the U.S.A., is the mass media took over control of politics from the top down.

For example, in the recent Presidential elections, we had a number of candidates who were running, and others who would have run, from a number of which you could have had a functioning President. But, in one way or the other, all of them were eliminated by March 7 of last year, and only two dummies were allowed to continue running: Gore, who is a mental case, and Bush, who is an idiot. It's true! We say, in

the United States, that Bush is the most "undermisestimated" man in politics. He's a stupid, evil, mean-spirited person. Like the Hitler phenomenon. Powerful people put a totally unsuitable chief executive into power for a reason: because they want an idiot in the Presidency.

Why? Because they knew the world was going into the worst financial crisis in history. Now, the position of the President of the United States, as a Constitutional position, is the most powerful in the world. Not only because the United States is powerful, but because Constitutionally, the design of the Presidency of the United States is unique among heads of states. We have two historical figures in the United States who exemplify that: President Abraham Lincoln in the 19th Century; Franklin Roosevelt as leader of the United States in depression and war in the 20th Century. Franklin Roosevelt never took a dictatorial measure in anything he did during the Depression or during the war. He didn't have to, and he knew he didn't have to, because the Constitution gave him the powers Constitutionally to do what he had to do as a leader of a nation, to do what's needed. No more, no less.

That's the beauty of the U.S. Constitution, if it's done under the principle of the General Welfare, or what is known otherwise as the Common Good. You must act for the Common Welfare, you must act for the Common Good, you must do nothing to injure the General Welfare or the Common Good. That's the essential position of a President, and it's because of the power of the United States, because of its history — and as you know in Poland, history is embedded in many successive generations; the character of a people is located in the heritage of many generations of cultural development. And a President of the United States who can respond

to what is in the people as a legacy of successive generations, knows what he can do, and knows that he has the power, as Roosevelt did, to resist the demands of any oligarchy.

Any person who is morally qualified to be President of the United States, faced with the kind of crisis the United States and the world as a whole is facing today, would tend to do the same thing. And that is what they didn't want. So, they put idiots into power, and behind the scenes—it is not Cheney that runs Bush; it is a cabal of very powerful financial oligarchical circles. They really run him. That's the bad part. Now I come to the good part.

## How It Will Get Better, Soon

[Interruption by one parliamentarian: "When is it going to be better?"] It is going to be better soon: The way it's going to be better, is very simple. If you look at the performance of the Bush Administration, and if you are in touch with people in many parts of the world the way I am: There is a revolt against the IMF going on in Asia. When it will explode, I don't know, but it's being prepared now. The nations of Japan, Korea, China, and Southeast Asia are not going to put up with this nonsense from the IMF much longer. The revolt against the IMF is in process. They are working with the Shanghai Five—it overlaps, a resistance to this problem. You have weakness in Western Europe, but there is a growing sense: "We cannot put up with this any longer." Even in England, even among some of the hard-line Thatcherite types in England, there is a perception that the United States is insane, is intolerable, it's dangerous.

Everything the Bush Administration made as a major decision is stupid, self-destructive, as well as being wrong. Bush is openly pushing for a Middle East war. Bush is pushing for conflict between Taiwan and the Mainland. These things are insane. The push for this nuclear missile defense—which is a complete fraud, there is no reality to it. The question of certain nuclear defense policies and anti-missile defense policies could be discussed, but you don't have to ram them down people's throats.

You have, over the past 100-odd days, a growing revolt around the world among leading circles against the current Bush Administration.

## Changing the United States

Now we come to my part of the story. The Democratic Party, as a result of the last Presidential elections, came out of the elections leaderless, and President Clinton, whom I often assisted and whom I often disagreed with, is out of office. The entire Democratic Party was organized behind Gore; it shattered the entire apparatus, and Gore lost. And you cannot run the Democratic Party from the Congress. A political party in the United States cannot be run as an extension of a parliamentary faction. It has to be run as a mass movement, based on extensive organizations of constituencies. What has happened, of course, is the financial crisis hit

the United States people hard. Especially people in the lower 80% of the income brackets and the lower part of the upper 20% of the income brackets were hit with a disastrous effect of this financial crisis.

There is a terrible collapse of the health care system in the United States. The energy crisis, particularly the swindle on the energy crisis, by privatization of energy resources, has caused a social crisis, in California and elsewhere.

What I have done is, I have organized, beginning last November, shortly after the catastrophe of the Nov. 7 elections in the United States, I began to organize a process to pick up the pieces from this domestic political disaster in the United States.

I organized around four issues:

1. A reorganization of the world financial system, based on the model of the 1945-1963/64 model of the old IMF.
2. The question of Eurasian cooperation for Eurasian economic development. A 25-year program of Eurasian development as the basis for a general economic growth pattern of the world.
3. A reform of the energy policy, addressing specifically the energy crisis which is now exploding in the United States.
4. A reorganization and reversal of health-care policy, focussing on the case of the Washington, D.C. General Hospital, which is the only full-service general public hospital in the Washington, D.C. area.

These four issues are the key issues which can organize not only the Democratic Party—there are also many Republicans who are breaking from Bush right now. So, we have in our hands the potential for changing the policies of the United States rather quickly, and rather profoundly, because we have the possibility of bringing together forces of both the Democratic Party and Republicans. For example, you have the case of the state of Vermont—every state of the U.S., as you know, has two Senators. One Senator from Vermont, who is a Republican, is thinking of announcing soon a change from Republican to the Democratic Party, which may mean, you have a Democratic majority in the Senate.

So, in general, I am optimistic in this sense. The possibility of changing the U.S. direction in policy-thinking is now quite possible. In history, nothing is guaranteed, but it's a possibility. I think that under those conditions, the kind of programmatic perspective I have indicated, can work. There are other considerations which are required as well, but under those conditions, I believe it will be possible to pull together cooperation among nation-states, of the type I indicated. But, it would work only if countries such as Poland, which do not presently think in global terms, are willing to become partners, rather than subjects of a global system. It means that they perceive the opportunity to become recognized with the dignity of being actual partners in the deliberation of global policies. I believe, if we reach that point, I think we can succeed with the rest of the way. I think that's the difficult part of the process.



# Phase-Change Toward Unity in Indonesia?

by Gail G. Billington

In the last week of May, Indonesia's House of Representatives met in plenary session, with its top priority being to vote whether or not to convene a special impeachment session against President Abdurrahman Wahid in the upper house of Parliament, the People's Consultative Assembly (MPR). On May 30, the 365 out of 408 House members present, representing 7 of the 11 political factions in the House, voted for a special impeachment session. The entire 38-member military faction in the House abstained, as did one MP from a small Christian party. The 54 members of Wahid's PKB party walked out of the session in protest. The impeachment session is tentatively scheduled for Aug. 1, MPR Chairman Amien Rais informed reporters.

Since the May 1998 overthrow of the Suharto government, Western-based news services have frontloaded their Indonesia coverage with hair-raising stories of mob violence, atrocities, and gore. So they did, again, around the May 30 House session, focussing on destructive protests in East and Central Java, where President Wahid's political base in the 30-plus-million member Nahdlatul Ulama (NU), the largest Muslim social organization in the country, is located.

The NU was founded by Wahid's grandfather, headed by Wahid's father, and then by Wahid himself for 15 years. Its loyalty stems from the relationship of a religious holy man to his followers, and the social safety net the NU provides to an overwhelmingly rural population, including much of the minimal education they receive in NU schools, or *pesantren*. That loyalty has a quality of spiritual depth far beyond mere political allegiance.

## The Violence Was Confined

The news-hounds were intent only on finding violence in the protests that erupted in Java. What they failed to report is that the violence was confined to these Java strongholds. There were *non-violent* demonstrations in the immediate perimeter of the Parliament building in Jakarta, where some 5,000 Wahid supporters, bussed in from Java, pushed and shoved and jostled their way through outer barricades, but with no casualties reported, no counter-demonstrations, no university students leading the protests, not even significant traffic jams. At the end of the day, the demonstrators loaded onto their buses and drove away—a far, far cry from the

horrors Indonesia has sustained at many points and places since May 1998.

Indeed, some 300 meters away from Parliament, heads of state and representatives of the 19-member Group of 15 developing nations opened their annual summit. Those dignitaries had a ring-side seat to the goings-on at Parliament, and possibly shared hotel facilities with some of the demonstrators and legislators.

The irony is that the press may have cheated themselves of one of the best stories this year: Just maybe, Indonesia's institutional leaders, political and military, are fed up with being played against one another and against the greater good for the Indonesian people and their nation. In the run-up to the May 30 House plenary session, the Indonesian political class and, especially, the Indonesian military, acted with a higher degree of unity of purpose in opposing Wahid's threats to declare a state of emergency and dissolve Parliament before it could impeach him, than has been seen in the country since the May 1998 resignation of President Suharto. If consolidated, that would be a victory for Indonesia, but one that may choke those in the West, who have learned to love to browbeat and harangue Indonesia.

## Of Liars and Bullies

The extent to which Indonesia's leaders are able to act for the best interests of the nation is still severely restricted by the real and de facto economic sanctions imposed from the outside. The U.S. Bush Administration has continued the Clinton Administration's policy of banning sales of spare parts for Indonesia's military, which has nearly grounded the use of military aircraft for humanitarian purposes in any crisis situation, in any part of Indonesia.

On the economic front, the International Monetary Fund continues to withhold a \$400 million tranche, which was due to be released in December 2000, but has been held up, among other reasons, by a dispute over a government-proposed amendment to the law governing the central bank, Bank Indonesia. The government insists the current leadership team be replaced. The IMF, upholding its nearly religious fervor for "central bank independence," nonetheless insists on keeping the current team in place, denying Indonesia's government the right to decide upon the leadership of its own central bank!

On May 25, in the heat of the political brinksmanship over whether or not the House of Representatives would vote in favor of impeachment, the Coordinating Minister for the Economy, Rizal Ramli, found an unusual avenue to release tension. The May 26 *Jakarta Post* reported that Minister Ramli took issue with statements made to the press by the IMF's Indonesia representative John Dodsworth while releasing a report on the recommendations of an independent panel on the amendments to the central bank law. Of Dodsworth's statement that the government was "not transparent" regarding the report, and that it "did not adopt many of the panel's

recommendations,” Ramli announced that “all of this is complete lies!”

Ramli continued, “We sincerely want to maintain good rapport and good relations with the IMF as an institution. But its executive here should stop blackmailing the country. They should not play politics here. . . . Why did the IMF allow the central bank to be politically independent without first cleaning up that institution?” he asked, referring to the 1999 central bank law that established the bank’s independence. Ramli noted most of the alleged malfeasance or wrongdoing at the central bank that was uncovered by the Supreme Audit Agency, took place when Bank Indonesia was under close IMF scrutiny.

The IMF’s continued withholding of the \$400 million to Indonesia is indeed a threat to the country, as it could jeopardize the nation’s negotiations with its leading creditor group, the Consultative Group on Indonesia. Jakarta is counting on refinancing \$2.8 billion in loans from the CGI at this year’s meeting.

The economic challenges for Indonesia are daunting. Recalling the economic riots that triggered the end of Suharto’s government in May 1998, *Jakarta Post*’s May 28 editorial stated: “We cringe when we imagine the additional suffering that will fall on the people with the series of price hikes, which will be set off by the planned increase of 30% in fuel prices, 20% in electricity and telephone rates, and 2.5% in the rate of the value-added tax in the first half of next month,” i.e., by mid-June. That is on top of the fact that budget estimates on debt and expenditures have been blown out by the collapse of the rupiah from 6,825 per dollar in October 1999, to 11,305 per dollar in May 2001, and the disappointing level of proceeds from sales of non-performing loans and assets held by the Indonesian Bank Restructuring Agency, still trying to salvage the wreckage left from the 1997-99 Asian financial blowout.

### Indonesia’s Blind President

President Abdurrahman Wahid’s election as President of the Republic of Indonesia in October 1999 was the result, largely, of insider political horse-trading, which denied the Presidency to the head of Indonesia’s largest political party, the PDI-P, headed by Megawati Sukarnoputri, daughter of Indonesia’s first President, Sukarno.

When the dust settled, Megawati had been sworn in as Vice President to Abdurrahman Wahid, who, it is widely reported, served as her political mentor, up until her party emerged as the champions pushing for the special impeachment session against Wahid.

In the 19 months of his Presidency, Wahid has been accused of erratic and irresponsible behavior, even insulting behavior toward his Vice President; failure to mitigate secessionist pressures in Aceh, East Timor, and Papua; nor economically driven religious-communal violence in Maluku and Kalimantan. His penchant to serve as Indonesia’s leading

roaming Ambassador, making 30 foreign trips abroad, has overtaxed the treasury and his popularity.

But is that grounds for impeachment? The legal basis for the impeachment initiative stems from corruption charges against Wahid in the theft of some \$3.5 million from the pension fund of the state logistics agency, Bulog, and a “gift” of \$2 million to Wahid personally, from the Sultan of Brunei, which was to be used to further peace talks in Aceh. Parliament initiated a special inquiry into “Buloggate” and “Bruneigate” in July 2000, followed by a first and second censure motion against the President on Feb. 1 and April 30, 2001, respectively.

Wahid has consistently challenged the constitutionality of any impeachment proceeding launched by Parliament based on these two cases. The legal case against Wahid was further undermined on May 28, when the Attorney General issued a report clearing Wahid of any involvement in wrongdoing in either case. Members of Parliament responded that the impeachment is about politics, not the law.

In the last days of May, Wahid appears to have exhausted much of his political capital by repeated demands that the military impose a state of emergency, giving him power to dissolve Parliament and arrest his political opponents. He also floated a reshuffle of senior military, and issued a statement that several rebellious regions would secede in support of his Presidency, were he impeached.

Senior military commanders repeatedly warned Wahid against declaring a state of emergency, and even military “reformers” assured the senior command that any change of command would have to follow the military’s internal procedure. A spokesman also confirmed that no region had sworn allegiance to Wahid personally.

### The ‘Wayang’ Principle

The assertion of the primacy of his personal political power, over the interests of the nation and *its* survival, has emboldened the political class to move ahead with impeachment and perhaps to seek a power-sharing compromise, including Wahid’s own PKB party. PKB leaders must look beyond Wahid’s Presidency to the future of NU and their constituents. The military, including the Defense Minister, ultimately declined to impose a state of emergency.

Pick up almost any book on Indonesia, and you will likely read about the country’s famous *wayang* shadow puppet theater, which re-enacts the great sagas of the country’s Hindu heritage, the *Ramayana* and the *Mahabharata*. The art of *wayang* itself is a metaphor for the “seen” and the “unseen” worlds, for the “real” puppets and their shadows.

Finding solutions to the multiple challenges Indonesia faces today will undoubtedly be a noisy, messy, and difficult process, full of intrigue and with knotty legal and constitutional challenges. The good news from Indonesia, and the story the Western press have missed, is that, perhaps, real leaders are now emerging from the shadows.

# Civil Rights Heroine Inspires Milan Youth

by Andrew Spannaus

Civil rights leader and Schiller Institute Vice-Chairman Amelia Boynton Robinson visited Milan, Italy from May 23 to May 25, spreading joy and courage among those she met, and urging political leaders and activists to fight for the general welfare of peoples and nations throughout the world.

Mrs. Robinson, who became famous for her role in launching the battle for African-Americans' right to vote in Selma, Alabama beginning in the 1930s, spoke at an event organized by the Civil Rights Movement-Solidarity (the LaRouche movement in Italy) and was also received at the Milan City Hall by officials of the mayor's cabinet. Her visit was well-covered by Milan's press, with a long interview in the Catholic daily *Avvenire*, and radio and television segments which covered her speaking at the Solidarity Movement conference on May 24.

The message which Mrs. Robinson brought to Milan resonated with the political situation in Italy, and the increasing rate at which the nation is feeling the effects of the current international economic and financial crisis. This, for two intersecting reasons. First, that Italy is a nation with a strong and varied tradition of political activism; second, the nation

has just come out of general elections, and a new government is now being formed, which is already at the center of a fight over the direction of economic and social policy. Thus, the way Amelia Robinson places the fight for economic justice carried by the LaRouche movement squarely in the tradition of the great civil rights battles of Martin Luther King, Jr., cuts through the confusion of populist slogans of the recent election campaign, and brings back into focus the objective of any serious political battle—the improvement of living conditions, and the fulfillment of the true civil rights of all human beings.

## 'Outsider' at 'Insider' University

This theme was central to the conference held at the very prestigious Catholic University of Milan, the institution at which the majority of the nation's post-war political leaders were educated. Over 130 people from all walks of life attended the event organized by the University Solidarity Movement (MSU), including college and high school students, businessmen, journalists, politicians, and priests.

In opening the conference, Solidarity Movement Secretary Claudio Ciccanti emphasized a key point about Amelia Robinson and the role she played in a movement which changed history. We must remember, he said, that she is an "outsider." Amelia Robinson is a person who, from outside of the institutions, succeeded in forcing the institutions to change. From this, Ciccanti said, we must learn that fighting for the common good means not simply doing what's possible while "administering" power, but rather waging a political war—both inside and outside the institutions—to transform the society in which we live.



*Civil rights heroine Amelia Boynton Robinson (second from left, and inset, right), on a European organizing tour for the Civil Rights Movement Solidarity, spoke at Milan's famous Catholic University, and answered question from students and TV reporters.*

Mrs. Robinson told how she and her husband, Samuel Boynton, began to work in the 1930s to improve living conditions for the poor blacks who lived on plantations; to help them find a home and land, and to teach them how to register to vote. She went through the events which led to the explosion of the voting rights campaign in Selma in the mid-1960s, and the moment when she gave part of her house and office as the headquarters for the activity of Dr. Martin Luther King, Jr. Mrs. Robinson's husband died from being beaten, and she herself was attacked and left for dead on the Edmund Pettus Bridge at the outset of the march from Selma into Alabama's capital of Montgomery on "Bloody Sunday" 1965—events indelibly recorded on film and photographs of that historic march for the right to vote.

### **To Move Institutions, Not Destroy Them**

In conclusion, she told her primarily young listeners that they must have the courage to challenge injustice, to fight for their rights as defined by the Constitution, and to confront fear.

The audience was clearly moved, and many participants came to the speakers' rostrum to ask questions and thank Mrs. Robinson. Notable among the many interventions, was a barrage of questions about the situation in the United States today, and worries about the direction of the Bush Administration. In addition, there were several comments about the necessity of working "from the bottom" to change things, which came from Catholic professors trained in the concept of "subsidiarity," and from sympathizers of anti-globalization street gangs known as the "Seattle movement."

Mrs. Robinson responded by reminding people that the fight for civil rights, and the fight for economic justice today, is not based on the destruction of the current political system. In the United States in particular, the fight is to guarantee the rights and principles which are at the basis of the U.S. Constitution. Thus, she said, we are fighting to get the institutions to fulfill their responsibility, not to destroy them.

### **LaRouche in the Press**

A very important effect of Amelia Robinson's trip to Italy was the unusual amount of press coverage of her Milan visit and message. Besides *Avvenire's* extensive interview, there were reports in at least four other newspapers, and segments on the regional news of TG3 (Italy's third TV network); Telem Lombardia; the Catholic Church-linked Telenova network; Milano 6 television; and the Radio Radicale station.

Some of these publications even dared to mention the fact that the famous civil rights heroine is now, and has been for years, a leader of the Solidarity movement and political collaborator of Lyndon LaRouche. This was a kind of breakthrough for the Italian Solidarity Movement; it is known in Italy and its initiatives are often mentioned in the press, but they are usually presented without mentioning the broader movement which is behind them, nor its leader, LaRouche.

# Hoof and Mouth Plagues Britain's Elections

by Rosa Tennenbaum

Four weeks ago, Great Britain's Prime Minister Tony Blair declared that the hoof and mouth epidemic (HMD) which has been ravaging Britain for three months, was over, and he fixed the election date on June 7. The government ignored the disease; if HMD was mentioned at all, it was happy news, spread by the Ministry for Agriculture, Food, and Fisheries (MAFF), about decreasing numbers of new outbreaks. Unfortunately, the epidemic did not listen to Blair, but resurfaced with several outbreaks in the famous Yorkshire Dales in mid-May, in the middle of the election campaign.

A new, second center of the epidemic developed mostly unnoticed by the public, until it finally occurred to someone that, according to the MAFF website, the number of animals slaughtered daily was hitting 83,000, three times as high as the alleged peak of the epidemic two months ago. When people started to raise questions, the MAFF stopped publishing new figures. Officials did not want the election campaign to be disturbed by discussions about anything in the real world such as poverty, the collapse of infrastructure and the health care system, or HMD. Suddenly, the MAFF discovered that it had to protect the "privacy of farmers," and invoked the Data Protection Act to hide the figures.

### **'Hideous Abuse of Power'**

It seems to be indeed what the *Sunday Times* calls "the greatest political cover-up of modern times" and a "hideous abuse of power." While the MAFF is listing 3.1 million animals as being culled in this epidemic, newspapers such as the *Sunday Times* and *Sunday Telegraph* calculate that the number has already topped 6 million. In several articles, they accused the ministry of "cleaning up" the figures every day, making it impossible to estimate the true scale of the epidemic, and of bringing down the numbers of new cases by "not confirming those that would previously have been listed." Also, young animals, including lambs, piglets, and calves, are not being counted when massacred, which accounts for 1.5 million alone.

The cull has become "a mindless bloodbath, clearing vast swathes of the countryside of animals," wrote the May 20 *Sunday Times*. There are unbelievable scenes of cruelties being reported. Overstressed slaughterers, mainly soldiers, often shoot into herds with high-powered rifles from up to 60 feet, and farmers report that they have found animals still alive three days after the killing, when the cattle were burned.

Soldiers talk about how they are being involved in “hand-to-hand combat with lambs,” and the Army admits that many soldiers have been “traumatized.”

A study of the culling policies by the Imperial College, London, published on May 22, reveals that 15% of the farms that were “killed out” did not have the disease at all; 22% of culling on farms outside infected premises, often distant from recorded outbreaks, were unnecessary, and had no effect on the spread of the disease. Even people in the ministry are estimating that “70 to 80% of livestock were unnecessarily killed,” which means almost 4 million animals—the result of the insane decision by the MAFF back in March to “slaughter on suspicion,” which meant that animals were being killed before proof of being infected were delivered. During the big “backlog” of killings, animals were destroyed even two weeks after an outbreak, which is longer than any incubation period.

There were questions raised, and there were protests against this policy by veterinarians, scientists, farmers, and even the rural population. They were “routinely sidelined,” wrote the May 24 London *Times* in a six-page supplement under the headline “Wrong, Wrong, Wrong, Wrong”: “Cooperation has been refused to those who have offered to help with testing, and independent expertise has been rejected.” As during the outbreak of bovine spongiform encephalopathy (BSE, or “Mad Cow Disease”), everyone who challenged the MAFF’s policy was silenced. Farmers who protested were accused of “willfully spreading the disease.” “The picture that emerges is of a government machine driven by ideology rather than by expertise,” the *Times* lamented. It stated that it was only possible for the MAFF to hold on to this mindless policy of mass culling because “it has the farming unions on its side.”

Indeed, the National Farmers Union (NFU) and its president Ben Gill are widely seen as the main obstacle that prevented the use of vaccination. At the beginning of April, Blair suddenly switched to favoring vaccination, and Britain applied for a vaccination program at the European Union Commission in Brussels; that was agreed to. But, this plan never went into operation, despite the fact that the Prime Minister pressed for it, in order to secure the early election date. There was strong resistance by some influential elements in the MAFF and the NFU.

### ‘A Blue-Blooded Revolt’

Lady Emma Tennant, daughter of the Duke of Devonshire, has been organizing what the *Times* called “a blue-blooded revolt” against the NFU’s Gill and his resistance against vaccination. Her husband used to work with the vaccination program against HMD in Argentina in the 1960s; today, both keep 12,000 Cheviot sheep at their farm on the Scottish Borders. In a letter to the NFU head on May 9, she raises some pressing questions concerning Gill’s motives, and gives a short listing of the most important developments in the fierce battle for vaccination against HMD, also called foot and mouth disease (FMD):

“In early April we were told that the Prime Minister. . . ,

the Chief Scientist, and the Commons Select Committee on Agriculture were all in favor of vaccination round the worst-affected areas, namely Cumbria and Devon.

“On 11th April, David Maclean, MP for Penrith and the Borders, conducted a poll by fax of his farming constituents. Eighty percent of the farmers and 95% of the vets replied that they wanted vaccination as soon as possible. The *Cumberland News*, a highly respected paper, carried on April 20th the headline ‘Desperate Cumbria Pleads With Blair To Vaccinate Now.’

“How is it, then, that [Agriculture Minister] Nick Brown could say in the House of Commons on April 26th that ‘the government accepts the case for vaccinating cattle . . . but only if the vaccination program is supported by a substantial majority of the farming community, by vets, by the wider food industry, and—I believe this to be crucial—by the consumers.’ He went on to say ‘that level of support is simply not there, and the signs are that it will not now be achieved.’

“Professor [David] King [chief scientific adviser to the Prime Minister] also said, in late April, that farmers in Devon and Cumbria do not want vaccination and that ‘the concern of farmers is that they are stepping into the unknown.’ The reason for this is that over the last 2.5 months they have been misinformed by MAFF, the NFU, and the Minister himself, about the case for vaccination. Mr. Brown, for instance, said on Radio 4 that vaccination would be quickly followed by slaughter, a nonsensical position. No wonder farmers are confused.

“The NFU attaches great importance to Britain’s FMD-free status, but that has now been lost anyway. . . .

“The NFU has said that vaccine is ineffective, which is untrue, as is the statement that several shots are needed. Another NFU myth is that a vaccination program is a huge and expensive logistical operation. In fact, it could be implemented in a few days by farmers using their own staff. Vets and specially trained operatives are not necessary. . . .

“Please, Mr. Gill, answer my question. Why do you refuse to accept the case for vaccination, the scientific, modern, well-proven, and humane method of controlling this epidemic?”

Gill did not answer her letter, and Britain is still not using the vaccine. “The priests of the Golden Calf” have been driving “the caravan of death” all around the country, wrote Simon Jenkins in the May 23 *Times*. “As long as the ‘Golden Calf policy’ [protecting meat and livestock exports] holds sway, the slaughter will continue and the huge destruction with it.” The MAFF expects the cull to continue until Christmas. The longer it takes, the more realistic the ideas become that the human flu could become the “human variant of HMD.” In case a flu epidemic broke out, it is not unthinkable that the government could adopt the same attitude toward handling the crisis, i.e., not using modern techniques such as vaccines to combat it. “Culling humans” is no longer unthinkable, and the longer the HMD crisis drags on, the more probable that danger becomes.

# Where Is Argentina's 'Moral Reserve'?

by Cynthia R. Rush

Appearing before a Buenos Aires federal judge on May 21, Malvinas War hero Col. Mohamed Alí Seineldín testified that the 1989-1999 government of President Carlos Menem was rife with corruption, one example of which were the illegal weapons sales to Croatia and Ecuador between 1991 and 1996—shipments destined, on paper, for Panama and Venezuela. Although *EIR* does not have Seineldín's full testimony, accounts indicate that the former Army colonel, who was sentenced to life in prison on charges related to his involvement in the December 1990 uprising against the Army high-command, based his testimony on his personal investigation of the illegal weapons sales. From that, he concluded that Menem had "organized" the "illicit association"—one of many during his administration—and had benefitted financially from it.

As Seineldín arrived at the court to testify, he was greeted by a rally of his supporters holding large banners reading "Freedom for Seineldín, the Moral Reserve of the Nation," and "Seineldín, Hero of the Malvinas." His staunch defense of Argentine sovereignty, and defiance of Anglo-American plans to force his country's submission to globalization, has earned him the respect of many Argentine and Ibero-American patriots—and the hatred of London and Wall Street. He is, as he has noted many times, a political prisoner of Sir George Bush, father of the current U.S. President.

The December 1990 military uprising was directed against an Army leadership committed to dismembering the Armed Forces, the policy demanded by the Anglo-American oligarchy, and vigorously carried out by the senior Bush. *EIR* has made that policy notorious in Ibero-America, where it is known as the "Bush Manual, or "The Plot" to destroy the continent's national institutions. Well-acquainted with that plot, and an intimate friend of Carlos Menem, the elder Bush was about to arrive in Buenos Aires on a state visit when the 1990 rebellion occurred.

Under U.S. pressure to clean up the military "mess" before Bush arrived, Menem called for Seineldín and his comrades to be summarily executed. That didn't happen, but the Anglo-Americans—Bush personally—saw to it that Seineldín was sentenced to life in prison, to serve as an example for others who shared his passionate commitment to the defense of the nation-state. According to *La Nación*

on May 22, in his testimony, Seineldín raised the issue of broader Anglo-American strategic policy, naming Gen. Martín Balza, Menem's former Army Chief of Staff, as the person "responsible for having demilitarized the Army," through the illegal weapons sales to Croatia and Ecuador, "and eliminating the draft, which left the country without any military reserves."

## 'What Must Be Done To Generate Hope?'

The issue of morality in politics has been the subject of intense discussion recently. Wracked by financial and political turmoil, Argentina is barely surviving as a nation. The International Monetary Fund's criminal austerity dictates have taken a devastating toll on the population, evident in the dramatic increase of poverty, hunger, and unemployment. President Fernando de la Rúa has become an object of ridicule and hatred for his subservience to the IMF, and has left the country in the hands of Finance Minister and George Soros cohort Domingo Cavallo—de la Rúa's recent assertion, "I am the President," notwithstanding. Political instability is such, that the IMF recently noted in an internal document, that government weakness would jeopardize "efficient" application of its draconian policies.

In a statement issued on May 12, the Argentine National Bishops Conference sharply criticized the country's political leadership, echoing themes enunciated recently by Pope John Paul II. The document, entitled "Today the Nation Requires Something Unprecedented," warns that society demands "a just order, which succeeds in separating the republic from the dictates of power groups, domestic and foreign, and is capable of preventing the subjugation of that dignity proper to every human being."

"Who is thinking of Argentina's future? What is the country's mission which orients our action? What must be done to generate hope?" the bishops ask. "It is necessary to re-create politics as the primary instrument for achieving the common good, such that *it* will be the one to direct, and also guide the economy, in the framework of existing republican institutions."

On May 24, the eve of the 191st anniversary of Argentina's 1810 independence from Spain, Cardinal Jorge Bergoglio, Archbishop of Buenos Aires and Primate of Argentina, delivered an even harsher condemnation of the nation's political leadership. The Cardinal warned that they have "no right" to demand "incalculable sacrifice" from the people, while they live in "bubbles of abundance" and "avoid their social responsibility."

As President de la Rúa listened at a mass at Buenos Aires's cathedral—security whisked the President in and out for fear he would be booed—Cardinal Bergoglio told political leaders that "power is service. Power only makes sense if it serves the common good." Poverty has been globalized in Argentina, he said. Instead of the "oppressive abuse of one sector by another," political leaders must "de-

fend our rights . . . to life, to receive education, and medical care (which no policy can postpone), and the unrenounceable responsibility of strengthening the elderly . . . and the children,” whose needs are “today treacherously set back and disregarded.”

As social protest and popular anger grows—a general strike is about to be announced—one hopeful sign is a document issued on May 29 by the Argentine Industrial Union (UIA), entitled “Bases for Rebuilding the Nation.” Under new leadership, which is closer to national companies which produce for the domestic market, the UIA had submitted the document, which is harshly critical of the government’s economic program, to the Bishops Conference in advance. Pointing to “factory closings, denationalization, and unemployment,” the document warns that “the time to carry out urgently required initiatives is running out, and social impatience is seen in actions whose violence and aggressive force, are dictated by desperation.” It concludes that Argentina “can and must fight for the gradual elimination of poverty, but cannot accept the existence of hunger among its people.”

### Is Anyone Listening?

Argentina’s political leadership is thus far ignoring the bishops, the Cardinal, and the Pope. To attract foreign creditors to a \$20 billion debt-swap plan he hopes will avoid default on the country’s \$211.7 billion foreign debt, Cavallo has come up with a new, and more perverse looting scheme. He proposes to introduce a “public credit law” into Congress, by which tax revenues would be assigned as guarantee of payment of the new bonds. This, despite the fact that tax revenues have been declining steadily, 9% lower in April than a year ago.

Should the law be approved, it would make bondholders “privileged” creditors of the state, with priority collection rights over suppliers, public employees, or retirees. The best analogy is the gunboat diplomacy of colonial powers, Teddy Roosevelt-style, who seized revenues from countries’ customs houses or tax revenues to guarantee debt payment.

At a May 24 press conference before the elites of the Buenos Aires financial community, Cavallo officially announced that the government would be issuing three groups of high-interest bonds, in the range of 14% to 15%, with differing maturities, to swap \$20 billion in short-term debt for longer-term bonds. He then left the country on an international tour, in the company of his mentor, former U.S. Deputy Treasury Secretary David Mulford, now a Crédit Suisse-First Boston executive, to help convince international bankers to participate in the swap. It was Mulford who originally proposed the plan to Cavallo.

No one, certainly not Argentina’s creditors, believes that this scheme is going to work, just as the IMF’s \$39.7 billion bailout last December did not work, despite all the government blather about Argentina being protected by “financial armor.”

# India, Malaysia Pledge Broader Cooperation

by Ramtanu Maitra

Continuing with his “Look East” policy, adopted less than a year ago, Indian Prime Minister Atal Behari Vajpayee concluded a successful May 13-16 visit to Malaysia. As became evident from the outcome of the trip, both India and Malaysia were keen to expand their economic and trade ties. While broader security and strategic issues were discussed, the emphasis was on how to benefit from each other’s economic and technological strengths, and to jointly fight the threats posed by the globalization of economies and the broken-down international monetary system.

Since the last visit by an Indian Prime Minister, P.V. Narasimha Rao in 1995, a lot of changes have taken place, not only in Malaysia, but also on the world scene. Not the least of which is the emergence of China and India in Asia, the region’s two largest nations, and their willingness to integrate Southeast Asia with North and South Asia.

### India’s ‘Look East’ Policy

Despite the fact that India has enduring civilizational relations with Southeast Asian, India has for years virtually neglected to strengthen its ties with the region. The Non-Aligned Movement (NAM), which was inspired by India, Yugoslavia, Indonesia, and Egypt during the 1950s, for a while brought India closer to a number of Southeast Asian nations. But the muscle of the Cold Warriors, as exhibited in Vietnam and elsewhere, and the economic and political weaknesses of the NAM member-nations, changed the scene quickly. By the end of the 1960s, Southeast Asian nations had become an extension of American allies in the Pacific. Japan played second fiddle, while Washington set up the security and economic structure for Southeast Asia.

Japanese and Western investments in the region brought prosperity to Southeast Asia, where five major nations formed a loose non-military federation, calling itself the Association of Southeast Asian Nations (ASEAN), to facilitate rapid economic development and internal non-tariff trade. The grouping was a huge economic success, and it raised the quality of life for its citizens significantly.

But, at the same time, the policy actions formulated by the grouping virtually cut the region off from the two largest nations in Asia—China and India. While China was identified in the region as a communist nation, and hence a threat, India was considered simply an extended arm of the erstwhile Soviet Union. In the corridors of power in New Delhi and

Beijing, ASEAN remained “suspect” because of its strong ties to the United States and the unequivocal support it had lent to the West in the Vietnam War.

Things changed in the post-Cold War days. Both India and China, having shed the Cold War taboos, have conceptualized the importance of developing strong bilateral trade and lasting economic relations with the ASEAN member-nations. Meanwhile, ASEAN has grown to include the economically weaker northern nations of Laos, Cambodia, Vietnam, and Myanmar. Both New Delhi and Beijing (Beijing realized it earlier than did New Delhi) came to realize that in order to develop efficient trade and economic relations with the expanded ASEAN, it is necessary to develop infrastructure links and technological parity.

### **The Lost Years**

Prime Minister Vajpayee, while in Malaysia, referred to the “lost years” in a public address. He said:

“The theme of shared perspectives between India and ASEAN should be self-evident. History, geography, and economics have provided compelling logic for unity and purpose of action between us. Yet, roughly 50 years after India and the ASEAN countries attained their independence, we are discussing a subject, which should by now have been an accepted wisdom. . . . We are conscious that in the first few decades after our independence, we did not attain the full promise of our relationship. . . . The full scope of our partnership was constrained by divergences in economic ideology, political outlook, and security assumptions, which the Cold War imposed on us.”

Referring to the broken Cold War molds and India’s growing interest in the region, India’s Prime Minister stated that while India looked east, ASEAN moved west—a reference to Myanmar joining the regional grouping.

It is in this context that Prime Minister Vajpayee last January visited Vietnam and Indonesia, and now Malaysia. External Affairs Minister (and now also Defense Minister) Jaswant Singh’s November visit to Laos and February visit to Myanmar, and former Defense Minister George Fernandes’s March 2000 visit to Vietnam, fit into an effort to integrate India economically and technologically with the Southeast Asian nations.

### **New Initiatives**

Jaswant Singh, during his visit to Laos, established the six-nation Mekong-Ganga Cooperation (MGC) grouping. The MGC will involve the member-countries in the development of transport networks—in particular the East-West Corridor and the Trans-Asian Highway—under the rubric of transport and communications. The MGC Declaration also spelled out greater cooperation in science, technology, and human resource development.

During his trip to Vietnam and Indonesia, Vajpayee set about to establish strong trade and security ties with both

countries. The agreements reviewed visits of a number of Vietnamese atomic scientists to nuclear facilities in India, and said that “the Indian scientists would continue to cooperate with the Vietnamese Atomic Energy Commission on the technical and functional aspects of the Dalat Nuclear Research Institute.”

The visit took on added significance in view of the Mekong-Ganga project initiated in July 2000, in which Vietnam is a member, because Vietnam is currently chairing ASEAN’s standing committee.

Last March, during the visit of former Indian Defense Minister Fernandes to Vietnam, India had signed a defense agreement whereby it will repair and overhaul Russian-made MiG-21 and MiG-28 fighters of the Vietnamese Air Force and provide training to Vietnamese pilots. India has also agreed to set up Vietnamese defense industries, and would work out joint defense production involving the two countries. India’s state-owned Oil and Natural Gas Commission, which already operates in Vietnam as part of a consortium with British Petroleum and Norway’s Statoil, signed a \$238 million joint venture with Vietnam’s Petroleum Investment and Development Company.

In Myanmar, India, in collaboration with authorities there, has built a 160 kilometer road connecting the border town of Tamu to Kalembo in Myanmar. The road will be extended further to Mandalay and will become a part of the Trans-Asian Highway with links to China. India will also cooperate in the construction of the Yeywa Hydroelectric Project near Mandalay, and a team from the Indian Power Ministry will soon be visiting Myanmar for further discussions and a preliminary on-site survey. The two countries have stated their agreement to develop the Akyab (Sittwe) port, which will allow goods from India’s northeast access to the Andaman Sea.

It is clear that India is committed to cooperating with Myanmar in more infrastructure projects. While inaugurating the Myanmar-India Friendship Center for Remote Sensing and Data Processing in Yangon, the capital of Myanmar, the Indian External Affairs Minister said: “It gives us immense pleasure to be partners in this project with Myanmar,” which includes “the applications of remote sensing cover, weather forecasting and disaster management capabilities, determination of forest cover and other land-use delineations, cropping surveys, urban planning, environmental monitoring, and groundwater survey.”

India’s growing relationship with Myanmar has already begun to bear fruit. In the second week in May, Myanmar troops cooperated with Indian border forces to fight the secessionist groups operating in India’s politically volatile northeast.

It is certain that if such cooperation is extended to the full, the flow of arms and drugs coming in from Southeast Asia to the Indian subcontinent, which keep the secessionist groups effective, can be stopped. This will inevitably lead to a condu-



cive climate for developmental work in northeast India and the bordering areas of Myanmar.

## The Trip to Malaysia

The visit of Prime Minister Vajpayee to Malaysia had been scheduled for Feb. 8, but was cancelled as he became involved in the relief operation following the massive earthquake in Gujarat. What became evident throughout his trip is that the world has changed since February, and new compelling issues have emerged. One such issue that came under discussion, is the U.S. initiative to abrogate the Anti-Ballistic Missile (ABM) Treaty and put in place a National Missile Defense system. While New Delhi has extended enthusiastic, and yet conditional, support to the initiative, Malaysia has rejected it.

Another issue was Kashmir. Although the Kashmir conflict between India and Pakistan is almost 53 years old, it is only since last November that there has been hope of a peaceful resolution. It became evident to the Indian Prime Minister that while Malaysia is keen to see the conflict end, it has reservations about the way India has handled the conflict so far.

The trip, however, proved that the differences between India and Malaysia are less significant than the agreements. Vajpayee said during his discussions with Malaysian Prime Minister Dr. Mahathir bin Mohamad that they had agreed on the "urgent need for an early reform of the international financial architecture." Trade talks had a more positive outcome. India expressed a desire to form a regional trading bloc with ASEAN. Having been badly burnt four years ago in the Southeast Asia currency crisis and economic slowdown, Malaysia, as India's country coordinator in ASEAN, promised to work on the idea. Both prime ministers agreed to cooperate in the forthcoming World Trade Organization (WTO) talks to protect the interests of the developing nations. It is expected that Malaysia will lend support to India in the discussions with the WTO on intellectual property rights (known as TRIPs), tariff rates, subsidies, and other areas of contention with the world body.

A number of economic agreements were signed during the trip. The most significant in the area of infrastructure was the signing of a contract for the dual tracking and electrification of rail lines from Ipoh, a city in northern Malaysia, to Padang Besar along the border with Thailand. The project cost is \$1.5 billion, the largest contract ever awarded to India's public-sector rail construction company, IRCON. India told Malaysia that it would accept palm oil as payment for carrying out the rail project. Malaysian companies are now involved in the construction of 13 highway projects in India.

## The Business Angle

Vajpayee was accompanied by a 134-member business delegation, with senior representatives from about 75 Indian business houses.

Vajpayee, in his keynote address at the business forum, called on Malaysian companies to invest more in infrastructure projects. "We see a win-win situation for both countries," Vajpayee said in an interview with the Malaysian daily *The Star*. India is good in software and Malaysia in hardware. Malaysia is also good in infrastructure sectors such as telecommunications, shipping, and road construction, and India could provide the rail construction skills that Malaysia needs, Vajpayee pointed out.

On the other hand, palm oil proved a sticky issue. Malaysia is the largest producer of palm oil in the world and India is the biggest consumer. However, palm oil imports to India were on a slowdown following hefty import duty imposition amounting to as much as 92.4%, primarily because of pressure from local farmers of edible oil. For Malaysia, it is a grave issue: If exports do not increase, thousands of small farmers will face serious financial difficulties. While Vajpayee agreed to a review of the duty, Indian authorities admitted that the cut could be as low as 10%.

## Strategic Issues

Prime Minister Vajpayee, during his speech at the banquet hosted in his honor, made no bones about India's keenness to get included in a strategic dialogue with ASEAN. Earlier, Malaysia had made clear through diplomatic channels that ASEAN is not quite ready for it. Given the fact that Malaysia has openly stated that it is satisfied with India's current status, a restatement of India's interest by the Prime Minister at a public lecture only confirms India's eagerness to have a seat at the high table.

"India already has a fruitful annual dialogue with the European Union at the summit level. We consider it in the mutual interest of both ASEAN and India that we have a similar institution. If we could intensify our interaction and synchronize our actions in world fora, we can together form a formidable force working for global peace and security," the Indian Prime Minister said.

The security of ASEAN and India is closely interlinked, and India, as a nuclear weapons state, is willing to respect the nuclear-free status of Southeast Asia by converting this recognition into a *de jure* commitment, Vajpayee assured his hosts. No other nuclear weapons state has so far made such a promise, the Indian media noted.

Pointing to the necessity — now more than ever before — to collaborate with each other, Vajpayee said: "The nature of the global village has made it necessary to tackle even non-military issues of security in a comprehensive manner. Our region lies alongside sea lanes of great strategic importance, which need to be protected. Poverty and shortage of energy threaten the stability of societies. . . . There can be no effective solution to these problems within national boundaries. They have to be tackled through a cooperative approach, holistically and regionally. The security dialogue between India and ASEAN is therefore of utmost importance."

# Thailand Stands Up, With Chinese Help

by Ron Castonguay

Chinese Premier Zhu Rongji ended his mid-May trip to four of China's southern neighbors with a four-day stay in Thailand. He came bearing gifts. Most spectacular is a reported agreement to underwrite a \$4 billion high-speed rail connection between Bangkok and Kunming in southern China.

Combined with other rail lines either existing, under construction, or in the planning stage, this link will create a major southern trunk of the Eurasian Land-Bridge, stretching from north China to the Straits of Malacca (and, potentially, via a bridge to Sumatra and then to Java). Work is currently under way on a Bangkok-Kunming highway, and to make the Mekong River navigable, from its outlet in the South China Sea in Vietnam, through Cambodia, along the Laos/Thailand border, and into southern China. Meanwhile, India has been making deals with Myanmar to cut roads eastward from India into and across Myanmar to the northern Thai border (see "India, Malasia Pledge Broader Cooperation," in this issue).

Such huge infrastructure projects are only possible because of the concerted effort over the past decade by the Southeast Asian and East Asian nations to overcome a history of divisions and internal warfare induced by the colonial powers, and continued in the post-colonial era under the rubric of the "Cold War." With the Bush Administration madly pursuing a "new Cold War" confrontation with China, and the International Monetary Fund continuing to demand the same conditionalities which have proven to be so disastrous across Asia since the 1997 financial crisis hit the region, this grand vision for integrating and developing the region is crucial for countering the ongoing breakdown of the IMF-centered financial system.

The Chinese premier also offered to provide needed help for Bangkok's miserable infrastructure. China will finance and construct an extension of the city's only mass transit facility, the short, underutilized Skytrain, and participate in an 80 km light electric rail system to circle the city and tie in with the Skytrain.

At the conclusion of Zhu Rongji's trip, Thai Prime Minister Thaksin Shinawatra announced that a China-Thai currency swap agreement, in line with last year's Chiang Mai Initiative, was agreed to, with details to be worked out over the weeks ahead. Press reports indicate the Thais are proposing the sum of \$4 billion.

Other agreements were announced during the visit. Zhu

himself will host an anti-drug summit in Kunming with Thailand, Laos, and Myanmar. Significant trade agreements were also concluded. Thai-Chinese trade has been growing at a rapid rate, up 51% last year, to the point that China is now Thailand's fourth-largest trading partner. With exports dropping to Thailand's traditional export markets, the United States, Japan, and continental Europe, increasing trade with China is increasingly attractive to the Thai business community.

## Thaksin's New Approach

All this is rare good news to embattled Prime Minister Thaksin Shinawatra. (Thaksin, a telecommunications billionaire, is of Chinese heritage, as is much of the Thai business elite.) He took office just over 100 days ago, after his self-created party Thai Rak Thai ("Thai Loves Thai") won an un-precedented outright majority in the January elections on a frankly populist program. While able to govern in its own stead, Thaksin chose to ally his Thai Rak Thai party with the "New Aspiration" party led by Chavalit Yongchaiyudh, a former top general and Prime Minister (now Defense Minister and Vice Premier), and another smaller party, to obtain a challenge-proof two-thirds majority in Parliament.

Thaksin has moved rather rapidly to implement parts of his populist program; a three-year debt moratorium for farmers, a million baht (\$25,000) outright grant to each of Thailand's approximately 60,000 villages, and reduction of the cost of a hospital visit to 30 baht (\$.65). Problems in the implementation of the program have brought some grumbles and frowns, where there were initially just bright Thai smiles for Thaksin, but his popular support continues.

Thaksin's campaign garnered support from the other end of the economic spectrum by his advocacy of an Asset Management Corp. to take non-performing loans (over \$30 billion in total) off the books of the crippled Thai banks so that they could again lend to industry. All efforts to stimulate the economy have thus far failed to generate new lending into a business structure straddled by this massive unpaid debt, primarily the legacy of the speculative attack in 1997 and the subsequent devaluations. Thaksin's group put together a reasonable outline for such a plan (it received favorable nods from Malaysia as resembling its own such plan), but it has made little progress towards implementation.

The immediate problem is the collapse of the export markets in the West. Thaksin and his government were assured



*Thaksin Shinawatra*

by the IMF that there would be a continuing boom in the United States, and slow but steady growth in Japan and Europe as the backdrop for adopting the IMF's export-oriented economic proposals. They have been rudely awakened. In January, and again in April, Thailand recorded the rare and unpleasant phenomena of foreign trade deficits.

As the economy has weakened (including an increase in the percentage of loans classified as non-performing), the baht has also weakened to about 45 to the dollar, down from 35 last year (although still above the lows reached during the heights of the 1998 crisis). Numerous defensive measures have been put into place to restrain speculation and defend the baht with only some slight success; altogether the Thai measures do not approach the successful defense of Malaysia's currency, the ringgit, through exchange controls enjoyed by neighboring Malaysia.

### **Thaksin vs. the IMF**

The baht problem brought Thaksin into direct conflict with Bank of Thailand Governor M.R. Chatumongkol Sonakul, and the IMF itself. Since the height of the crisis in August 1998, the central bank has kept Thai interest rates very low. Thaksin has argued, even demanded that the rates be increased by a minimum of 1.5% to 5%.

*The Nation* of Bangkok, on May 28, reported the argument thusly: "Thaksin's view [is] that fiscal stimulus, the only tool left to salvage the weak economy, would be useless if capital were pouring out of the country, no matter how much money the government pumped into the economy. He . . . believe[s] that the low baht interest rate, even lower than U.S. dollar rates, were the primary cause of the outflow, now at a rate of \$1 billion a month. Not only are foreign investors unwilling to hold the baht, but Thais are also selling the baht if they can. . . . For every baht pumped into the economy by the government, there would be upward pressure on imports. At a time when exports are weak and the trade balance is already deteriorating, fiscal stimulus would add pressure to the current account. Any current-account deterioration ultimately leads to exchange-rate weakness and the end of the economic recovery."

Thaksin's approach mirrors Lyndon LaRouche's recent call to dump the desperate and insane hyperinflationary policies of U.S. Federal Reserve Chairman Alan Greenspan, and, instead, *raise* short-term interest rates to dry up the destructive speculative bubble, while reorganizing the productive sectors of the economy.

The "experts," including the IMF's Asia and Pacific department director, Yusuke Horiguchi, forcefully supported Bank of Thailand chief Chatumongkol in defense of the low-interest-rate regime. After one session in which the IMF representative passed on the Fund's dictates to the Prime Minister, Horiguchi told the press that Thaksin had assured him that the central bank would have the last say on interest rates, and that "the central bank's independence would be honored."

However, the IMF and its sponsors were given a rude awakening on May 29, when Prime Minister Thaksin announced the dismissal of Chatumongkol as Governor of the Bank of Thailand, and his replacement by the current head of the Thai Export-Import Bank, Pridiyathorn Devakula. Pridiyathorn is a close ally of Thaksin, who also recently appointed him to be head of the new Thai Asset Management Corporation. Such willingness to stand up to the IMF will be closely watched around the world, and especially in beleaguered Indonesia, where on May 24, the chief Economics Minister, Rizal Ramli, castigated the IMF representative in that country, John Dodsworth, as a liar and a blackmailer, primarily over the IMF attempt to dictate that the government must not be allowed to replace the head of its own central bank.

Thailand is also facing mounting pressure from certain U.S. military and diplomatic figures, moving to the Bush agenda, who have been attempting to rope Thailand and the rest of Southeast Asia into a de facto, implicit anti-China alliance. While this overture has not met with outstanding success, and is meeting resistance within the U.S. military itself, it is not forgotten that Thailand has long and deep military ties with the United States, including the fact that Thailand served as the primary airbase for the U.S. bombing of Vietnam, Cambodia, and Laos during the Indochina War.

### **Legal Problems**

Thaksin's stronghold in Parliament would apparently ensure a full, four-year Constitutional term in office. But such is not the case. He is currently undergoing a trial on the basis of a financial report submitted some years ago when he was briefly a junior minister in another administration. Were Thaksin to be convicted of this offense, he would be barred from all political office for five years, and thus lose the prime ministership.

The actions which led to the charges, brought by the National Counter Corruption Commission before the election, are admittedly true. Some assets, held by nominees (a large amount, but only a tiny fraction of his overall assets), were clearly not reported. The issues at trial are whether he had a criminal purpose in mind for hiding these assets, such as tax evasion, or stock manipulation, and whether he was directly, criminally responsible for the concealment (an assistant to his wife prepared the submission). To date, legally, Thaksin appears to be clear on the first point, but the second is undecided.

Although Thaksin's fate may be decided in a Thai courthouse, probably some time in late June, his legacy and his administration's future will be decided elsewhere. If Thaksin can retain the faith of the Thai people and the Thai elites that he can bring Thailand through the current, worsening crisis, he will most likely be retained in office. Zhu Rongji's stay in Thailand, and Thaksin's defiance of at least some of the IMF dictates, has moved the country further toward collaboration with the nations of Eurasia.

## Jeffords's Defection Shakes Bush Administration to Core

by Nancy Spannaus

No sooner had the U.S. Supreme Court majority decided that George W. Bush should be made President of the United States, back on Dec. 12, than Democratic political leader Lyndon LaRouche threw down the challenge to the American people. A Bush Administration will be a disaster for the United States and the world, he said, and will rapidly be on the way to self-destruction: concerned Americans and international leaders have to create a situation, domestically and internationally, whereby sane heads can *dictate* to President Bush what policies are acceptable, and which are not.

It took a few months for the lesson to sink in, a few months in which LaRouche and his wing of the Democratic Party were the only visible leadership mobilizing to stop Bush's insanity within the United States. Meanwhile, the ugly truth about the lunacy and arrogant incompetence of the Bush Administration began to have its effect internationally, even in capitals which had tried desperately to convince themselves that Bush would be a tolerable, if not a positive change. Then, on May 24, the dam finally broke, as it inevitably would, with Jeffords's announcement.

What must be understood is that the switch of Vermont's senior Senator, James Jeffords, out of the Republican Party, to "Independent" status, was no fluke or accident. It was part of an orchestrated agreement behind the scenes, a pattern of activity among national and international forces who have finally decided that action must be taken to contain the Bush Administration. Bush and his administration brought this reaction upon themselves.

### What Bush Is Good At

In remarks made shortly after the Jeffords announcement, 2004 Presidential pre-candidate Lyndon LaRouche

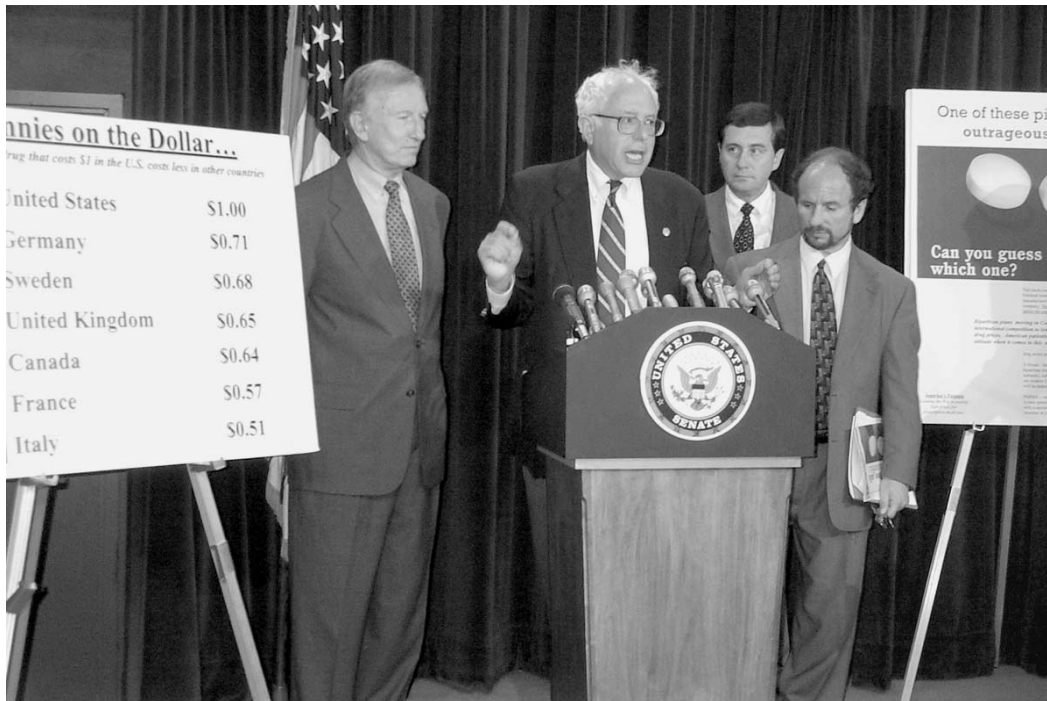
noted that the Vermont Senator's move was undoubtedly just the first of many defections, because President Bush would continue to do what he is good at, making mistakes.

From the outset, it was clear that Bush was not in control of his administration, or much of anything else. In addition, his own insane delusions, buttressed by the hysterical determination of the financial establishment and the Southern Strategy robber barons to maintain their control in the deepening financial crisis, colored the whole administration, including those, like Vice President Dick Cheney and Defense Secretary Donald Rumsfeld, who had shown some degree of rationality in the past.

This administration, chosen by an establishment which was fully aware of its character, was determined from the beginning to assert its irrational will. Recall that at a photo opportunity with Congressional leaders Dec. 18, President Bush "joked" that "If this were a dictatorship, it'd be a heck of a lot easier, just so long as I'm the dictator." After which time, he proceeded to act in pursuit of precisely that aim.

The record, in retrospect, is stunning. First came the appointment of former Sen. John Ashcroft, an outfront pro-Confederate and advocate of judicial police-state measures. This appointment, as LaRouche uniquely pointed out, reflected the dangerous "Yahoo" base of the Bush Administration, the stratum of so-called religious fundamentalists from which Ashcroft hailed, and which reflects the closest thing to an indigenous American fascism that exists.

With this move, Bush signalled the intent of the administration to impose Hitler-style "crisis-management" conditions in the midst of the inevitable economic and financial crises on the horizon. It was an in-your-face appointment, on which the President refused to budge. It was followed



*The pivotal party-switch of Sen. Jim Jeffords (here, opposing pharmaceutical super-profits with Vermont's Independent Rep. Bernie Sanders), was an individual decision, but also a sign of a much broader shift in both parties, in reaction to the Bush madness, and sparked by Lyndon LaRouche's leadership of the forces against it.*

by a series of Bush decisions to use his slim majorities in the Senate and the House, to ram through his anti-Roosevelt budget and labor legislation. He then spit in the face of California and the nation, when they demanded relief from devastating power blackouts and energy prices brought on by deregulation and price-gouging by the President's Texas energy cartel friends.

At the same time, the Bush Administration was working overtime to offend both America's traditional European allies, and most other nations in the world, primarily Russia and China. The unilateral breaking of treaties, the insistence on pushing through an unserious, but politically destabilizing National Missile Defense system, the provocation against China through the deployment of the aerial spy mission and the handling of the resultant accident, and, above all, the flagrant backing given by the Bush Administration to the murderous provocations of the Ariel Sharon government in Israel, all led to growing uproar among governments worldwide, against this irresponsibility and worse.

Clearly the first united action against the Bush Administration—the removal of the United States from the United Nations' Human Rights Commission—was only a shot across the bow.

### **An Emerging Coalition**

It's one thing to complain and object to the Bush Administration's craziness; it's another to have an effective strategy and alternative to that policy.

From the beginning, Lyndon LaRouche laid out a strategy

for revival of the virtually dead-and-Gored Democratic Party, around a rejection of the Ashcroft dictatorship policy, and a set of positive policies toward global reconstruction, and defending the general welfare at home.

The mobilization LaRouche led to get a filibuster in the U.S. Senate against Ashcroft, contrasted sharply with the capitulationist attitude of the Democratic leadership in the Congress, from then-Minority Leader Sen. Tom Daschle (D-S.D.) on down. And it succeeded in winning sufficient votes against Ashcroft to make a filibuster possible, although the Senate leadership muffed it.

Even before the Ashcroft vote occurred, LaRouche had called for an expanded mobilization, to build the clout to rally the American population against Bush on the issue of energy deregulation, and the health-care crisis, specifically the threatened closedown of the only public hospital in the nation's capital, D.C. General Hospital. The expansion of the forces involved in this movement has reflected the fact that there is no other national leadership of the Democratic Party other than LaRouche, and that sane Republicans also have had no other place to turn.

LaRouche had also laid out, early in the year, the deeper process of which the second Bush Administration was a part, namely, the Southern Strategy alliance of the Confederates and the Wall Street bankers, which began a little more than 30 years ago with the Presidential campaign of Richard Nixon.

The Southern Strategy enemies of the United States' true republican tradition have increasingly become a popular enemy-image—starting with now former Senate Majority

Leader Trent Lott (Miss.), a “former” member of the Southern racist Citizens Council, and extending to the Texas-based energy cartels—and arrogantly pushed aside any opposition. It should not be surprising, therefore, that, when Jeffords announced his resignation from the Bush-led Republican Party, the move was widely reported as the result of the backfire of the Southern Strategy run amok.

And while the Yahoo base of the Bush Administration is certainly screaming about their loss of the Senate, its fervor for the Bush Administration is somewhat constrained as well, in the face of the blatantly Bush-backed energy ripoff.

It would be a mistake to see the resistance to Bush as purely domestic, however. Longtime allies of the United States within the Western European elites, have been visibly unnerved by the take-no-prisoners blundering of the administration. They have had two reactions: first, to move more openly around establishing new partnerships with the nations of Eurasia; and second, to discreetly collaborate with their counterparts in the United States. Editorial comment from certain British press outlets, in sharp disappointment with young Bush, is very notable in this regard.

In effect, the process which LaRouche called for in the early days of the Bush Administration has now been put into effect. The Bush myth of absolute power is gone, defeated in large part by the operations which LaRouche has set into motion. The beast is still dangerous, and the road will be rocky, but the path is open for the imposition of sane policies, LaRouche’s global and domestic policies, in the weeks and months ahead.

## Jeffords’s Switch Means New Policy Dynamic in Senate

by Carl Osgood

When Sen. James Jeffords (I-Vt.) announced, on May 24, that he would be leaving the Republican Party to become an independent, he made it very clear that his departure was over issues of policy and outlook. “Looking ahead,” he said, “I can see more and more instances where I will disagree with the President on very fundamental issues—the issues of choice, the direction of the judiciary, tax and spending decisions, missile defense, energy, and the environment.” Jeffords said that the biggest issue for him was education. Whereas the Republican Party once stood for opening the doors of public education for all, he said, “Now, for some,

success seems to be measured by the number of students moved out of public schools.”

Indeed, it seems that it was the education issue that drove Jeffords over the edge. Jeffords told reporters on May 22 after a meeting with President George W. Bush at the White House, “I told him that I firmly believe he would be a one-term President.” His comments apparently came in reference to the Bush Administration’s education proposal, which the Senate has been debating on and off for the last two weeks.

The policy issues which Jeffords enumerated, are the issues which the Democrats intend to take the lead on, once they assume formal control of the Senate on June 5. The transition to majority status means that the Democrats will control the legislative agenda and, therefore, not only be able to bring their legislative priorities to the Senate floor, they’ll also be able to significantly disrupt the policy agenda of the Bush White House.

On the organizational front, Tom Daschle (D-S.D.) will become Majority Leader, all the committee chairmanships will be taken over by Democrats, and the Democrats will gain a one-vote majority on every committee. Some of the more significant committee shifts include the following: Tom Harkin (D-Iowa), a strong critic of the disastrous 1996 “Freedom to Farm” Act, will take over the Agriculture Committee. Robert F. Byrd (D-W.V.), the dean of the Democratic Caucus, will become chairman of the Appropriations Committee. Carl Levin (D-Mich.), a critic of Bush’s missile defense proposals, will take over the Armed Services Committee. Levin will also head up the Senate Permanent Investigations Subcommittee (SPIS), and as such, has already announced that he will be investigating the huge reported profits of the oil industry and their relationship to high gasoline prices. Also on the energy front, Jeff Bingaman (D-N.M.) will chair the Energy and Natural Resources Committee, which will now be taking up legislation on electricity price caps. Joseph Biden (D-Del.) will take over the Foreign Relations Committee from the mercurial Jesse Helms (R-N.C.), and Edward M. Kennedy (D-Mass.) will become head of the Health, Education, Labor and Pensions Committee. Kennedy has announced that he will be moving patients’ rights legislation and an increase in the minimum wage as soon as possible.

Most significant of all, perhaps, is the shift in the Judiciary Committee, which will be taken over by Patrick Leahy (D-Vt.). Leahy has indicated that his Innocence Protection Act, which is intended to reduce the danger of wrongful execution in capital cases, will be a major item on his agenda. Even more important, however, is that the Democrats will now be vetting Bush’s judicial nominees. Charles Schumer (D-N.Y.), a member of the committee, warned, a few hours after Jeffords’s announcement, that “we will not have nominations of right-wing after right-wing after right-wing judges. Judges will have to be moderate.” One rumored

nomination has already been pulled as a result of this change-over, that of Rep. Chris Cox (R-Calif.) for a seat on the U.S. Court of Appeals in California. Cox's nomination was opposed by both of California's Senators, Barbara Boxer (D) and Dianne Feinstein (D), making it very unlikely, with Democrats in control of the committee, that the nomination would ever go through.

Jeffords, since he will be voting with the Democrats on organization matters, was given the chairmanship of the Environment and Public Works Committee. Harry Reid (D-Nev.), the assistant Democratic Leader, who was also the ranking member on that committee, denied that giving Jeffords that chairmanship was a "deal maker." During an interview on Fox News Sunday on May 27, Reid said that the GOP had offered Jeffords "everything but the kitchen sink," and Jeffords had refused. Reid said that there never was any discussion of a chairmanship for Jeffords until the day after he announced his switch. "There never was any question," he said, "that this was something that had been bothering Jim for a long, long time."

### **Beginning of the End for the GOP?**

For Republicans, their problems are not over. While a challenge to soon-to-be Minority Leader Trent Lott (R-Miss.) has yet to emerge, there is clearly an undercurrent of dissatisfaction with his leadership. Don Nickles (Okla.), the assistant Republican leader, admitted frankly that the members of the GOP caucus are "shell shocked" by Jeffords's departure, an admission that they weren't expecting Jeffords to leave. Much more blunt was John McCain (R-Ariz.), who, in a May 24 statement, attacked the "short-sighted party operatives," and some Republican members of Congress, who "unfairly targetted" Jeffords "for abuse." "Tolerance of dissent," McCain said, "is the hallmark of a mature party, and it is well past time for the Republican Party to grow up." McCain was echoed by Susan Collins (R-Me.), who warned, in an interview with the *Washington Post*, that the Republican Party risks becoming a regional party (of the Southern states), and a regional party "has difficulty winning a national election."

While Lott is putting a strong face forward, rumors are wildly circulating through the press of further possible defections. These rumors revolve around McCain and Lincoln Chaffee (R-R.I.). According to these rumors, McCain has been holding talks with Kennedy and John Edwards (D-N.C.), with whom he is co-sponsoring a Patients' Bill of Rights bill, about changing his party affiliation. Chaffee's unease with the GOP is clearly indicated by his lack of enthusiasm for Bush's budget and tax agenda, which he has been voting against. When these rumors are taken together with continuing questions about the health of Strom Thurmond (R-S.C.), the GOP would appear to have no where to go, but downhill.

## **Congress Showdown Looms over D.C. General**

by Paul Gallagher and Edward Spannaus

At the end of May, the national mobilization led by Lyndon LaRouche's movement had brought Congress to the brink of intervening to reopen Washington's D.C. General Hospital; that Congress actually do so, is an "indispensible victory" to be won for the principle of the general welfare of the whole nation. This mobilization, as Capitol Hill sources have told its leaders, is unprecedented in their experience, as a sustained, broadly based lobbying effort from all over the nation, from ordinary citizens to elected leaders in the states.

As a result, the top Democratic leaders in Congress have now called for saving D.C. General. On May 28 and 29, House Minority Leader Richard Gephardt (Mo.), and soon-to-be Senate Majority Leader Tom Daschle (S.D.) told public audiences that they are committed to saving D.C. General. House Democratic Whip David Bonior (Mich.) has already issued a statement. Daschle, in addition, signed the national support statement, "It's Time to Draw the Line," of the Coalition to Save D.C. General, at an appearance in his home state. In that same week, the statement was signed by California Congresswomen Loretta Sanchez and Grace Napolitano, bringing to seven the number of U.S. Representatives and Senators who had signed the statement or made public pledges to restore the capital's only public hospital.

The hospital was forcibly privatized on April 30 and is being dismantled by an "emergency" *fiat* of the unelected D.C. Financial Control Board, over the unanimous opposition of the elected City Council, and at the cost of at least seven or eight unnecessary deaths in the month of May. The closing of D.C. General's emergency room to ambulances has spread chaos throughout the city's hospitals.

What is now urgently required, by mid-June, is the passage of a Congressional joint resolution, rejecting the Control Board's privatization measures, and approving instead the City Council's supplemental budget which will keep D.C. General fully operating. The issue of D.C. General, and the need to override the Control Board's action—in which it exceeded its own Congressionally granted authority—is now under widespread discussion among Democrats and moderate Republicans in Congress, but what is required is for a couple of members of Congress to step forward and introduce a joint resolution to reinstate D.C. General as a full-service public hospital.

This has been called, by Coalition leader Dr. Abdul Alim

## Catania Rips Washington Post

During a May 31 hearing held by a D.C. City Council committee, Councilman Jack Graham pointed to the lack of news media attention to the impact of the shutdown of D.C. General Hospital, and noted that there is little reporting of what is happening to the patients at D.C. General.

When Council member David Catania added that Katharine Graham's *Washington Post* was not present at the hearing, a *Post* reporter, not previously assigned to the story, then identified herself. "You're here, but your colleague has no integrity," Catania declared, referring to Avram Goldstein, who has been the primary *Post* reporter on the D.C. General shutdown. "Let me put that on the record."

"Av Goldstein has no integrity on the subject," Catania continued, "and he will not report the fact that our emergency rooms are full. He will not report the fact of Medivac [medical helicopter] flights to Baltimore for our trauma patients. He will not report anything that negatively reflects on this [privatization] plan. And so that is not journalistic integrity." Catania said that he has heard Goldstein promoting the privatization plan; that Goldstein has long ago given up any notion of impartiality, "and the residents of this city will suffer as a result."

Muhammad and by Lyndon LaRouche, the "indispensable victory." That it is possible at all, is a breakthrough unexpected by many only weeks ago, when the Control Board delivered its *diktat* and Katharine Graham's *Washington Post* declared the public hospital dead. The LaRouche movement has transformed the situation by mobilizing on the understanding that Bush's policies in general were failing and causing a backlash at home and abroad, and that therefore the American citizenry could move the Congress to act on the fundamental principle of the General Welfare.

### 'Rolling Blackouts of Emergency Rooms'

It was made chillingly clear by reports at the Coalition's 19th weekly town meeting on May 30, and at a Council hearing on May 31, that a dangerous state of chaos has descended on the city's hospital emergency rooms since the shutdown of D.C. General began—a chaos as deadly and undeniable, as it is steadily denied and covered up by the *Washington Post*, Mayor Anthony Williams, and the Control

Board. The chaos is worst at Greater Southeast Community Hospital, the privatized possession of the disreputable Doctors Community Healthcare Corp. (DCHC), to which D.C. General was handed over by the Control Board, with a fat \$100 million-plus contract to close it down and "replace" its 200-year irreplaceable service.

One mother's report at the town meeting captured the state of disaster. She described how, knowing D.C. General was closing down, she had taken her son, who had suffered a serious hernia, to Greater Southeast's emergency room. There they waited over an hour, until she overheard a nurse, looking at her son, saying, "I sure hope he doesn't need surgery!" Dumbfounded by this comment suggestive of a battle-front hospital, the woman headed for Howard University Hospital. After another long wait, she had to leave Howard because, without medical insurance, the hospital was demanding payment in advance; she took her son on to Washington Hospital Center, where she saw two waiting rooms full of people waiting for emergency room admission. There, six hours into the ordeal, her son was finally seen, and two hours later, operated on.

He, and his mother, were among the fortunate survivors of this forced medical triage. D.C. General nurse Charlene Gordon, also a Coalition leader, told the May 30 meeting that according to her harrowing, on-the-scene experience at D.C. General, the unnecessary death toll from the closing is at least seven or eight. Gordon also gave the telling report that the emergency room had been reopened to ambulance traffic by the city Health Department—a sure sign of how bad the citywide overwhelming of emergency rooms is, and how chaotic the Control Board's "smooth transition" has become. The ironic occasion for this, was a weekend rock-concert which brought 65,000 fans from the Maryland and Virginia suburbs to RFK Stadium, next door to D.C. General. Numerous youths were brought to D.C. General with injuries, and many then had to be transferred to other hospitals because of D.C. General's lack of capacity to treat them.

A public airing of the impact of the closing of D.C. General took place on May 31, at a hearing of the City Council's Committee on Public Services, on the subject of "D.C. General Employment Transition Plan." Testimony at that hearing showed that the promises made by the Mayor and the Control Board about maintenance of services and a "smooth transition," were all lies and deception. Testimony was taken from city officials, and from representatives of unions and hospital employees. Among others testifying at the hearing were leaders of the Coalition to Save D.C. General, including nurse Charlene Gordon and Rev. Mildred King.

Council member David Catania, the committee chairman, opened the hearing by noting that the promises of cheaper costs and more services, were already being broken. "This privatization scheme has unleashed a health-care emer-



gency that has yet to come to public attention,” Catania said. He described how emergency rooms all over the city are being overwhelmed, and he addressed a point to people who live near other hospitals in the more affluent parts of D.C. “If you think, that ‘this doesn’t affect me,’ think again.” He pointed out that there have been periods of time when only two of the city’s 14 emergency rooms have been accepting patients, and he warned: “Those of us who are insured and who live near major medical institutions have had our access to health care compromised by this scheme.” He stressed repeatedly that the crisis created by the closing of D.C. General affects everyone in Washington, no matter where they live, or whether they have insurance or not.

Catania, a Republican, also said that there are right ways and wrong ways to privatize. He pointed to the situation in California, where, he said, privatization and deregulation have led to rolling blackouts of electricity. “What we have here in the District,” Catania declared, “are rolling blackouts of emergency rooms”—a theme he repeated a number of times during the hearing. “We had a safety net, and now the safety net is gone,” Catania said at the conclusion of the hearing.

### Lives Are Being Lost

The re-opening of the emergency room, and the announcement that up to 80 in-patient beds will be retained, may be the clearest indication that the Mayor and Control Board are feeling the pressure from the rising death toll and the effect on the District’s other hospitals.

But, even so, the dismantling of the hospital is continuing, and lives are still being lost because the most serious trauma cases must be sent to more distant hospitals, and because units such as the top-flight Pediatrics and Obstetrics unit are being shut down. Hundreds of the employees have been laid off, top management summarily fired for opposing the privatization, and supplies are being looted by the unhappy Greater Southeast Hospital.

A hospital, Dr. Muhammad told the May 30 meeting, cannot be “reopened for a day” or a week to cover the fundamental immorality of the privatization and closing. “We have to rise above the usual, to seize the historic moment,” he said. “Genocide is not going to be allowed in the District of Columbia; we will achieve adequate health care here, and nationwide, and around the world. We can reverse the descent into chaos.”

The Coalition planned its 20th and largest town meeting for the evening of June 6, to be preceded by a mass funeral procession through southeast Washington for the dead victims of the shutdown. State legislators from several states were expected to attend, and to take part in lobbying of Congress on June 7. And a hearing will be held in Federal court on June 8, on the challenge to the Control Board brought by Council members Catania and Kevin Chavous.

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## Interview: Elliot Greenspan

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# LaRouche Democrat Runs For New Jersey Governor

*Greenspan, a candidate for the Democratic gubernatorial nomination, was interviewed by Mary Jane Freeman on May 31.*

**EIR:** Your slogan is, “Vote for a Sane Greenspan, Instead!” What does that mean?

**Greenspan:** We’ve had 35 years of insanity in the United States, associated with the insane Greenspan, Federal Reserve Chairman Alan Greenspan. These have been so-called “post-industrial” ideas — crazy ideas, which have infected the minds of our people: Deregulation. Free trade. Speculation. Hedonism. “Get the Government Off My Back.” We’ve got a gambling psychosis. You cannot sustain a productive economy with these policies. . . . The “great oracle,” the “great magician,” Alan Greenspan. He is more responsible for this insanity than perhaps anyone in the nation, by insisting on the illusion of its success. . . .

This is a primary election. The Democratic primary is June 26. There are two Democrats on the ballot: the sane Greenspan, and Mayor Jim McGreevey of Woodbridge, who almost beat Christie Whitman four years ago for Governor.

**EIR:** So, you are running against Federal Reserve Chairman Alan Greenspan, and not the other candidates?

**Greenspan:** The other candidates are living in Alan Greenspan’s virtual reality. They are denying, much as Bush and Gore did in the Presidential race, the reality of the worst economic and financial collapse in modern history, which is in process. LaRouche was right. Alan Greenspan’s bubble has begun bursting over the last 15 months, with the collapse of the “new economy” fraud. This represents a potential liberation for our citizens. If they will learn the lessons of their folly, basing their future on this funny-money speculative bubble, then they can come back to their senses. They need leadership to do so, and that’s LaRouche and that’s my campaign.

**EIR:** You say the “1990 Whitmanite tax-cutters and budget balancers’ ” policies looted the state. What is the state of the New Jersey economy today?

**Greenspan:** The manufacturing base has been collapsing for 30 years. Now the rest is going, and the reality of that crash is quickly dawning on the other candidates, and on the people



*New Jersey candidate for U.S. Senate and LaRouche Democrat Elliot Greenspan in Atlantic City, showing his opinion of the state's "new economy."*

of the state. Whitman came in in 1993 and sold a 30% tax cut. However, she got the tax cuts by pilfering money from other funds, including pensions, and massively increasing indebtedness in other areas. She ultimately cut the taxes by raising the taxes! She sold this to the voters by promising, "We'll put more money in your pockets," which made them momentarily happy. She was able to get away with it, because it intersected Greenspan's bubble, which resulted in a substantial increase in tax revenue through the gross income tax, the capital gains tax, and so on. But it was all a fraud.

**EIR:** How much of the New Jersey economy relies on capital gains taxes?

**Greenspan:** More than one-third of the state's general fund revenue comes from gross income tax [personal income tax], with 18% of that just from the tax on capital gains. But, if you add in taxes from stock options, it rises to 20%. Just these add up to 7.3% of the state's total tax revenue being dependent on the bubble. This is now blowing out.

**EIR:** New Jersey has an infrastructure deficit.

**Greenspan:** Something over half of the state's schools require renovation or repair. One-third of the roads and bridges are seriously in disrepair. The so-called "boom" was all on paper. Whitman, like Greenspan and the Bush-Gingrichites, was committed to looting and securing income streams to feed their bubble. Now, with the bursting of the bubble, since last year, suddenly New Jersey has a projected \$1.6 billion tax revenue shortfall for the next fiscal year! This is creating a crisis for the state's budget, and for the state's politicians, as they have no way to deal with this, except by increasing taxes, which they are terrified to do; or draining the surplus funds, which would threaten the state's credit rating; or making drastic cuts in necessary, life-and-death spending in infrastructure, on health care, on education, that is, on the general welfare. The chickens have come home to roost. LaRouche and I were right.

**EIR:** Is this your first run for public office?

**Greenspan:** I ran for Governor in a six-way Democratic primary in 1985, and for U.S. Senate against Bill Bradley in 1984. Since the mid-1970s, as a spokesman for Lyndon LaRouche across New Jersey, I have run for Congress and legislative office several times, and at the same time coordinated hundreds of campaigns for school board, state legislature, the Congress, to rebuild an FDR-Democratic Party citizens' candidates movement to take back the party for the principle of the general welfare.

**EIR:** You have focussed on two policies for the general welfare: health care and energy re-regulation. On health care, you recently went to a rally in Jersey City to support the fight of its citizens and hospital workers of District 1199 to keep St. Francis Hospital open, and to situate the national fight to keep D.C. General Hospital open. What was your message?

**Greenspan:** St. Francis hospital is being dismantled by Bon Secours-Canterbury Partnership. Layoff notices were recently issued to 415 workers. The emergency room and intensive care unit are being taken down, and it will soon become a nursing home. The 1199 activists at the hospital invited me to join them at an April 21 rally, and to speak. I emphasized that their fight could only be won, were they to organize as part of the national fight to save D.C. General Hospital as a fully funded, full-service public hospital. By focussing on the fight in Washington, we are now battling in Congress. The issue of the General Welfare, has become a national one.

**EIR:** You have called for putting "a screeching halt to the dismantling of New Jersey's medical infrastructure" in the face of what you and LaRouche have warned about since the 1980s, that is, a resurgence of global pandemics.

**Greenspan:** The Whitman administration was oblivious to the calls for help in communities where hospitals were disappearing. They were operating with a plan to cut 50% of the

hospital beds in the state. Meanwhile, Jersey City and Newark, among other cities here, are major centers of the AIDS epidemic. Seventeen hospitals closed in this state since 1986, eleven of those since 1995, with a drastic reduction of hospital bed capacity statewide. The Whitman administration sharply cut back charitable funding, intersecting the bankrupting of hospitals by HMO and other type methods nationally. We have to return to the 1946 Hill-Burton conception that health care must be available per capita, and per unit area, as a matter of national security and simple morality.

**EIR:** What is your energy plank, and what is the state of New Jersey's energy delivery system?

**Greenspan:** The New Jersey State legislature passed an energy deregulation bill in 1999, "The Electric Discount and Energy Competition Act." That name itself dooms it, since there has been no discount, and less competition. Anyone who thinks that the New Jersey energy deregulation plan is a success, or could be a success, probably thinks that Alan Greenspan has a brain. Energy "deregulation" is a fraud of the energy marketers—straight piracy. First, approximately 276,000 New Jersey citizens, primarily among the poor, elderly, and disabled, have received shutoff notices and/or are at risk of disconnection due to the increased cost of electricity and natural gas over the last year. Second, the rate caps which are in force now, will be lifted as of 2003. The purchase cost by the utilities for energy now on the wholesale market guarantees an explosion of cost to the consumers within the next two years. There is already a big fight with the attempted \$4.5 billion takeover of our state's second major utility, General Public Utilities (GPU), out of Morristown, by FirstEnergy Corp. of Ohio. The staff report of the state's Board of Public Utilities to its Commissioners opposes the merger, because they expect a big jump in cost to the people that will occur as the rate caps are lifted.

**EIR:** Is there some provision for the companies to regain their losses, i.e., the differential between their current purchase price for energy on the market versus what the consumer pays under the caps?

**Greenspan:** Under the 1999 law, GPU can recover the money it lost during the period the rate cap is in effect, which will exceed \$600 million by the end of this year. In other words, the bill promised an "energy discount," which only appears to be happening as price increases to consumers are delayed for four years, so as to make it seem that that promise has been fulfilled. However, the bill itself allows the price to explode when the caps are removed. GPU and FirstEnergy have no plan to ease the impact on customers when they start recovering the cost.

**EIR:** You have also alluded to a figure of 79% of the state's generating capacity having been bought up.

**Greenspan:** The swindle here, is that the utilities are estab-

lishing utility holding companies as a means of getting around the regulation which continues to exist. So that in New Jersey, Public Service Enterprise Group, which is a holding company of Public Service Electric and Gas (PSE&G), as well as Connecticut, have purchased 32 power plants with an energy-generating capacity equivalent to 79% of the state's capacity three years ago. That is, they have succeeded in getting around any regulatory authority of the state, and in deregulating most of the state's generating capacity.

**EIR:** What is your energy plan? In the 1970s and '80s, New Jersey's Princeton laboratory was a leader in the development of thermonuclear fusion power. But then the national budget for fusion research was slashed, and this capability has not been developed. What role can New Jersey play today in solving the nation's energy needs?

**Greenspan:** First thing we should do in New Jersey is regulate energy . . . on the FDR model. On the other side, this state is rich in scientific brain power and in technological capacity. We should ensure the necessary tax incentive policy to those firms in the state which over decades have led in the development of the nuclear power-generating capacity in the nation. We should, once again, ensure that the Forrestal facility, the plasma physics facility at Princeton, has the national backing, as well as the state backing, to pioneer the R&D required to commercialize fusion power.

**EIR:** Wasn't there some special historic role in Camden in the development of nuclear technologies?

**Greenspan:** The New York shipyard at Camden produced the only nuclear-powered cargo ship ever built. This was in 1959, under the Eisenhower Administration's Atoms for Peace Program. But, that then went into mothballs, and Camden was put into mothballs. That city, that port, should have been at the center of a national commitment, which LaRouche defined in 1980, to have the United States build 1,000 nuclear plants over two decades, and that the United States ought to export 1,000 nuclear plants.

**EIR:** Let's talk about the problem of New Jersey cities. According to statistics, 89% of New Jersey citizens live in urban areas—one of the most densely populated states in the nation. Since the mid-1980s, New Jersey's industrial base and cities were targeted for what the New York Council on Foreign Relations crowd called "planned shrinkage." As Governor, what is your plan for revitalizing them?

**Greenspan:** The first thing I would do is send the Wall Street firms which have crawled like a slime mold across the Hudson River into Jersey City, to the so-called Gold Coast of Hudson County, back to New York. The future of the state's cities is not rooted in a speculative fraud. It is not rooted in more sports complexes, as is being discussed now for Newark. Nor is it rooted in casino gambling in Atlantic City. The Governor last week proposed a takeover bill for Camden, and potentially

for other so-called “distressed cities.”

Already the school systems in Newark, Paterson, and Jersey City are run by the state. I would immediately reverse that. I’m campaigning across the state to defeat this takeover bill, which is on a fast track in the state legislature. If there is to be revitalization in Camden, and the other great cities of this state, it will only occur through planned progress, not planned shrinkage. That planned progress is the Eurasian Land-Bridge and the New Bretton Woods of LaRouche. Last week I was privileged to join Pennsylvania State Representative Harold James (D) on the steps of his state capitol in Harrisburg, at a LaRouche in 2004 campaign rally, when he announced his introduction of a resolution in the legislature in support of a New Bretton Woods approach to our nation’s and state’s economic problems. I am talking with legislators here to do the same. This initiative is the only basis for the reconstruction of our cities and the state’s economy.

**EIR:** This planned shrinkage coincided with an attack on New Jersey’s urban constituency leaders, such as U.S. Sen. Pete Williams and U.S. Rep. Henry Helstoski, by a corrupt U.S. Department of Justice. You were a leader, along with LaRouche, of a fight to expose the politically motivated AB-SCAM and BRILAB sting operations used to eliminate these FDR Democrats, who led a government-labor-industry alliance for development. How do you intend to revive this FDR-JFK tradition?

**Greenspan:** New Jersey is an example of the Southern Strategy assault against those political forces, the FDR forces, committed to economic growth. That Southern Strategy assault continues, in the massive Justice Department attack on U.S. Sen. Bob Torricelli today, the significance of which is intensified by the Bush crowd’s desperation to regain the Senate, in the wake of Senator Jeffords’s and his Lincoln Republican colleagues’ move to repudiate that Southern Strategy control of the other party. My focus in the campaign is to reestablish an FDR party here, to retake the Democratic Party from the ground up for the general welfare principle, the principle which FDR reasserted for the “forgotten man.” I am contacting, daily, hundreds of Democratic Party leaders, public officials, labor leaders, civil rights leaders, around that principle on the immediate fights — save D.C. General, energy re-regulation, and the economic crisis.

**EIR:** LaRouche has called for launching a global economic recovery pivoted on bankruptcy reorganization of the world economy, and on his plan for a Eurasian Land-Bridge infrastructure building program. As Governor, how will you mobilize the state’s resources to be a part of this?

**Greenspan:** I would rebuild this state as the great industrial corridor, as the center of the New York-New Jersey-Pennsylvania economic engine and transport corridor — which this region was going back to Alexander Hamilton, in Paterson, to Col. John Stevens in Hoboken, building the first steam engine locomotive, getting the first railway charter, then

through the work of Friedrich List, across the Delaware in Reading, Pennsylvania, the Careys, and the great Thomas Edison, perhaps the greatest inventor in American history. This state, this region historically, was a powerful engine for scientific and industrial progress. The future of the state lies not in the casinos, sports complexes, and Alan Greenspan’s crashing “new economy.” Our future lies in reestablishing this transport corridor with the most advanced receiver and delivery systems, such as integrated star-ports, to lead the way in building the 21st-Century economy. We can, with a Eurasian Land-Bridge mission approach, rapidly rebuild our state’s machine-tool and high-technology capital-goods resources through appropriate credit and tax policies, coming from Washington and Trenton.

**EIR:** New Jersey has a long leadership role in education — and you are formerly an American history teacher. In 1817, it was one of the first states to set up a fund for public schools, and it is the home of two of the nation’s oldest schools of higher learning, Princeton and Rutgers State University. It is also the home of the first school for freed slave children, in Newark. What will you do to restore public education?

**Greenspan:** I would stop the moves to privatize our school system. I would reestablish a commitment to Classical humanist education. LaRouche has defined a conception, which is the only basis for citizens here and the nation, to again provide our youngsters actual education. I would take the models of Alexander Hamilton and Thomas Edison, two of the greatest thinkers in American history, and establish a curriculum whereby children can relive their discoveries. Hamilton’s discovery of the American economic system, the American system of physical economy, and the republican conception of the general welfare, can and must be rediscovered by our youth, to ensure posterity. Also, to have them experience the outlook of Edison, who was dedicated to the idea of a new invention every week — something he made possible through his invention factory. To teach a revolution in scientific research and development. They must become prepared to build the world and conquer space.

**EIR:** What is your primary task of this campaign?

**Greenspan:** It is to change the mind-set of our people. The fault, as Shakespeare put it, “lies not in our stars, but in ourselves.” Our citizens have gone along happily speculating in the stock market, and gambling at Caesar’s in Atlantic City. Drive into Atlantic City sometime, and there’s Caesar’s Palace with the statue of Caesar, and they wear togas inside, apparently (I’ve not been inside), and have loudspeakers blaring, “Hail Caesar.” Our citizens have got to stop hailing Caesar, or Tony Soprano, or the insane Greenspan. Rather, they must rethink what they’ve come to believe — these crazy ideas — and recommit themselves to the general welfare principle, to the American system. LaRouche and the sane Greenspan represent that outlook, and choice, for the people of New Jersey.

# Bush Solicitor General Lied to Congress

by Edward Spannaus

Even as Senate Republicans were ramming through the nomination of Ted Olson for U.S. Solicitor General during their last days as the majority in the upper house, more evidence was coming to light which proves that Olson lied under oath during his April 5 confirmation hearing.

Records provided to the Senate Judiciary Committee, from a witness-tampering investigation involving Kenneth Starr's key witness against Bill Clinton, show that Starr's crony Olson lied when he denied any involvement in the "Arkansas Project." This was a dirty-tricks operation run by the *American Spectator* magazine, which was designed to dig up dirt on then-President Clinton which could be published in the *American Spectator* and other right-wing media outlets. The project was bankrolled by Richard Mellon Scaife's foundations to the tune of \$2.4 million.

Additionally, a close friend and adviser of Ronald Burr, the longtime publisher of the *American Spectator*, has written a letter (published in *Salon* magazine on May 24) which shows that Olson knew of the Arkansas Project from the start, and that Olson led the successful drive to fire Burr, after Burr demanded a fraud audit of the use of the Arkansas Project funds by the magazine's tax-exempt foundation.

## Independent Counsel Documents

A series of articles in *Salon* magazine, and later the book *Hunting of the President* by Gene Lyons and Joe Conason, had cited sources who stated that the "Arkansas Project" was organized at a meeting in Olson's law office in late 1993. *Salon* was told by one source: "Olson is somebody who Scaife would trust to see that nothing went wrong and that his money would not be wasted."

During 1997-98, *EIR* also reported extensively on Olson's ties to Starr, and on Olson's role in orchestrating the scandal-mongering against Clinton. *EIR* was among the first to report that Olson had been retained already in 1993 by David Hale, the corrupt former municipal judge in Little Rock, Arkansas, who tried to escape from Federal fraud charges by becoming Kenneth Starr's key witness against President Clinton.

At his April 5 confirmation hearing, in response to these allegations about his key role in organizing the "Arkansas Project" in late 1993 and afterwards, Olson denied having any knowledge of the "Arkansas Project" until 1997, stating flatly that: "I was not involved in the project, in its origin or

management." He also claimed that there were no meetings of the "Arkansas Project" in his office.

However, redacted records of the David Hale witness-tampering investigation, which was conducted in 1998 by former Justice Department official Michael Shaheen, cite a meeting in December 1993 at Olson's office, attended by as many as seven people, including Hale and a number of others who are known to have been the key operatives in the "Arkansas Project." This corresponds precisely to published reports about the December 1993 meeting at Olson's office, at which the Arkansas Project was first organized.

Furthermore, one attendee at that meeting in Olson's office told Shaheen's investigators: "The subject of this meeting was Bill and Hillary Clinton and the need for the *Spectator* to investigate and report on numerous alleged Clinton scandals."

That is about as close as one can get to a smoking gun. Unfortunately, Senate Democrats allowed the Olson nomination to be rushed through on May 24, before the inquiry into the Shaheen documents had been completed. The documents were, however, released to the public, but little reporting on them has taken place.

The Shaheen investigation records are highly redacted, allegedly on grounds of grand jury secrecy, and protecting the privacy of third parties. But they show that Olson's law firm provided about \$140,000 in legal services to Hale, for which the firm was never paid. Further, that various schemes were discussed, in which other foundations or non-profit organizations also funded by Richard Mellon Scaife, such as the Center for Individual Rights, the Washington Legal Foundation, or the Manhattan Institute, would launder Scaife monies through to Olson's law firm as reimbursement for Hale's legal expenses. According to the records, Olson rejected that scheme as looking too much like money laundering.

## What 'Arkansas Project'?

Some light may be shed on Ted Olson's denials of involvement in the "Arkansas Project" by the following circumstances.

According to many published accounts, the Scaife-funded "Arkansas Project" was so secret—even within the *American Spectator* itself—that many in the magazine's editorial offices didn't even know much about it. One witness also told Shaheen's investigators that the term "Arkansas Project" was not used by people at the *American Spectator*. And according to the Conason-Lyons book, it was referred to as the "Editorial Improvement Project," in correspondence between the American Spectator Education Foundation and the Scaife foundations.

Is this why, or how, Olson managed to deny involvement in the "Arkansas Project"?

Olson and his cronies in the "Get Clinton" gang could never get over Clinton's famous remark, "It depends on what the meaning of 'is,' is." For Olson, it now seems to depend on what the meaning of the "Arkansas Project," is.

# Bush Military Policy Review Is in Chaos

by Jeffrey Steinberg

On May 17, 2001, the *New York Times* published a front-page story, revealing key elements of a classified Defense Department strategic review, ordered by Secretary Donald Rumsfeld, shortly after his confirmation. The review, directed by Andrew Marshall, the head of the Pentagon's Office of Net Assessments, a controversial in-house think-tank within the Office of the Secretary of Defense, purports that a future war with China is virtually inevitable, and that, due to a proliferation of ballistic missiles and terrorist access to weapons of mass destruction, U.S. forces and personnel will be denied forward-basing in the Asia-Pacific region, necessitating a total overhaul of military doctrine and force structure.

What was unusual about the *New York Times* story, was not the fact that the paper had published classified Pentagon material. What was unprecedented, was the fact that a senior military officer, Adm. Dennis Blair, the Commander in Chief of the Pacific Command (CINC-PAC), chose to give the *Times* an interview, in which he freely discussed his strong disagreements with the classified document. As subsequent events would confirm, Admiral Blair's attack against the Marshall study had at least the tacit support of the majority of members of the Joint Chiefs of Staff.

The incident underscored a level of infighting and dissent inside the U.S. military toward the Bush Administration, which has subsequently begun having even more dramatic manifestations. The net result is that a far-reaching policy fight has erupted, which assures that there will be no "quick-fix" overhaul of the U.S. military. It demonstrates, once again, that the Bush Administration is a "gang that can't think straight," and that in just four months in office, it has provoked a firestorm of opposition, among America's allies abroad, and among policymaking centers at home.

Allied resentment and opposition to Bush was evident at the May 28-29 NATO foreign ministers summit in Budapest, Hungary, where the allies rejected the idea that they face serious threats of missile attack, and showed near-zero support for the Bush National Missile Defense (NMD) plan.

In the U.S. Congress, the already complex prospect of a major "rethink" of America's military requirements in the post-Cold War world has now been further compounded by the defection of Sen. Jim Jeffords (I-Vt.) from the GOP, giving the Democratic Party a narrow Senate majority, and the chairmanships of all the committees, including the Armed

Services and Appropriations committees, where the battle over military doctrine and budgeting will play out.

One immediate consequence of the Democratic ascent is that President Bush's promise to move ahead, unilaterally, on deploying a robust NMD system that would abrogate the Anti-Ballistic Missile (ABM) Treaty, is dead in the water. Unless the Bush Administration can win support from Russia and from America's NATO allies for NMD, meaning a cooperative reworking of the 1972 ABM Treaty, the Senate will block its deployment.

This point was driven home at a recent conference on the future of NATO at the National Defense University in Washington, D.C., where Russian arms control expert Sergei Rogov, head of the U.S.A.-Canada Institute, warned that if the Bush Administration goes ahead with a unilateral missile defense deployment, it will drive the world deeper into the Cold War hole of mutually assured destruction.

## Blair Speaks Out

In his *New York Times* interview, Admiral Blair took strong exception to two of the underlying premises of the Marshall report: the inevitability of war with China and the future inability of the U.S. military to maintain a secure forward-based presence in the Asia-Pacific theater.

On the latter point, Blair bluntly told the *Times*'s Michael Gordon, "I think we have the tools to keep both air and naval power anywhere we want to in the theater and can for quite some time. If you want to look at serious forces designed to keep the U.S. out of part of the world, look at what the Russians did in the '70s—dozens of submarines, hundreds of long-range bombers, dozens of satellites, lots of practice. That was a serious system which we were going to have a hard time fighting our way through. Nobody in Asia is even close to that."

Admiral Blair was equally critical of Marshall's call for a retreat from U.S. presence in the Pacific. For starters, Blair told the *Times* that the political outcome in China is not determined, and the assumption of a U.S.-China confrontation is premature. On the military front, he countered Marshall: "The Chinese," Blair said, "do not have an over-the-horizon target system that is capable of hitting U.S. forces and there are many, many countermeasures to all of the aspects of that kind of system which are available. I think that using this projection of what the Chinese are now doing as a rationale for the U.S. having to flow back out of Asia is just wrong. I think the forces we have can operate there."

## Hand Grenade Over the Pentagon Wall

Days after Admiral Blair delivered his public denunciation of the Marshall defense review, Secretary Rumsfeld held the first of several meetings at the Pentagon "tank" (the secured conference room) with the members of the Joint Chiefs of Staff and the CINCs. According to several accounts, the



*Why is Donald Rumsfeld, veteran cabinet secretary and senior Washington insider, one of the Bush Administration “grown-ups,” now in so much trouble with his defense policy review and national missile defense plans?*

discussion was heated, with many of the four-stars voicing disagreements with Marshall’s evaluations and recommendations, which they had just received in draft form.

At the regular Pentagon briefing on May 29, Adm. Craig Quigley practically admitted that the Secretary had used the Marshall studies to provoke a serious policy debate among the uniformed military leadership, Congress, and the Administration’s national security team, and that the Marshall recommendations would probably never see the light of day. “I think Andy Marshall’s work has served its purpose,” Quigley explained, “in the sense of stimulating the Secretary’s thought and getting reaction from service chief and unified commanders; inputs, resulting in many, many rewrites of the original drafts. And the whole purpose was to stimulate discussion and try to ascertain where should America’s military be headed for the 21st Century.” Quigley added that the Marshall reports would likely not be made available, and that the debate would feed into the Quadrennial Defense Review, due to be completed in September, and is not likely to have any impact on Defense Department spending until the FY 2003 budget, which will be first released at the beginning of 2002.

In short, don’t expect any significant changes, certainly no “revolution in military affairs,” until well into the Bush Administration, if ever.

### **Money Talks . . .**

Further adding to the tug-of-war climate over the future of America’s military doctrine, was the announcement on May 31 that the Pentagon’s supplemental budget for FY 2001

will be a paltry \$5.6 billion. Most of that money will go to salaries and health benefits for GIs, additional flying time for pilots, and \$750 million to cover added costs of gasoline and electricity, due to energy deregulation. Not a penny in the supplemental funding is earmarked for ballistic missile defense.

As one defense correspondent observed, if the money trail is a reasonable measure of defense policy, the Bush Administration is carrying forward the Clinton Administration’s plans with very little exception.

As *EIR* reported in February, President Bush’s yahoo constituents’ clamoring for a tax cut has been one powerful factor arguing against the Administration’s ability or willingness to deliver on Bush’s campaign trail promises that he would rescue the military from the Clinton-era cutbacks. As Secretary Rumsfeld was departing for the annual Wehrkunde meeting in Munich in February, White House spokesman Ari Fleischer had announced that, to make the tax cuts fly, the President would enact a two-year freeze on defense spending. The Joint Chiefs hit the roof, lobbied Rumsfeld to get them a budget boost, and the “compromise” struck between the Pentagon and the Oval Office was that a “defense review” would be conducted, to set guidelines for a spending boost.

That review has now degenerated into a protracted fight between “utopian” fantasists like Marshall, and an encrusted military brass and defense industry stuck in the Cold War. And it is becoming increasingly clear that the fight is over money that the Bush Administration, under its current policy trajectory, won’t be able to deliver.

## School Vouchers Plan Is Defeated in House

On May 23, the House passed its version of an education reform bill by a vote of 384-45. The bill's central focus is on "accountability," to include mass testing of students in grades 3 through 8. Its provisions also include reading skills improvement programs, incentives for school reforms to improve achievement standards, teacher training programs, continuation of drug-free- and gun-free-schools programs, and holding states accountable for improving schools.

What didn't get into the bill were two amendments on school vouchers sponsored by Majority Leader Dick Armey (R-Tex.). The first, defeated by a vote of 273-155, would have allowed students to go to private school if their public school was "low performing" for three years. The second, voted down 241-186, would have provided \$50 million for research projects on the effects of "school choice" on academic achievement. Dale Kildee (D-Mich.) warned that adoption of the two amendments would have jeopardized "the many months of bipartisan work that have gone into producing this legislation."

## Compromise Tax Bill Sent to President Bush

President Bush got most of what he wanted when the Senate voted 58-33 on May 26 to pass a compromise tax bill which had been worked out the day before by four House-Senate negotiators, after the Senate had acted on May 24 to pass its original version of the bill. The negotiators were House Ways and Means Committee Chairman Bill Thomas (R-Calif.), Senate Finance Committee Chairman Charles Grassley (R-Iowa), and Sens. Max Baucus (D-Mont.) and John Breaux (D-La.). The compromise bill was re-

leased at 5:15 a.m. on May 26, with the House voting it up 240-154 at 10 a.m., and the Senate a short while later. All of this to get the bill to Bush before Memorial Day, as per his demand.

Most Democrats were extremely unhappy at the procedure that was followed, however. The bill was brought up under the reconciliation procedure, which meant that, under Senate rules, the bill could not be filibustered. The reconciliation rules also required that the tax cuts in the bill have to "sunset" at the end of the ten years. As Rep. Martin Frost (D-Tex.) wryly noted, this means that if you die in the year 2010 and have a taxable estate, you pay no estate taxes. "But if you have the good fortune to live until 2011," he said, "you pay the full estate tax exactly as it is right now."

Other provisions of the bill include across-the-board rate reductions, such as the creation of a 10% tax bracket, expansion of the earned income tax credit, and phased reduction of the so-called marriage penalty. Soon-to-be Senate Finance Committee Chairman Max Baucus (D-Mont.) said that the compromise bill was far better for low-income taxpayers than President Bush's original proposal, which, he said, was "aimed at society's winners."

## Gallucci Defends North Korea Framework

Ambassador Robert Gallucci, Dean of the Georgetown School of Foreign Service, defended the 1994 Agreed Framework between the United States and North Korea, in testimony before a Senate Foreign Relations Committee hearing on May 23 on U.S. North Korea policy. Gallucci helped negotiate the agreement as a special envoy of the first Clinton Administration.

Gallucci said that, today, all of the

facilities essential to North Korea's nuclear program are frozen and open to inspection, and that "there has been a noticeable reduction in tensions between North and South Korea as well as a significant amount of diplomatic engagement by the North with a number of countries around the world." He argued that as long as the risk of war on the Korean peninsula is being reduced and there is improved relations between North and South, "we should try to preserve the agreed framework so long as we believe it is denying North Korea the capability to produce fissile material for nuclear weapons."

Gallucci effectively refuted the right-wing ideological rantings of Jesse Helms (R-N.C.), who may have made his last appearance as committee chairman. Helms said North Korea is "one of the most evil regimes in this world," and that the regime is responsible for the years of famine there because it continues "to lavish funds on its huge and offensively posturing military." He attacked the Clinton Administration, which, he said, "in its zeal to dispense with the nuclear and missile threat from North Korea and to foster reconciliation with its inhuman and dictatorial regime," ignored the threat of its conventional army "that still looms just over the border from Seoul."

Gallucci was backed up by James T. Laney, co-chair of the New York Council on Foreign Relations' Korea Task Force, who said that his main worry is the "growing concern in South Korea that we are not fully supporting them, and they don't want a return to the Cold War mentality." He said that there is a broad base of support in the South, maybe as much as 80% of the population, for "some kind of engagement policy that continues reducing tension, avoiding war, and finally getting rid of the weapons of mass destruction, maybe leading to a peace treaty."



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# National News

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## California Looks To HIV Mandatory Reporting

The California Department of Health Services has proposed that the state adopt a mandatory HIV reporting system, so that the state can track the spread of the disease. This was one of the provisions put forward in 1986 in a referendum initiated by the LaRouche movement, known as Proposition 64. An enormous campaign of vilification was unleashed against LaRouche, led by Hollywood networks and the Anti-Defamation League (ADL), which resulted in the defeat of the initiative.

AIDS "activists" denounced the new state proposal, saying it would "discourage people from getting tested and treated for HIV," the *San Jose Mercury News* reported on May 16. State health officials denied this, saying that they would establish a system that would ensure confidentiality, but that some system of tracking is necessary. Michael Montgomery, chief of the state's Office of AIDS, said that regulations would be adopted in some form, and would be put into effect early next year.

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## Trent Lott's Racist Pals Attack LaRouche

The white-supremacist Council of Conservative Citizens (CCC), promoted by former Senate Majority Leader Trent Lott (R-Miss.), warns in an article on its website, titled "NAACP Convention Speaker Linked To Cult Politics," that Lyndon LaRouche's influence is growing among African-Americans.

The CCC was an outgrowth of the White Citizens Councils, which fought against integration in the 1950s and 1960s. Lott addressed the group in 1992 and has maintained close ties with its leaders. A 1992 CCC newsletter quoted Lott praising CCC members as people who "stand for the right principles and the right philosophy."

The group's website discusses a scheduled speech at an upcoming NAACP convention by Rev. James Bevel, who was Martin Luther King's director of non-violent political action, and was also LaRouche's

1992 vice-presidential running mate. It denounces the LaRouche movement's fight to take down the Washington, D.C. statue of KKK founder Albert Pike. The article, which makes no effort to cover its racism with a politically correct veneer, even characterizes President George W. Bush as a "lickspittle for racial reconciliation."

"Reverend James Bevell [sic] is a civil rights relic," the CCC writes. "In 1994, while LaRouche languished in prison, Bevell embarked on a new venture with another cult follower: a self-styled historian named Anton Chatnik [sic—*EIR* History Editor Anton Chaitkin]. In a shrewd ploy to discredit the Masonic Order, Chatnik and Bevell devised a publicity stunt that called for the removal of the Albert Pike statue from Washington Square [sic—Judiciary Square]."

"Pike, who wrote the Masonic Creed, was a hapless Confederate general who [sic] Chatnik fixed as a founder of the Ku Klux Klan. Regardless of what else Pike did, the sinister Masons thought he deserved a monument at the Capitol."

Describing the support that the campaign by Bevel and Chaitkin drew from black elected officials around the country, the article boasts that in Nashville, Tennessee, "Southern patriots quashed the resolution despite the fervent bluster of Councilman Kwame Lillard [sic—Kwame Lillard]." (Lillard's father was burned to death, Klan-style, by an arsonist on the night before the council was to debate the Pike resolution—although the website does not mention this fact.)

"One other speaker at the NAACP conference may listen to Bevell and act on his demand to haul away the Pike edifice," the article concludes. "On July 11, James Bevell will share the stage with President George Bush, who will do his part as a lickspittle for racial reconciliation."

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## Texas Legislature Bans Executing the Retarded

In a step away from the murderous policies of former Gov. George W. Bush, the Texas legislature on May 26 approved a bill that would ban the execution of convicted killers who are determined to be mentally retarded. The bill was approved by both the House of

Representatives and the Senate, and was sent to Gov. Rick Perry, who has indicated that he will wait for a ruling by the U.S. Supreme Court before deciding whether to sign it. The Supreme Court is currently considering the case of mentally retarded Texas death row inmate John Paul Penry, who was convicted of a 1979 murder.

If Perry signs the bill, Texas would become the 15th state to ban such executions, which are also forbidden in Federal cases.

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## D.C. Mayor's Staff Leaves Sinking Ship

The campaign by the Coalition to Save D.C. General Hospital has put so much heat on Mayor Anthony Williams, a lackey of the Financial Control Board that is shutting down the city's only public hospital, that several of the Mayor's top staff members are quitting.

Williams said he "sensed the weariness," and advisers commented that the staff didn't start early enough to convince residents of the "need" to close the hospital, the *Washington Post* reported on May 20. The *Post* has played a major role in the campaign to close the hospital, on behalf of its publisher, KKK-Katie Graham.

Five people described by the *Post* as "the soul of the Williams campaign" core team are leaving. "They were a team that brought him to power," said Abdulalam Omer, who resigned as chief of staff in April. "They were critical." The Mayor's communications director, Congressional liaison, lobbyist, chief spokeswoman, and scheduler are moving on. "Running and gunning on the front lines of reforming the District government has turned out to be more of a 24-7 drain" than many on the Mayor's staff can handle.

Those departing say they've hit a wall of exhaustion: "This is insane," "Working in the executive branch is a meat grinder. . . . I've got the EKG [electrocardiogram] on my refrigerator to prove it." Mayor Williams says, "Hey, there are lots of times I feel like taking 40 days in the desert. Reforming a government—it's grueling." The Control Board for which Williams works wants to turn the predominantly black area of the city where D.C. General is located into a high-rent playground for the wealthy.

### *'His Ideas Are Efficient to This Day'*

Pope John Paul II sent, on May 15 to a special Mass at the Cathedral of Trier in Germany, a call to remember and imitate the life and work of the great Cardinal and launcher of the 15th-Century Renaissance, Nikolaus von Kues (Nicolaus of Cusa). The Pope, fighting in his old age and frailty for the dignity of human life, against globalization, international usury, and genocidal war, took the time and thought personally to honor the 600th anniversary of the birth of Kues. He did not ask a church expert to read a paper. Rather, he showed that he, himself, is a passionate expert in the ideas of the great Cardinal and scientist.

Nikolaus von Kues was born into a Dark Age of usury, plague, and war, and battled not to adapt to the spirit of the time, but to develop the principles of humanity necessary to give birth to the Renaissance. The ideas of Kues, affirmed the Pope, are efficient up to this day.

John Paul II discussed those powerful ideas of Nikolaus, which have lived in full force for six centuries, in many areas without which modern physical science, and modern European civilization, would not have arisen from the 14th-Century dark age and the Black Death. The Pope cited astronomy, mathematics, natural sciences, medicine, geography, law, and philosophy. Nikolaus von Kues was, indeed, one of those "dead European white males" without whose fruitful discoveries, the worldwide growth of potential population density of the last 500 years would not have occurred, and most of the billions born during this past century would never have lived.

The Pope chose to emphasize Nikolaus von Kues' role in preparing one of the great events which launched the Renaissance: the Union Council of Florence of 1438-39. There the unifying idea was fought for, successfully, that God's grace comes also through the Son of man, and thus that every human being may radiate the spark of divine genius of the Creator. Building the inalienable rights of each human being, the Renaissance was able to create the principle of the common good, the general welfare, as the basis for the

existence of nations and their governments. Pope John Paul stressed that Nikolaus led a small team which went to Constantinople and brought back the Greek delegation to the Council, to unify the Christian churches on this idea of God and man. In addition, they brought back writings of the Greek Classic, especially those of Plato, which had been lost or neglected in the West.

Also during his trip to Greece and Syria in May, John Paul II had stressed that the Christian faith was based and grew on the ideas expressed, for Greek Classical civilization, by Plato. Nikolaus von Kues was a thorough student of Plato, and of those founding Christian works which are most clearly Platonist.

Born into a dark age, Nikolaus von Kues began a scientific and cultural Renaissance. The Pope pointed to his ideas, as having a message for all those who now ask, as St. Peter did, "What should we do?"

Helga Zepp-LaRouche, founder of the Schiller Institute and initiator of the Call for a New Bretton Woods monetary system, has for many years passionately sought to spread the ideas of Nikolaus von Kues, to those who wish to know, "What should we do?" At Bad Schwalbach, Germany on May 5, a few weeks before the Pope's message came, she gave an address on Nikolaus to a gathering which included representatives and leaders of 40 nations. Her idea, and John Paul's, have the same human basis, as she expressed it:

"The reason why this particular man is so extraordinarily important, is because it was his ideas which gave the beautiful Italian Florence Golden Renaissance ever more and higher expressions, because he was the towering genius among all the many geniuses which came together at that point. And it was this unbelievable, fantastic explosion of human creativity expressed in this Renaissance, which did overcome the dark age of the 14th Century. And it is more urgent today, than ever before, to study the example of the Golden Renaissance, to find the clues, to find the ways how we can overcome our present dark age."



# Jerusalem in Flames

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