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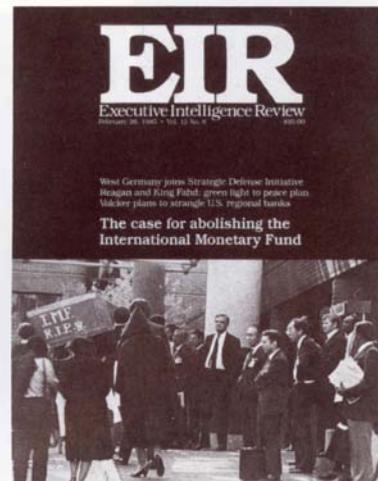
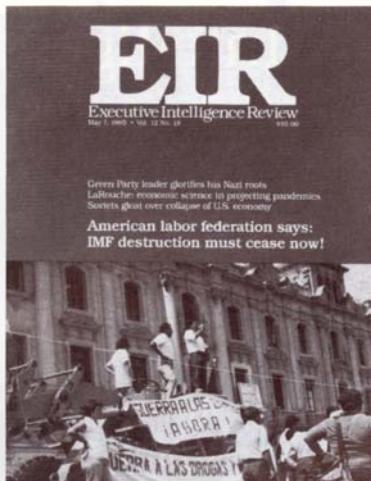
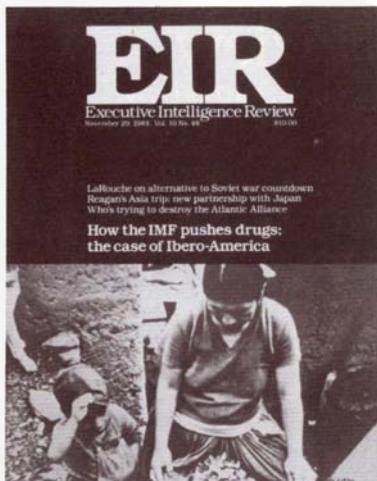
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Tokyo shock threatens U.S. financial markets
Why Czechs chose philosopher Havel
Beijing reaps profit from 'China White'

**LaRouche plan for European
economic boom advances**



IMF Commits Crimes Worse Than Hitler's



What is the International Monetary Fund really? Who controls this supranational institution, whose power is greater than that of sovereign governments, and which imposes economic conditions on member states that lead to genocide worse than that for which Nazi war criminals were hanged at Nuremberg?

Executive Intelligence Review (EIR), the weekly journal founded by U.S. economist and political figure Lyndon H. LaRouche, documents the murderous plans of this bankers' cartel, in the perpetrators' own words.

- **The IMF pushes drugs.** The Fund forces developing-sector countries to grow the most profitable cash crop of all: dope. In the words of an IMF specialist on Colombia: "From an economic viewpoint, marijuana is just a crop, like any other. It brings in foreign exchange, and provides income for the peasants."
- **The IMF demands "population control" as the prerequisite for credit.** As World Bank chief Robert McNamara put it, "devaluation is a population control policy." This is a *conscious* policy, aimed to reduce the non-white races.
- **The IMF promotes communist insurgency.** Said Fidel Castro, "The International Monetary Fund alone still inspires confidence in me. It is the IMF that will realize all my plans."

EIR provides the vital political and economic intelligence for patriots of all nations who seek to destroy the power of the IMF and kindred institutions. Under Mr. LaRouche's direction, it presents detailed recommendations on how to launch a global economic recovery, through Great Projects for high-technology-vectored development. It is the lifeline of a growing international political movement. You too can join!

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Two weeks from now, on March 18, East German citizens will go to the polls to freely choose their government, for the first time since the Red Army occupied them over 40 years ago. This election represents the greatest historical turning point in the lives of most people living today.

The key will be implementing Lyndon LaRouche's "triangle of development" program, by connecting Paris, Berlin, and Vienna with high-speed rail links, and radiating out rapid, high-technology growth over the dense industrial area in and around that triangle, as the fulcrum for a leap in economic productivity worldwide. Tens of thousands of pamphlets and newspapers containing LaRouche's "triangle" program are being taken into the East German campaign by West German political organizers and by others from many parts of the world. West German Chancellor Helmut Kohl has adopted crucial features of LaRouche's plan (see p. 40-43).

All of this takes place in a world where outside of the United States, everyone who knows anything about finance knows that the markets are headed for a colossal blowout between March and April, as LaRouche forecast in our last issue. In the week that ended Feb. 23, the Tokyo stock market sank 6%. Argentina spun into chaos as the Menem government has failed to stem economic catastrophe; Venezuela neared a new round of rioting on the anniversary of last year's bloody uprising. The Swedish government has fallen over its economic incompetence.

The nationally circulated German daily *Frankfurter Allgemeine Zeitung* on Feb. 23 compared the financial markets to the Titanic ramming an iceberg: On the top deck folks are still sipping champagne, while in the cabins below, people are already drowning.

The horror of economic chaos in the wake of the financial collapse can be prevented, though. In the *Feature*, we present the principles of an emerging Europe that can not only save itself, but rescue Africa and other bitterly impoverished parts of the world. Czechoslovakia's Vaclav Havel (p. 62-63), a recent political prisoner now become President, rightly reminded the U.S. Congress that this is only possible if we based our political actions on universal conscience. Congress must either measure up to that, or be replaced by legislators who will. Such as LaRouche, who is a 1990 candidate in Virginia's 10th C.D.

Susan Welsh

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Tokyo shock threatens U.S. financial markets

by William Engdahl

The sharpest one-day fall in the Tokyo Nikkei Dow stock index since the October 1987 stock market crash, the 1,160-point or 3% drop of Feb. 21, has left many people thinking that everything may not be as healthy with certain financial centers as government officials claim. The Tokyo Nikkei, at some \$4 trillion total market capitalization by far the world's largest stock market, reacted to rumors of an imminent Bank of Japan increase in its discount rate, the central interest rate which determines all other rates for the economy. Despite the relatively positive election results of Feb. 18, which stabilized the rule of the Liberal Democratic Party, Tokyo investors began to sell immediately on the following Monday and into mid-week.

The Tokyo shock is being felt around the world. But nowhere is the shock hitting more severely than in New York's financial market, by far the world's most dangerous financial center at this time.

In a rare forecast on financial markets, American economist Lyndon LaRouche, on Feb. 15, before the latest tremors hit world markets, declared that "by the March 10-April 10 period there will be a 95% probability that the major crash of this round will have occurred." LaRouche added, "This next shock, many people project will be launched in or around the Tokyo market and will involve pressures on the Tokyo financial system from the inflated Japan real estate market. But actually, the cause of the crisis will not be internal to Japan but will be the condition of the international financial markets."

LaRouche emphasized that the fundamental problem of recent years, creating ever greater uncertainty and global instability, is the collapse of the economic infrastructure and industrial capacities of the United States. "Behind the scenes there has been a steady drop in the physical economy since 1970. . . . This collapse in infrastructure, agriculture, manu-

facturing has continued over 20 years to date, without respite," LaRouche stressed.

European views

LaRouche's forecast of a severe collapse or contraction in financial markets centered around the United States in the coming weeks is being tacitly endorsed by very senior European financial insiders. On Feb. 19, writing in the London *Financial Times*, Anthony Harris commented from Washington, under the headline "A clear view into the financial abyss," that the looming financial catastrophe "is being revealed in slow motion, like a free fall in a nightmare—and in an eerie silence, since it is all too technical for the news programs. . . . The strangest spectacle of all is the financial apocalypse which is being revealed by increasingly frequent installments. . . . At first sight the U.S. economy may appear to be shrugging off these disasters with comical unconcern, like one of those characters in a cartoon film who keeps walking for several strides after they have stepped off the precipice."

Harris is not the only one who has concluded that the United States has reached a dangerous conjuncture. In a meeting over the Feb. 17 weekend at Britain's Ditchley Park, former West German Chancellor Helmut Schmidt told a private group including former British Prime Minister James Callaghan and former French President Valéry Giscard d'Estaing, that "the U.S. economy is getting out of hand and serious disruptions" in the financial markets are imminent. Schmidt signaled out the U.S. internal debt and overall budget deficit as being at the heart of the problem, but stressed that "no financial market is under control whether stock or bond or currency." He pointed to the critical impasse which has presently locked Alan Greenspan and the Federal Reserve into paralysis. Rather than dramatically lowering U.S. inter-

est rates to ease the bankruptcies and economic decline, the Fed is forced to consider even "raising U.S. interest rates in order to continue to attract additional foreign capital" to finance its debts.

The Ditchley gathering appears to have signaled a shift in European attitudes regarding the U.S. situation, which could precede a series of dramatic moves in Western Europe to insulate European economies from the coming shocks across the Atlantic. The ingredients which led to Schmidt's pessimistic presentation include:

- the Drexel Burnham Lambert bankruptcy filing on Feb. 13;
- the growing worldwide rise in interest rates which threatens the U.S. bond and stock markets;
- increasing hostility between Japan and Washington over trade and other relations.

The bankruptcy of Drexel, the "creator" of the high-yield \$200 billion market in junk bonds which has propped up profits on Wall Street and been the key to the soaring Dow Jones Industrial Average since about 1985, means that not only is "junk" dead, but that hundreds of billions of dollars of paper assets which back up large U.S. and London banks, as well as some in Tokyo, will come crashing down, just as the Vienna Kreditanstalt collapse of 1931 set off chain reaction collapse in Germany and across Europe.

The British, and Germany

But the factor which threatens to give the Drexel collapse explosive new dimensions, is the alarming trend of rising worldwide interest rates in recent weeks. This rise began in early February, with reports coming out of London that imminent monetary union between East and West Germany, the first step toward political reunification; will collapse the careful West German Bundesbank effort to control inflation. Since German bonds become less profitable as inflation rises, nervous speculators began to doubt the wisdom of German bond investment. As a result, to attract buyers, bond interest rates were forced to rise.

The problem is that the entire German inflation fear was "made in London," as part of an overall British financial establishment financial warfare effort to sabotage the emerging continental European investment and industrial reconstruction possibilities. Why? As a participant at Schmidt's Ditchley Park talk stated, "The reunification of Germany will mobilize German capital for East Germany and there will be no German capital left to absorb the U.S. budget deficit."

What this person did not say, is that one reason London is a major financial and banking center today, despite its collapsing industrial base, is its ability to attract West German savings, which until now had no productive possibility to invest inside Germany. From London banks, for a commission, German funds financed U.S. deficits along with Japanese savings.

This is the real reason that key City of London financial

institutions, including big British and U.S. banks as well as large futures brokers such as S.G. Warburg and James Capel and Co., launched a calculated attempt to force West German interest rates up by more than 2% in three weeks. They reasoned that the speculation would force growing German unemployment and currency friction with France and other European economies and thus damage Chancellor Helmut Kohl's reelection chances.

But the game has backfired. According to senior City of London economist Stephen Lewis, Germany is simply ignoring the London attacks, which is blunting the impact intended.

"We are very close to a strategic turning point," Lewis says. "The attacks on the German bond market has about reached its limits. The Bundesbank is simply ignoring it, so it is having little of its intended effect. There is total lack of alarm in Frankfurt.

"Very soon investment will start to flow into the German market again. Continental European markets will start to rise and with it we will see a collapse of Japanese bonds and especially U.S. bonds. Strategically we already see the beginnings of an important shift. The world's most important industrial economies, Japan and Germany, are converging around the industrialization of Eastern Europe. This could help to stabilize the non-English speaking financial world, as the U.S. and U.K. markets contract. The view here is that everyone expects a serious fallout in the U.S. financial markets."

The reality is that, since global financial markets have deregulated in recent years, what hits one hits all. The soaring German rates have threatened dollar flight, as German interest returns offer far more profit to global investment managers. Thus, U.S. bond interest levels as well have been forced to soar in the past week to retain investors. That has been the detonator, sending shock waves through both the New York and Japanese stock market.

As Lewis points out, however, while Japan's financial markets are backed by a dynamic and growing industrial infrastructure, similar to that of West Germany, the U.S. financial markets rest on a pile of \$12 trillion of public and private debt, and more than \$8 trillion in speculation. Every 1% rise in U.S. interest rates forces the interest cost of debt in the U.S. economy to rise by some \$120 billion per annum! The United States right now is sinking into depression economically, while being forced to maintain the highest interest rate levels since the 1982 depression. Such is the folly of "free market" Adam Smith economics, as taught in today's American and British universities.

According to well-placed Tokyo financial sources, while there are questions of uncertainty for the Japanese export economy and year-end financial market pressures before the close of the fiscal year on March 31 in Japan, the real issue motivating the volatile Japanese stock market in recent days is their gloomy view of the United States' economic prospects.

Argentina's government is paralyzed as economy crashes

by Peter Rush

The eight-month-old government of President Carlos Menem in Argentina demonstrated the week of Feb. 19 that it has lost all control over the plummeting economy, as yet another package of impotent measures failed to do anything to stem the collapse of the currency or the galloping inflation. Food riots and looting broke out in the country's second and third largest cities, caused by price increases that have now placed even food beyond the means of increasing numbers of Argentines. The Menem administration, which has suffered 37 resignations of top officials in its six months in power, is beset by scandal and chaos, and has lost all credibility.

This situation has led to rumors, reported in the domestic and foreign press, that, for the first time since 1983, the Argentine military may be contemplating a coup. Such a development would conform to predictions being made by U.S. think tankers, some very close to the Bush administration, that Ibero-America is descending into a "dark age" which will be characterized by military coups and new dictatorships (see *International Intelligence*, page 58-59). Numerous so-called experts have recently given press interviews in which they have virtually written off much of Ibero-America, and Argentina heads these experts' list of countries with the least hope. In reality, the destruction of most nations of the continent through economic crisis, military coups, and social chaos, starting with Argentina, is Bush administration policy.

No end to the collapse

Beginning on Feb. 12, the Argentine currency, the austral, began a rapid descent from 2,860 to the dollar to 4,500 at the close of the day Feb. 21—a loss of 36% of its value in little over a week. The rate of descent was not slowed at all by the government's Feb. 18 announcement of new measures, described by the London *Financial Times* Feb. 20 as "little more than a promise to cut central government spending in areas where the administration hopes political repercussions will be minimal."

The collapse of the austral has virtually made the dollar the currency of Argentina. "All industry and business has ceased to quote prices in australs, and is giving them in dollars. The economy has converted to the dollar," said Argentine economist Gustavo Ochoa, quoted by Reuters Feb. 17. Many manufacturers are even demanding their

customers make payment in dollars.

The effect of "dollarization" is that every decline in the value of the austral immediately translates into inflation. The decline in value from Feb. 12-21 implies a rate of inflation of 57% over 10 days, or 287% per month, if continued for 30 days. Overnight on the night of Feb. 19, meat prices jumped 38%; they had risen 168% in the month, as of Feb. 20. Agriculture Secretary Felipe Solá admitted that "with the dollarization of prices, meat is becoming a luxury item." This, in the country which until recently enjoyed the highest per capita consumption of beef of any major nation in the world.

In response to increases in food prices, the government decreed Feb. 18 that tariffs on imported food would be lowered from 25-30% to 10%, or even zero, in order to push down the price of food and slow inflation. The insanity of taking such a measure in one of the world's most productive agricultural countries, whose only effects will be to bankrupt farmers and squander very limited foreign exchange available to finance imports, reveals the desperation of the present government.

Further, restrictive Central Bank actions have driven interest rates to 300% a month, while the government continues, according to the *Financial Times*, to print money wildly to cover its deficit. And unemployment in the country was reported to have reached 7.5%, the highest in modern Argentine history, with 910,000 unemployed. Worse, another 3.6 million workers—out of 11.3 million employed—only work part-time, such that a full 37% of the Argentine labor force, 4.5 million workers, are either unemployed or underemployed.

Moreover, the new depressionary wave set in motion by a package of radical monetarist measures at the first of the year is now threatening to more than double the unemployment rate almost overnight. *Financial Times* reporter Gary Mead reported Feb. 21, "Industrialists are predicting that by next month they will be suspending more than 30% of their workforce." And there are reports of large private companies that are on the verge of closing down, due to the collapse in consumer demand. Retail sales have declined 50% in the last year.

In the midst of this situation, a desperate Argentine business community has called for measures to reactivate the

economy. Although many businessmen erroneously also support the notion of the “free market,” one prominent Peronist businessman and economist, a former adviser to Peru’s President Alan García, Daniel Carbonetto, argued in a Feb. 18 interview in *Cronista Comercial* that “it is essential to rebuild consumer buying power” as the highest priority. He called for “a capitalist revolution” that would end the rule of speculation, revive the internal market, increase incomes, and permit businesses now going bankrupt to survive. “One cannot make a holocaust of our industrial assets, of our level of employment” on the altar of free trade, he said. “What would have happened to the U.S. if Washington, Hamilton, List and so many others had proceeded that way?” If industry is seeking a “foreign model” to follow, Carbonetto said, it must look to the economists of the American Revolution who built the United States.

Riots, strikes, looting

On the morning of Feb. 21, poor people in Rosario, Argentina’s second largest city, in desperate straits after the recent food price increases, began raiding trucks transporting food, and looting supermarkets. Nine separate incidents were reported by nightfall. The same day, groups of 30-40 people raided two supermarkets in Córdoba, the third largest city, and smaller groups of looters stole food from five other stores. The governor of Santa Fe province, in which Rosario is located, commented, “The situation, not only in Rosario but in the whole country, is tense because of the runaway economic crisis and the incredible rise in prices, added to unemployment.”

Labor, threatened with wholesale firings and with wages far behind inflation, is also near the breaking point. A strike wave is growing in the country. On Feb. 19, members of the bank workers union carried out strikes in state-owned banks to protest plans to close 14 branches of the National Mortgage Bank. The teachers’ union’s members voted not to open school after summer vacation ends on March 5, after wage talks collapsed. And railroad workers, facing mass layoffs by the government-owned railroad company, staged a 15,000-person march Feb. 20 to protest plans to privatize the railroad. They carried signs such as “Menem, traitor, the railroads belong to the people, you can’t sell them the way you’ve sold yourself,” indicating the depth of opposition that has developed against the President from the traditional worker base of his Peronist party.

Cabinet chaos, coup threat

On Feb. 19, yet another cabinet member, Interior Minister Mera Figueroa, reportedly tendered his resignation, apparently over concern that the government’s policies were risking a social explosion, which the Interior Ministry would have the responsibility to repress. Days later, it was revealed that Menem had invited Eduardo Angeloz, the presidential candidate from the Radical Civic Union (UCR), whom Men-

em had defeated last spring, to join his cabinet in a capacity yet to be determined. Angeloz, a monetarist, has been giving full backing to Menem’s policies, and was reported to have taken the offer seriously, although the latest report is he will decline it.

In this situation, the local and foreign press have reported rumors that the liberal, right-wing leadership of the Argentine Army may be preparing for a coup. The *Jornal do Brasil* of Feb. 18, under the headline, “ ‘Washed Faces’ Generals Are Now the Threat,” reports that for the first time since 1983, the Argentina military leadership is showing an ambition to return to power. It forced the resignation of Peronist Defense Minister Italo Luder in January, and is strongly pressing its demand that the six generals still in jail for human rights crimes during the last military rule (1976-83), not only be freed, but be restored their ranks and full military honors. They have also secured a large wage increase for the Army.

The military is also demanding the right to intervene domestically against internal security threats, which is now prohibited by law. The very day of the food store lootings in Rosario and Córdoba, Army Chief of Staff Isidro Cáceres told journalists, “The Army is prepared to help the President maintain a climate of calm, either through persuasion or action, if it is considered necessary.” Menem is reported to favor changing the law. This raises the prospect of the Army command using a popular outbreak of violence—or a manufactured pretext, such as an incident involving leftists—as an excuse to overthrow the constitutional order and take power.

Arrayed against a military coup is the nationalist faction of the military headed by Col. Mohamed Ali Seineldín, forced to retire by the High Command last fall, but who still commands the respect and loyalty of most of the lower and middle ranks of the Army. According to reports in *Jornal do Brasil* and the Argentine weekly *Somos*, Colonel Seineldín has been traveling around the country meeting with thousands of people, from many walks of life. *Jornal do Brasil* reported Feb. 19 that his preferred audience is the poor, among whom he has great respect, but that he is also meeting with powerful business leaders. *Somos* reports Jan. 24 that Seineldín has in recent weeks met, usually in groups of 20 to 30, with middle-level Peronists, trade unionists, businessmen, professors, clergy, politicians, active-duty military men, and others.

His message is reportedly always the same: “You must organize to back constitutional power and fight to maintain unity of the Army.” According to *Somos*, he also expresses his grave concern over the depth of the current economic crisis, and skepticism at the government’s monetarist measures, which, he says, have provoked a deep recession and “hit the neediest sectors.” He told an audience of active duty military men from the Third Corps near Córdoba that it was necessary to “help consolidate a truly national effort” to save the country.

Beijing reaps profit from 'China White'

by Linda de Hoyos

The leadership of the People's Republic of China may well be looking to foreign exchange derived from heroin production to make up for the plummeting of foreign investment in the mainland since the June 4 Tiananmen Square massacre. The Golden Triangle heroin production is booming, reports from the U.S. Drug Enforcement Administration indicate. Although the P.R.C. is officially excluded from the Golden Triangle map used in the United States, a large proportion of the so-called "Burmese" opium comes from the P.R.C.'s Yunnan province, where it is then trafficked, refined, and shipped out of the Triangle through the P.R.C.-backed Burmese Communist Party, the P.R.C.-aided Kachin Liberation Army, and the Shan Union Army of the notorious drug lord Khun Sa, whose real name is the Chinese Chiang Fu.

From Yunnan and the areas of northern Burma controlled by the abovenamed secessionist and insurgent operations, the drugs flow into the world's market, beginning with the expanding Asian market itself and to the United States.

From beginning to end, the drug flow is controlled through P.R.C. cut-outs and through overseas Chinese crime syndicates, who funnel a large percentage of their earnings back to the mainland through the 17 banks in Hong Kong controlled by the P.R.C.'s Bank of China.

Precisely through the period that President George Bush has kowtowed to the Tiananmen Square butchers, Beijing's Golden Triangle flow has increased. The DEA now estimates that the Golden Triangle is the biggest single supplier of heroin into the U.S.—45% of the total heroin supply. For New York City, the figure is 80%.

While the DEA and the Bush administration are dedicated to hiding the P.R.C. role in America's heroin addiction, the dope traffickers themselves are not afraid to advertise the source. Golden Triangle heroin is called "China White," and at 40% purity, it is far more deadly than the brown heroin of 6-7% purity that comes from the Golden Crescent of Iran and Afghanistan.

And even deadlier, the heroin price has come down. In 1987, a kilogram of China White sold for \$20,000 on the market; today the price is \$11,000. Despite the increased purity of the heroin, the supply is so great that the price is

being driven down—and the market expanded.

The heroin epidemic promises to get worse. Thai narcotics experts are forecasting a record 1990 opium crop coming from the Golden Triangle. Burma alone is expected to produce 2,600 tons of opium, more than three times the Golden Triangle record harvests during the Vietnam War of 800 tons.

All evidence points to direct P.R.C. involvement in the "Burmese" super-crop.

Beijing-Rangoon deal?

In early January, a U.S. congressional delegation led by Rep. Charles Rangel (D-N.Y.) took a "drug tour" of Asia, including to Thailand, where they were informed of the 1989 opium bumper crop and the expectations for 1990. The Burmese government of Saw Muang, reported Gen. Chavalit Yodmani, secretary general of the Thai Office of the Narcotics Control Board, is not expected to take any dramatic measures to crack down on the northern Burma drug-trafficking. The reason, according to the delegation's report: "The Burmese authorities are concerned with fighting the Karen insurgency. The drug trafficking operations in the neighboring area, which is under the control of the opium lord Khun Sa and his Shan United Army, operate with virtual impunity."

The Karen insurgency is the one major secessionist operation in Burma that does *not* grow drugs and strictly prohibits drug production and/or consumption by its ethnic constituents. Opium is trafficked mainly by the Shan, the Kachin, and the BCP that Rangoon is leaving alone.

In addition, as the opium crop along the Yunnan-Burma border has been exploding, the Burmese government has been cultivating ties with Beijing, eschewing its longstanding policy of isolation from all superpowers. On Dec. 4, a memorandum of understanding on bilateral trade between Burma and the Yunnan province was signed in Rangoon, after a 13-member delegation led by the Yunnan governor arrived in Rangoon Nov. 29. The P.R.C. delegation was given a royal welcome, and met with the highest Burmese officials. Yunnan governor He Zhiqiang also met with Gen. Saw Muang, chairman of the Burmese State Law and Order Restoration Council at the Defense Ministry. On Dec. 23, the Yunnan delegation was followed by Wang Wendong, Assistant Minister of the P.R.C. Ministry of Foreign Economic Relations and Trade, who signed a broad agreement for economic and technical cooperation between the two countries. Beijing also agreed to extend interest-free credit to Rangoon for the Rangoon-Thanhlyin rail and road bridge construction project.

In short, Beijing is coordinating economic projects with Burma precisely at the point that Rangoon has taken a "hands off" stance toward the drug traffickers.

While touring Southeast Asia, the Rangel delegation was confronted with other evidence of the P.R.C.'s proprietorship over the Golden Triangle. In Hong Kong, American Consul General Ronald Anderson told the delegation that "over the past year the trafficking pattern from the Golden

Triangle has shifted. *To a large degree*, the traditional use of sea routes has been replaced by land routes from Burma through the P.R.C. to Hong Kong” (emphasis added)—although of course Mr. Anderson swallowed the Beijing line that in totalitarian China, there are no official sanctions for this route.

The DEA official on the scene, John Seaman, did, however, note that the Tiananmen Square massacre has to “some extent stymied our relationship with the P. R. C. as far as joint law enforcement efforts are concerned.”

Despite the evidence that the P. R. C. has become one of the major drug transshipment routes for the Golden Triangle, the Rangel delegation chose to single out Thailand as the target for U.S. pressure.

China dope diplomacy

As it was during the Vietnam War, dope has become a key consideration in Beijing foreign policy. In the Golden Triangle, aside from its newly forged ties with Burma, Beijing has assiduously cultivated its relationship with Laos, despite the latter’s membership in the Soviet-dominated Indochina Federation.

Laos is expected to produce 300 tons of opium this year.

In October 1989, Laos’s Kaysone Phomvihane, chairman of the Council of Ministers, visited Beijing, the first time a Laotian leader had visited Beijing in 12 years. The primary item on the agenda in meetings between Kaysone and China Prime Minister Li Peng, was the Laotian economy, according to Beijing wire reports. The countries have signed accords to joint ventures and trade.

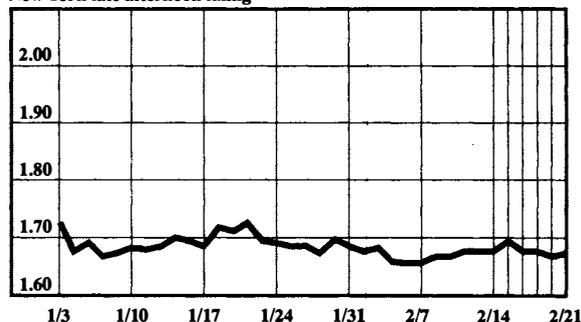
Laos and Beijing restored ties in November 1987, precisely at the time that the DEA and other Western agencies were putting Laos on the drug map on two counts. Laos has emerged in the last three years as a major producer of marijuana. In early 1988, Western agencies also collected reports that the Yunnan-Burmese drug lord Khun Sa was operating most of his heroin refineries in Laos, integrating both Laos and Yunnan-Burma operations of the Golden Triangle.

The Himalayan kingdom of Nepal is another target of Beijing’s dope diplomacy. Over the last two years, the Chinese have wormed their way back into Nepal, including providing arms for the Nepal regime, a circumstance which has led to tensions between Nepal and India. The Chinese are also supplying funds and labor for the completion of a highway connecting the Nepalese capital of Kathmandu to Lhasa, Tibet. Nepal is a notorious transshipment point for drugs to Western Europe. But in recent months, there are indications that Nepal may also be a point for dumping drugs onto the subcontinent. In Bangladesh, for example, where opium is not grown, an epidemic of opium and heroin addiction has been reported over the last year. According to reports in the Indian press, a phenomenal 10% of Bangladesh’s women are addicted to drugs.

Currency Rates

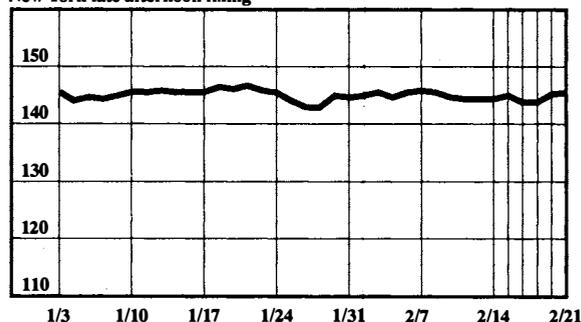
The dollar in deutschmarks

New York late afternoon fixing



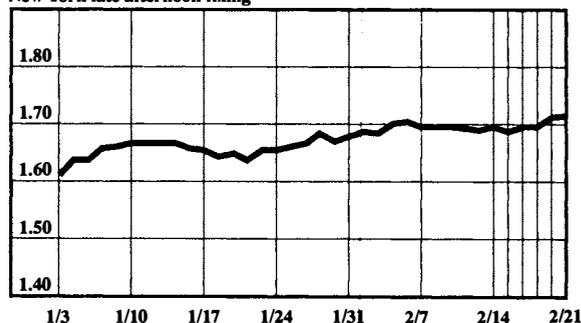
The dollar in yen

New York late afternoon fixing



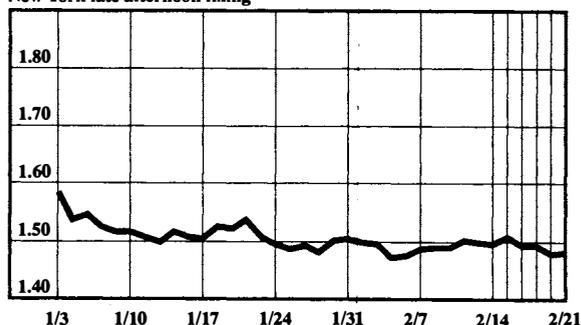
The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



Taxpayers to pay for Drexel bankruptcy

by Steve Parsons

Federal officials and the financial media are spreading palaver about how well the “surprisingly resilient” U.S. economy and financial markets have absorbed the Feb. 13 bankruptcy of Drexel Burnham Lambert, the nation’s number one junk bond investment bank.

Precisely the opposite is occurring. Drexel is the latest casualty in the intensifying financial crash that was triggered last September by the debt defaults of Robert Campeau’s retail empire. The shock wave set in motion by Campeau has spread from the junk bond market to almost everything in sight, hurtling the economy toward the spring blowout forecast by jailed economist Lyndon LaRouche.

Far from the magical workings of the invisible hand, the deepening collapse is being contained only by desperate crisis management by a consortium of top federal financial officials and Wall Street’s establishment. According to reports, the group includes New York Federal Reserve head Gerald Corrigan, New York Stock Exchange head John Phelan, Securities and Exchange head Breeden and Treasury Under Secretary Glauber, working with the elite of Wall Street. This team has been responsible for staging a counter-operation to soften the impact of the Drexel failure and to put out the line that “everything is under control.”

The central coordinating agency is the Federal Reserve, which, as the “lender of last resort,” has put its vast powers and limitless government resources at the disposal of the banks and markets. As in the October 1987 stock market crash, and last October’s 190-point plunge, the Fed has made known that it will supply liquidity to preserve “orderly markets.”

The Fed has created arrangements that are already pumping liquidity into the markets, and is on the verge of turning the government into one big credit machine to prop up Wall Street. On Feb. 15, rumors flowed through the interest rate futures markets that the Fed was directly supplying cash to Drexel’s creditors and propping up the markets, by taking over at least a portion of Drexel’s Treasury securities inventory, handing cash over to its panicky creditors, and “discreetly” selling the securities on the market. One of the main creditors is reported to be Citibank, Drexel’s lead banker.

This is an unprecedented move by the Fed, which, aside from open market operations, directly markets securities only for other central banks.

The Fed and its consortium cohorts are manipulating not just the bond market, but the stock, futures, and currency markets as well. One Wall Street insider says, “The behavior of the market around the Drexel situation is extremely bizarre and abnormal. The market just didn’t respond to the bankruptcy. I’ve been a student of the market for 20 years, and even though Drexel’s failure was not unanticipated, still, the magnitude of it would have resulted in some sudden selling, and at least an initial drop of 50-60 points in the Dow. But nothing happened, like there was a support operation going on. ‘Buy’ programs were pushing it up, at a time when it should have been going down.”

Sheer looting

Coincident with the Drexel debacle, the Fed and Treasury arranged to inject tens of billions in cash into the overwhelmed Resolution Trust Corp., the federal agency which is funneling money into the so-called bailout of the crumbling savings and loans sector. Under the plan, the RTC would borrow some \$44 billion—or more—in “working capital” this year through new Treasury debt, which would theoretically be paid back when the RTC disposes of the assets of seized thrifts.

This plan was proposed just after the Fed installed its director of banking supervision, William Taylor, as president of the RTC Oversight Board, thus gaining even greater top-down control over the banking system.

The consortium may be about to play its last card, short of complete hyperinflation: looting the hundreds of billions of dollars in pension funds, one of the largest pools of capital in the world. According to some of the firms that manage General Motors’ pension fund assets, GM plans to put a portion of its \$35 billion pension fund into junk bonds, on the theory that junk’s depressed prices makes it a bargain! There is little doubt such a step could be taken only with the blessing—and probably the urging—of the Fed and Justice Department.

Not that GM or other conglomerates need much urging. The collapse is knocking the bottom out of their stock valuations and balance sheets so fast that only an enormous infusion of capital can help.

Thus, the institutional leverage for a hyperinflationary binge is nearly in place. The stumbling block is high interest rates and the dollar’s vulnerability. As long as Western Europe and Japan continue to develop their economies, and keep interest rates commensurate with those in the U.S., there is a limit to the credit pump’s bailout of the deflationary bust in progress.

In any event, no matter how much credit is pumped or how much taxpayers are pummeled, saner heads in Europe expect that the next shock—perhaps trouble for the Shearson Lehman brokerage or a large bank like Bankers Trust or Chemical—could spread the panic so far and wide that nothing could contain it.

Drexel's law firm—front for American Drug Lobby?

by Jeffrey Steinberg

The recent bankruptcy of Drexel Burnham Lambert ought to put the spotlight of federal investigators on the activities of America's largest law firm, Scadden Arps Slate Meagher and Flom. With over 1,000 lawyers, offices around the world, and total revenues in 1989 of over \$400 million, the biographies of the firm's principals read like a version of the Horatio Alger rags-to-riches sagas, but with gangster Meyer Lansky as the hero.

A bunch of street-wise kids, short on blue blood cells, go off to Harvard Law School, do brief tenures at the big WASP firms, set up shop in competition with Wall Street's older law firms, and walk away with a corner on the mergers and acquisitions market—by far the most lucrative area of corporate law today. If Scadden Arps someday comes to be known as the Coca Cola Bottling Company of the international legal profession, because its offices dot the globe, the epithet will be apt. Founders Marshall Skadden, Leslie Arps, and John Slate began as associates of the Wall Street firm of Root Clark Buckner and Ballantine, a firm run by Elihu Root, Jr., son of Coca Cola founder and Teddy Roosevelt brain truster Elihu Root.

Buyouts, drugs, and arms deals

The firm has been at the center of virtually every major hostile corporate takeover in recent years. Its single largest corporate client, the investment house of Drexel Burnham Lambert, has not always landed on its feet in these leveraged buyout bashes, and the Drexel official who worked the closest with Scadden Arps, Michael Milken, is in jail for his indiscretions. According to one account, Scadden Arps was so anxious to satisfy Milken's insatiable appetite for leveraged buyouts that it created a fully staffed office in Los Angeles to service Drexel's West Coast whiz kid.

It is no wonder that several years back, after he pulled off the biggest corporate merger in history, Kenneth Bialkin left his senior post at Willkie Farr and Gallagher to join up with the new kids on the block. Bialkin is, of course, the former chairman of the Anti-Defamation League, the ADL, which masquerades as a Jewish civil rights group but is more accurately described as the American Drug Lobby. Bialkin brought some skeletons over with him, including his 1970s bout with the law involving client Robert Vesco's theft of several hundred million dollars from the Investors Overseas Service (IOS). Bialkin and Willkie Farr were initially ordered

to pay back \$30 million, because the courts felt that Bialkin had masterminded the looting scheme.

More recently, Bialkin brought Lebanese financier Edmond Safra into the American Express family, at the same time that drug enforcement and U.S. Customs officials in Switzerland and Latin America were probing suspicions that Safra was involved in a worldwide drug money-laundering apparatus. Bialkin was a minor celebrity at the time of the 1986 Iran-Contra scandal, through his representation of yet another client, Saudi billionaire Adnan Khashoggi, who lost his shirt when he helped underwrite some of Uncle Sam's shady arms deals with the Ayatollah.

These minor embarrassments seemed to have had little impact on his shift from the prestigious Willkie Farr to the more pugnacious Scadden Arps. Perhaps the path was smoothed by some old ADL cronies who had already established themselves at the New York-based firm. One senior partner, who runs the 40-lawyer office in Wilmington, Delaware, is Irving Shapiro, the former CEO of the Du Pont Corporation, who has been fingered by some sources as "Mr. Inside" in the Bronfman family's hostile takeover of the chemical giant. Edgar Bronfman is today the leading fundraiser for the ADL. Irving Shapiro's son Isaac is also a partner, having been recruited out of the Brahmin firm of Milbank Tweed and Hadley in a corporate raiding tactic referred to in the legal profession as "cherry picking." Isaac Shapiro brought with him most of the major Japanese real estate accounts in the United States, according to published accounts.

Robert Pirie, who runs the Scadden Arps office in Boston, is also familiar with Bialkin's friends at the ADL. He is the current head of all Rothschild financial operations in the United States. He apparently helped bring in another one of the firm's major corporate clients, Rothschild ally Sir James Goldsmith, and perhaps a second, British publishing mystery man Robert Maxwell.

One of the earliest of the Scadden partners, Joseph Flom, has been credited with pioneering the leveraged buyout scheme. Flom was the Scadden man behind the recent Kohlberg Kravis Roberts takeover of RJR Nabisco.

In the past 10 years, Scadden grew went from a respectably large law firm (160 attorneys and \$30 million in revenues in 1979) to the biggest in the world. Its clientele currently includes 175 of the Fortune 500, eighteen of the world's 25 largest banks, seven of the 10 largest Japanese banks doing business in the United States, and 23 of the 25 largest U.S. investment houses.

With clients engaged in every facet of the fast and loose international finance game, it is no surprise that Scadden Arps has also established itself as the nation's largest repository of experts on RICO, the federal racketeering statutes which have been used as a weapon in the corporate takeover wars as well as in political frameup prosecutions. The firm has published the two major attorney's textbooks on RICO.

The U.S. economy will not survive proposed defense budget cuts

by Andrew D. Rotstein and Anthony K. Wikrent

The proposed termination of \$28.2 billion in military programs will cripple the U.S. industrial base, especially technologically key areas of specialized capital goods production. Starry-eyed, dollar-short politicians are proclaiming that military budget cuts will produce savings which can be used to retool industry, rebuild public infrastructure, and meet other pressing needs. These fools have done nothing to halt the erosion of crucial goods-producing sectors of the economy, and the actions they now propose will obliterate the last sector of the American economy that is a world leader in technology. If what remains of the defense component of that economy is further dismantled, the physical basis of recovery will have been foolishly and criminally thrown away.

In real, inflation-adjusted terms, defense spending has been declining since FY1985. Because of these cuts, and the explosive growth of overhead costs associated with "procurement reform" and compliance with environmental regulations, many firms have opted out of the defense business altogether. A 1989 study by the Center for Strategic and International Studies estimates that the number of companies in the defense industrial base declined from 138,000 in 1982 to fewer than 40,000 by 1987.

And while the media peddle the line that the nation's best scientists and engineers are drawn into the defense industry, thus "wasting" their precious skills, the fact is that defense companies have been and are experiencing great difficulties in attracting and retaining highly skilled technical personnel. This is because the industry—buffeted by an uncertain and shrinking market, and beset with arbitrary bureaucratic delays and an adversarial relationship with government regulators—is unable to offer job security comparable to other industries.

In recent weeks, Boeing announced that it will eliminate 5,000 jobs this year due to dwindling orders. Chairman Frank Shrontz said that the company had hoped to transfer most of the workers to the B-2 Stealth bomber program, for which Boeing is a major subcontractor to Northrop, but that the Air Force has cut back production of the bomber. General Electric Aerospace, the country's third-largest defense contractor, will cut 14% of its workforce, or 5,600 jobs, over the next two years, on top of 4,775 trimmed in 1989. Most

of the cuts will take place at GE facilities in the Philadelphia area, including the communications plant in Camden, which now employs 2,600. McDonnell Douglas will lay off 10% of its helicopter workforce. The Allison Gas Turbine Division of General Motors announced that it was laying off 10% of its 2,650 white-collar workers.

Secretary of Defense Richard Cheney and the Bushmen propose to cut the military budget by 20% over the next five years, while the Democratic leadership in the Congress presses for even greater cuts. Since defense spending accounts for about 5% of GNP, what is being proposed is the elimination of 1% of the U.S. economy. But nowadays the GNP figures are mostly fluff, so the portion of the real economy that will be affected by the proposed defense cuts is much larger. In fact, 6.25%, or 1 of every 16 American workers relies directly on defense spending for his or her paycheck.

In the two states most dependent on military spending, Hawaii and Virginia, defense contracts and local military payrolls combined account for approximately 12% of State Domestic Product. Massachusetts, Maryland, and Connecticut have about 8.5% of their SDPs accounted for by military spending, while Missouri has about 7.5%. St. Louis is a particularly endangered area, since the aerospace operations of McDonnell Douglas and General Dynamics are both located there. California has just under 7% of SDP accounted for by defense spending. Almost one-fifth of the facilities on the proposed base-closing list are in California. Arizona has almost 6.4% of its SDP tied to defense, with the major amount coming from various missile contracts held by Hughes.

The large defense contractors read the handwriting on the wall years ago, and have already begun cultivating other customers, diversifying product lines, and moving into entirely new areas of business. For instance, Sikorsky Helicopters, of United Technologies, now relies on the government for 25% of its sales, down from 75% ten years ago. Overseas sales account for 25%, up from 6% in 1984. Another division of United Technologies, jet engine maker Pratt and Whitney, now has only 35% of its sales from the military. Grumman, the largest defense contractor in New York with \$2.8 in contracts and 18,400 workers (down from 25,000 workers three years ago), has so diversified that only half its sales are

now related to defense. The former maker of Navy fighter planes now plans to turn half its 500-acre headquarters into a shopping center and hotel complex, since Long Island tourism brings in \$7.9 billion a year, compared to \$3.8 billion for defense.

Smaller high-tech companies endangered

But in addition to the loss of defense jobs and the multiplier effect on suppliers and hard-hit localities, key sections of technologically leading manufacturing capacity may be totally idled, or lost to the nation.

There are tens of thousands of small companies, with workforces typically in the scores or hundreds at most, that work primarily, and in some cases almost exclusively, for a single weapons system contractor. These are the workhorses of innovation and invention. Gus Comstock, who has been detailed by the governor of Ohio to implement a program to help small defense contractors find other areas of work, said, "I've been impressed with these small contractors. They're working right on the outer edges of technology, unlike their commercial counterparts." Comstock notes that 80% of new technology is developed by these small businesses, which then sell it for large-scale application by the comparatively slow and bureaucratic large defense companies.

This is comparable to the role of the German *Mittelstand* (moderate-sized firms) which Lyndon LaRouche has recently identified as crucial in the economic reconstruction of Eastern Europe. Such companies are a vital part of the productive economy of any robust industrial nation. They are a storehouse of skilled workers and engineers, and are more directly oriented to production of real goods than to speculative profits through financial chain-letter schemes.

Some analysts believe that because of their lack of ponderous bureaucracy, such small contractors may be relatively less reliant on military business, or will more easily adapt than the mammoth firms. But these small companies seldom have the administrative and marketing forces able to identify, cultivate, and service alternative customer bases. In Ohio, a center of U.S. machine tool capacity, firms making precision castings for McDonnell Douglas's F/A-18 Hornet and F-15 Eagle, hydraulic assemblies and pumps for tanks, and parts for GE's engine plant near Cincinnati, all rely almost totally on defense orders. They have been hit unexpectedly by a drastic drop in orders, and it is doubtful whether alternative markets even exist in "post-industrial" America for the products and services they can provide.

The Tilt-rotor aircraft

A good example of the desperately needed technology drivers that U.S. elites are proposing to throw away is the V-22 Osprey, the largest program slated for the ax. The V-22 is a tilt-rotor aircraft, a hybrid of a helicopter and an airplane. It is capable of vertical lift-off, and thus has all the advantages of small-space take-off and landing of any helicopter, with

the attendant flexibility. It can also function like a turboprop, capable of cruising speeds up to 345 mph, and a range of over 1,000 nautical miles—twice the speed and range of helicopters. Seventy-five percent of the craft is made from composite materials that resist the propagation of cracks and are 25% lighter than comparable metals. The V-22 is designed to be twice as reliable as the most advanced helicopters.

The V-22 is to be produced jointly by Boeing Helicopter in Philadelphia and the Bell Helicopter division of Textron in Fort Worth. About 2,000 people have been working on V-22 preliminary development over the past several years. Original plans called for 1,200 to be produced, for all four armed services. Over the years, the program has been whittled down to 657, mostly for the Marines, with the Army having dropped out altogether. If the program is canceled, some 12-15,000 jobs Bell anticipated in Fort Worth will go by the boards.

In addition, a civil version of the V-22 would be ideal for commuter flights in crowded corridors like the Boston-Washington metroplex. It could travel directly between downtown areas, bypassing overcrowded airports and saving commuting time on congested highways. An experimental flight from Manhattan's Battery Park, a short walk from Wall Street, to Bolling Air Force Base, outside of Washington, took 45 minutes. It could accommodate 31, and potentially up to 39 passengers, with other tilt-rotor designs possibly carrying up to 75. A Japanese concern has already developed a plan for building a network of 3,300 "vertiports" for tilt-wing aircraft in Japan. Eurofar, a European consortium, and a group of Japanese investors that has employed some former Bell Helicopter engineers in Texas, are both eyeing the field.

The V-22 is also an ideal solution to one of the more perplexing problems of drug interdiction, since it would be able to pursue smugglers' aircraft, unlike slower helicopters, and insert law enforcement personnel exactly where needed, once the smuggler lands.

The potential civil and foreign military markets are vast. In fact, widespread enthusiasm for the V-22 persuaded Congress to restore funding for the program last year, over vehement administration opposition. But while test craft have performed well over several years, the concept is untried on a production scale. No commercial U.S. effort is likely, in current economic circumstances, if the military program is abandoned.

If short-term thinking about international conditions and the exigencies of the Gramm-Rudman budget-balancing act hold sway, the United States may permanently relinquish the dominant role in an industry that American ingenuity developed to begin with. As a particularly bitter note, General Motors' Diesel Allison Division, which is scheduled to build the turbine engines for the V-22 at its Indianapolis plant, recently announced that it will instead be producing engines for a Soviet light civilian helicopter.

Lafontaine's mentors plot eco-fascist order

by Mark Burdman

From Feb. 18-21, a by-invitation-only meeting took place at the West German Evangelical Church's Tutzing Academy near Munich, organized by those high-level controllers of the global ecologist movement who are also the brain-trust for the governor of the Saarland, Oskar Lafontaine. Lafontaine, a committed ecological-fascist, is the likely West German Social Democratic Party (SPD) candidate for chancellor in the December 1990 elections. He is favored by powerful Anglo-American and certain Soviet interests to be the Social Democratic chancellor of a united Germany.

The four-day event was co-sponsored by the Tutzing Academy and the Munich-based Global Challenges Network. Support came from the Vienna Academy for Questions of the Future, the Austrian Fund for the Protection of Natural Resources, and West Germany's Association for Protection of the Environment and Nature.

All of these entities are now involved in concocting what they call an "ecological Marshall Plan" for Central and Eastern Europe, the purpose of which is to suffocate the enormous potential for economic growth being opened up through the democratic revolutions there.

The conference was held against the backdrop of the collapse of the Social Democracy's "Swedish way," with the fall of the Socialist International's Ingvar Carlsson government in Sweden. Since the "Swedish way," based in large part on a marriage of the Social Democracy to ecologism, is precisely what is being pushed by the Lafontaine mafia for Eastern Europe, the organizers of the Tutzing event should have had the good grace to cancel their event; But good grace is not one of their strong points.

The theme of the Tutzing meeting was "Economy and nature: From the growth-fixated economic order to a sustainable economic path." Panels included: "Which economic system does Nature need?" and "Sustainable economic paths and the physical economy." Attendees and/or speakers included several West German parliamentarians, like former Green Party leader Otto Schily, an anthroposophist who has gone over to the SPD; SPD ideologue Peter Glotz; and Kurt Biedenkopf, a leading figure in the Christian Democratic Union (CDU). Biedenkopf's participation should certainly raise some eyebrows: Is he working for Lafontaine?

Other scheduled participants included representatives from insurance companies, banks, and corporations; princes and counts from the Central European oligarchy, including

Alfred, Prince of Liechtenstein, co-founder and co-director of the Vienna Academy; and various ecological organizations working on the "Marshall Plan" project.

The current buzz-word in such circles is "ecological-oriented social market economy." This denotes placing all economic decisions under "ecological" imperatives, through use of "ecological tax" mechanisms, denial of advanced energy sources, and so on.

The Vienna Academy for Questions of the Future is preparing an international conference for October 1990 on the theme, "Steps for implementing an ecologically oriented market economy." This will be co-sponsored with the Soviets' International Foundation for the Survival and Development of Humanity. Two leaders of the latter traveled from Moscow to Vienna in February to meet with Prince Alfred, and his Academy co-director Ervin Laszlo, a senior figure in the Club of Rome, to discuss the October event.

'Network of the networks'

According to one well-connected ecologist in Central Europe, the Vienna Academy, the Soviets' International Foundation, and the Global Challenges Network are among a select group of organizations that have recently constituted themselves as a "network of the networks," arrogating to themselves responsibility for drawing up ecological policies for the world. Other organizations in this "network of networks" are the Club of Rome and the Brundtland Commission.

The pseudo-scientific conceptual framework for all their work is a quack gnostic theory based on entropy, the "second law of thermodynamics." This perspective was elaborated at a Feb. 3-4 conference at the University of Edinburgh's Center for Human Ecology, a conference attended by several advisers to Lafontaine. The Center for Human Ecology is closely associated to the Club of Rome. A speech was made at that event by Francisco Sagasti, the head of strategic planning at the World Bank. He insisted that it was now impossible for the developing nations to acquire the same living standards as exist in the industrialized North, because this would destroy the world environment. He called for a new global "eco-development" strategy, to achieve what he called "international environmental security."

A source at the Center for Human Ecology states that what Sagasti said about the Third World, is equally applicable to Eastern and Central Europe. "We've reached a saturation point, not in terms of resources, but in terms of our impact on the planet. The motto is, 'A lot of energy will always make a lot of danger.'"

The World Bank has recently established a kind of "entropy unit," committed to stopping industrial growth. This work centers around a World Bank consultant named Herman Daly, who works closely with the Club of Rome and with a leading "entropy-in-economics" theorist named Nicolae Georgescu-Roegen, who is widely read among certain would-be policymaking circles in the United States.

Swedes have had it with austerity policy

by Tore Fredin

Sweden's leading advocate of International Monetary Fund austerity policies, Finance Minister Kjell-Olof Feldt, resigned from his post in the Social Democratic caretaker government on Feb. 16, one day after the government had resigned. Feldt had more or less singlehandedly run Sweden's economic policy since the Social Democratic party came back into power in 1982.

Under his regime, wage earners were convinced by the Social Democratic trade union leaders to tighten their belts. These austerity policies were premised on the idea of the "post-industrial society," the malthusian zero-growth model, which the late Prime Minister Olof Palme introduced in the mid-1970s. One important step in the direction of crushing the potential for growth in the real economy, was the nuclear referendum in 1980, which aimed at dismantling Sweden's independent nuclear industry and reaching zero growth in energy consumption by 1995. Palme in 1975 got the agreement by all the parliamentary political parties for that insane goal.

The refusal by the political establishment to ditch such zero-growth policies is the main reason why Sweden today is facing a political crisis, and the growing risk of a financial blowout.

Swedes have reacted with labor unrest which is unmatched in modern history. That mass strike ferment for the first time forced a Social Democratic government to resign. Feldt's plan for a two-year ban on strikes reminded people of communist or fascist dictatorships.

Workers' paradise?

Olof Palme's small-is-beautiful policy was never questioned by the Social Democratic leadership during his lifetime, and after he was murdered in 1986, his "Swedish model" was treated as almost sacred.

Sweden, formerly known as the "workers' paradise," is turning into a nightmare. The industrial sector is small, employing at most 25% of the total labor force. The productivity of industrial workers has increased minimally. Sweden, like the United States and Great Britain, never recovered from the depression-like breakdown of the late 1970s and early 1980s. During Feldt's regime, nominal wage increases and the inflation rate have been almost equal, at the same time that the unending Social Democratic drive to impose new taxes led to a decrease in purchasing power.

Feldt has been running a much-applauded speculative financial bubble, which is similar to the madness that prevails in Anglo-American finance. He deregulated the Swedish credit markets as well as the national currency, the krona, and the weak krona became an easy target for speculators.

At the same time, the speculative bubble has produced a generation of *nouveaux riche* yuppies. The Stockholm stock market increased its nominal value tenfold in the 1980s—or fivefold, if one adjusts for inflation. The top Swedish banks for several years have been among the most profitable international banks. SE-banken, the flagship of the Wallenberg family, has been leading this trend, and has been able to finance corporate mergers and takeovers through its industrial arms, as in the case of ASEA-BBC and Electrolux.

The "workers' paradise" has been tuned into a "bankers' paradise"!

A big illusion peddled by the propagandists of the "Swedish model" was that the economy would be socialized. Nothing could be further from the truth. Swedish industry is 90% privately owned; the only thing that the Social Democrats socialized was the family, because their policy forced both parents out onto the labor market.

How has the ordinary citizen reacted to the breakdown of the economy? One new phenomenon is that elderly, fairly well-dressed people walk around emptying waste baskets in order to pick up bottles and other things they can sell. The state-guaranteed pension is not sufficient to live on. Households have been maintaining their purchasing power by heavy borrowing. Household indebtedness has been growing by 20% annually since the mid-1980s. Over a five-year period, debt obligations and debt service doubled.

One of Feldt's last moves was to get the central bank to increase interest rates 3% to 16%, and some predict that they will not stop until they reach 20%.

This financial crisis is a result of the political crisis, as well as of the steady capital flight. Sweden has a negative balance of payments, which was taken as a justification for the increase of the interest rate. But the trade balance showed a steady surplus between 1982 and 1989, mainly as a result of cuts in domestic consumption.

These austerity measures undermine the potential for real growth in the national economy, and that is what a growing majority of Swedes has understood. They are ready to scrap the Palme version of the Swedish model. Staunch members of the Social Democratic party are throwing away their party cards. "My parents were Social Democrats," said one. "I was born to become one, I have always voted for them, but now I am fed up. First they implemented compulsory savings, whether we liked it or not, through the wage earner funds; then they tried to forbid strikes. That was too much."

In 1988 the Social Democrats lost 10% of their voters in the national elections, and results in an election today would be far worse. The Social Democrats are losing their power, and Feldt's head was the first to roll.

Ninety decisive days

Brazil's President-elect hasn't much time to stop the economy from following the Argentine model.

During the past two weeks, the lead headlines of the Argentine and Brazilian press might have been easily interchanged; the first announced the failure of the latest monetarist measures imposed on that unfortunate country, while the second, in Brazil, presaged those yet to come.

On Feb. 15, a panic hit Brazil's overnight market, which daily moves \$70 billion, and where the government turns each day to refinance its internal debt. The cause of the panic was the less-than-credible rumor of a government declaration of an internal debt moratorium, which sent "investors" flying in search of "more secure markets." The dollar on the small but influential parallel market took off. And although official statistics estimate that February inflation will be 70% (it was 56% in January), these statistics did not take into account the new speculative orgy that has just been triggered. In March, when President-elect Fernando Collor de Mello takes office, inflation will probably have passed the 100% barrier.

Such a "mini-crisis" not only brings Argentina to mind, but also the "Caracazo" that occurred in Venezuela exactly one year ago, when that country's population poured out into the streets in furious response to the austerity package ordered by the International Monetary Fund (IMF). Similarly, on Feb. 8, one of the continent's largest food distributors was sacked by desperate inhabitants from the miserable *favelas*, or ghettos, surrounding Rio de Janeiro.

Such Brazilian outbreaks of loot-

ing were hardly unexpected. According to statistics from the Inter-Union Department of Economic and Social Studies (DIEESE), the price of basic food items in January rose 100%, but not so wages, which have been ravaged by the violent inflationary explosion afflicting the Brazilian economy.

Thus, with less than one month before President Sarney hands the reins of power over to his successor Collor de Mello, the tremors that have already begun to be felt offer a glimpse of the economic catastrophe not far down the road, unless the new government takes measures to halt the usury which is corrupting Brazil's productive apparatus after a decade of looting by the IMF and its domestic allies.

It could be that the sheer force of reality might change the liberal economic strategy that Collor has already announced will dominate his administration. On Feb. 13, upon his return from an international tour, Collor declared that the "mini-crisis" is, without a doubt, "the worst scenario we could imagine finding" at the moment of taking office. In his press conference, Collor said that it is the speculators who will have to "foot the bill" for the anti-inflation program his government intends to carry out. He went on to accuse the "elites" that have been governing the country of being "usurers" and "egoists."

Nonetheless, as can be seen in Collor's tour of Europe, Japan, the Soviet Union, and the United States, his options are rather limited, and only one of those will return Brazil to the

path of sovereign development. It was in Europe, and particularly in Great Britain, that bastion of Thatcherite liberalism, where Collor's penchant for the "magic of the marketplace" was most in evidence. On Feb. 8, he gave a speech blaming the state for having "lost the capacity to invest" and for "inhibiting national or foreign investment."

On the U.S. side of things, President Bush showed no interest in improving the seriously deteriorated relations of his country with the nation that was once its closest hemispheric ally. Bush employed Collor's visit, rather, for the maximum publicity he could squeeze out of it.

Ironically, on the day President-elect Collor arrived, the *Wall Street Journal* published the sequel to its infamous Brady Plan. On Feb. 4, Collor's main economic adviser Zelia Cardoso de Mello told *Gazeta Mercantil* that the plan was "virtually a joke," and that the Brazilian delegation was not even able to meet with the plan's author Treasury Secretary Nicholas Brady. The meeting was canceled, and a dinner offered to Collor in its place.

It was, tragically, the virus of liberalism, that leftover of old British colonialism which parades as "modernization," that infected the Argentine economy and sent it into the coma in which we find it today. President-elect Collor hasn't much time to correct the suicidal path Brazil's foreign creditors would make his country take. It were far better for his administration to seek "modernization" by forging closer economic ties to industry-oriented nations like France, Germany, and Japan, rather than with the decadent, usury-plagued economies of the United States and England. Otherwise, social explosions like the looting in Rio will rapidly become the norm.

Venezuela riots again

In obeying the International Monetary Fund austerity dictates, Pérez is becoming South America's Ceausescu.

The Venezuelan military seized control of the cities of Valencia, Barcelona, Puerto la Cruz, and Cumaná, after they were swept by riots Feb. 20. Thousands of poor people looted stores, barricaded highways, and cleaned out food trucks. They had been driven to desperation by a year of harsh austerity and President Carlos Andrés Pérez's pledge of another 20% gas price hike.

It was one week before the anniversary of the riots which erupted Feb. 27, 1989 when Pérez raised gasoline prices and transit fares. They were repressed only after 1,000 people were killed. But Pérez will not relent, despite universal demands that he do so, in imposing the "second phase" of his promises to the International Monetary Fund: new increases in energy prices and interest rates, reduced protective tariffs and government subsidies, and further opening to foreign ownership of the economy. As London's *Financial Times* puts it, "he has nailed his prestige to overhauling the economy and the austerity measures."

The "debt relief" George Bush promised a year ago as a reward for "biting the bullet" never arrived. Instead of the 50% debt reduction Pérez promised, chicken consumption has been reduced 50%. A once-flourishing chicken farm industry is being picked up cheap by Cargill in a debt-for-equity swap arranged by Citibank.

Businessmen and opportunistic politicians who, at first, provided political backing for Pérez are talking up a storm against him. Rafael Caldera, the aging Christian Democratic

founder of Venezuela's "State Department democracy," belatedly blasted the IMF Feb. 18 for "distorting an economy which, despite all its defects, was functioning." He condemned the interest rate increases and insisted domestic consumption take precedence over exports. Caldera called for "the Presidents of the Latin American countries to form a front, not to jointly negotiate their debts, but to tell the creditors: 'We won't pay any more interest until you solve this problem.'"

Industrialist Angel Reinaldo Ortega stated Feb. 18 that Pérez's economic program is in "contradiction . . . with Venezuela as an independent and sovereign country in terms of security and defense." He said Venezuela might gain some short-term material advantages by surrendering the goal of an integrated national economy, but only at the expense of becoming a neo-colonial dependency, like Britain's ex-colonies.

Venezuela's vast mineral reserves are what its creditors are really angling for. There is no way Pérez could simply give away the oil. But his government is working on a complex scheme for loads of Venezuelan oil to be held hostage in the U.S. Strategic Reserve as a hard-commodity guarantee that Venezuela would pay all its debts, if only the size or interest rate on those debts were reduced.

Angel Reinaldo Ortega said that was absurd and that the oil should be industrialized instead. Oil industry leaders claim that if Venezuela were to invest an amount equal to the \$10

billion it earns from one year's crude oil exports in petrochemical plants, the chemicals produced with the same amount of crude would be worth \$20 billion a year.

To head off impending riots in January, the Pérez-allied Venezuelan Workers Confederation (CTV) called a general strike for Feb. 15. The CTV's "escape valve" strategy was revealed Feb. 8 by its former president Juan José Delpino. He explained, "The CTV is preparing to channel the protests that are coming, because it is the organization able to reflect the people's disenchantment and malaise. We are at the doorstep of an absolutely chaotic situation and what happened last Feb. 27-28 could be repeated, only much bigger."

The government postponed the gasoline price hike; the CTV downgraded its strike into protest marches and then did nothing to mobilize for them. In several cities, the marches ended in small looting sprees. Minutes after a few stores were hit on the edge of downtown Caracas, steel shutters throughout the capital had been slammed down and doors locked. The mere rumor of trouble led to cars speeding the wrong way down one-way streets to get out of the area.

Such tension is building day by day. Student agitators are sometimes involved, but Venezuelans are so angered by the drop in living standards that anything can light a fuse. What makes things more unpredictable is that the discontent is shared by the military. The daily *El Nacional* reported a day-long discussion at military headquarters Feb. 19 among the top brass, general staff, and intelligence agencies: "Deep concern exists inside the National Armed Forces over the country's delicate economic and social situation, from which its members and their families are not exempt."

Business Briefs

Polish Debt

Paris Club will reschedule debt

Poland signed an agreement on Feb. 9 with the Paris Club of government creditors, rescheduling payments on a record \$9.4 billion of official debt.

Paris Club chairman Jean-Claude Trichet, head of the French Treasury, appealed to commercial banks after the agreement was signed, to grant terms at least as favorable. Trichet said the new deal included \$3.4 billion in interest payments owed up to the end of 1989 on which Poland had fallen behind, and covered 100% of the principal and interest payments falling due between now and the end of March 1991, he said.

Poland owes about \$27 billion of its total \$40 billion foreign debt to the Paris Club.

"It's the most extraordinary agreement we've ever had," Trichet said, calling the deal historic. The Paris Club now expects commercial banks to postpone all the interest that Poland owes them—something that has never been done for any other country—he said.

Political Economy

Czechs reject IMF shock therapy

Czechoslovak officials have begun to reject the "shock therapy" advocated by the International Monetary Fund.

First Vice President Valtr Komarek, senior economic adviser to President Vaclav Havel, told an international conference on trade and investment organized by the Prague School of Economics on Feb. 15, "If a market economy were to start immediately, economic agony would result." He warned that at least a third of the country's production would be destroyed, and there would be economic chaos.

Komarek, who has overall responsibility for economic policy, said progress toward a market economy was important, but that freeing the market was not an end in itself, and must serve the broader goal of increasing na-

tional prosperity. The London *Financial Times* reported, "He rejected any suggestion that the government could simply unleash market forces and let things take their course. It was not feasible simply to base policy on textbook Friedmanite economic doctrine."

"We shall not be trying for an economic earthquake and seeing if we survive. We should survive in a civilized manner. Development should take the form of a well-prepared process which we can influence," Komarek said.

The *Daily Telegraph* of London on Feb. 14 also wrote, "There will be no Thatcherite revolution in Czechoslovakia, Mr. Marian Calfa, Prime Minister, pledged yesterday. . . . He told the country's new trade unions in Prague that the government would pursue a gradualist road to a market economy, rather than the fast-track approach favored by Mr. Vaclav Klaus, the monetarist finance minister."

Calfa said that "get-rich-quick" firms threatened the country's future.

Foreign Exchange

Turnover now 32 times greater than trade

The turnover of foreign exchange is now more than 32 times greater than world trade, according to a Bank for International Settlements study reported in the Feb. 14 *Financial Times* of London.

The daily turnover from foreign exchange "trading" which is mostly arbitrage and speculation, was \$640 billion as of April 1989, when \$14.79 trillion in foreign currencies was traded; annualized, that would be an astronomical \$177.5 trillion per year.

By contrast, world trade in goods and services was just \$460.9 billion last April, or less than \$20 billion per day, or \$5.5 trillion per year. Trade in actual physical goods—i.e., without "services" factored in—is far less.

More than half the global market in currency trading is done by the U.S., Britain, Japan, and Switzerland. In just three years, from March 1986 to April 1989, currency trading by these countries has more than doubled: Japan's grew by 140%, the U.S. by 120%, Britain by

108%. Some 90% of the transactions involved the dollar.

An amazing 58% of the deals were "spot" transactions—deals that must be settled within 48 hours. That means nearly \$400 billion per day actually has to change hands.

Environment

Scientist debunks global warming

George Maul, one of the world's top oceanographers, presented a study at the annual meeting of the American Association for the Advancement of Science in New Orleans Feb. 18, which shows that temperatures in the south-eastern United States have actually fallen 1° Fahrenheit over the past 30 years.

"It's cooling and getting wetter," said Maul. "This is quite different from what the computer models suggest should be going on with global warming."

Maul, who works at the U.S. Commerce Department's Atlantic Oceanographic and Meteorological Laboratory in Miami, produced a report during 1989 showing that overall temperatures across the U.S. have been virtually unchanged during the past century.

Third World Debt

Ministers call for full cancellation

At a meeting in Dhaka, Bangladesh on Feb. 13, ministers from 30 of the 42 least developed countries called for immediate cancellation of their debts as an urgent priority, as well as a doubling of official development aid and more loans. These demands are to be presented at the second U.N. conference on LDCs in Paris in September, the Feb. 14 *Financial Times* reported.

Other demands included access to commodity markets, duty-free treatment for exports, and exemptions from quotas and ceilings. Prior to the Paris meeting, a team of "four ministers will tour donor countries to brief gov-

ements on the scale of LDC problems.”

During the 1980s, population in these 42 countries grew only 2.6%, export earnings fell by 0.4%, while the debt nearly doubled from \$36 to \$65 billion.

Superconductors

Commercialization has scientists optimistic

Scientists who a year ago were becoming pessimistic that they would soon see a new superconductor succeed in the marketplace, said Feb. 19 that the revolutionary way of conducting electricity could be commercialized within a matter of years.

“We’ve entered a period of consolidation and the progress has been really tremendous,” said Paul Chu, director of the Texas Center for Superconductivity at the University of Houston and one of the field’s leading researchers. Chu and other scientists at the annual meeting of the American Association for the Advancement of Science said that steady progress meant the first small-scale applications were only several years away.

Superconductors that work at room temperature may soon power levitating trains, electric cars, and superfast computers, and could vastly cut energy transmission costs. Japanese companies, led by Sumitomo Electric Industries and Hitachi Ltd., have made impressive strides in fabricating wires, a key to large scale applications.

Science

Natural foods found with higher cancer risk

Natural foods have 100,000 times more cancer-causing substances than man-made additives, and trying to ban all carcinogens from food “doesn’t make sense anymore,” a government scientist told the annual meeting of the American Society for the Advancement of Science on Feb. 19.

“The primary threat of cancer from food

comes from traditional foods” as opposed to food additives, said Robert Scheuplein, director of the Food and Drug Administration’s office of toxicological sciences. The government’s scarce health resources could be better spent, he suggested, on overall research and education on the role of diet and cancer than trying to find if individual food additives cause cancer in test animals.

Dr. Scheuplein estimated that the average consumer takes in a gram or more of natural carcinogens in food daily, compared with about 200 millionths of a gram of pesticides and other man-made chemicals. Natural cancer-causing substances in food include aflatoxin in some corns and peanuts, nitrate in smoked fish, dozens of chemicals in spices, and urethane in alcohol. He estimated that there may be 100,000 or more such carcinogens while only a handful of man-made food additives have been shown to cause cancer in test animals.

“As we get more sophisticated and our methods improve, we find that they’re all over,” he said. “The notion that you can ban one or two and improve your health doesn’t make sense anymore.”

Automotive Technology

U.S. manufacturing five years behind Japanese

Automobile manufacturing technology is at least five years behind that of the Japanese, the *Wall Street Journal* reported Feb. 16.

Building a car at a General Motors plant requires five work days, 4.4 days at Chrysler, 3.4 work days at Ford, while Japanese assembly plants in the U.S. require just under three work days to put out a car. In January, the *Los Angeles Times* reported how GM was unable to make a fully robotized assembly line operate properly and decided to rip out all the robots and go back to manual labor.

Japanese car design is also far ahead of the U.S. Honda is producing a four cylinder engine that has 15% more power than U.S.-built six cylinder engines, giving Honda a huge advantage in meeting higher fuel-economy standards in the future. The Japanese can design, engineer, and launch a new model almost three times faster than U.S. automakers.

Briefly

● **THE HOUSTON** Federal Reserve District has a surplus of cash, “confirming government suspicions that it has become ‘a major collection point’ for hundreds of millions of dollars from U.S. cocaine sales,” according to the February issue of *Money Laundering Alert*.

● **U.S. OIL IMPORTS** were 54% of U.S. oil consumption in January, the highest level ever. Energy imports, mostly oil, accounted for 38.5% of the U.S. total in the first 11 months of 1989.

● **DOMESTIC PRODUCTION**, output from the nation’s mines, plants, and utilities, slipped to the lowest rate in more than 3 years, the Federal Reserve Board reported. “The bottom line is that the industrial sector is in a recession,” said Allen Sinai, senior financial economist for First Boston Co. in Boston.

● **THE INTERNATIONAL** Monetary Fund austerity measures have “managed to strangle everything, literally everything. . . . The only advice I’d have for [Polish Finance Minister] Balcerowicz is that he should resign,” a textile manufacturer in Lodz, Poland told the Feb. 20 *Financial Times* of London.

● **THE ONTARIO HYDRO** Canadian power utility is really 51% nuclear because it has found it more economical to build nuclear plants, according to the U.S. Council on Energy Awareness. The utility plans to put 16 more nuclear plants in service, bringing the nuclear portion of its total capacity to 67%.

● **THE WORLD BANK**, under its president Barber Conable, intends to increase its spending on population control from an average of \$100 million over the past five years, to \$266 million per year for the next three years. It plans to make “family planning” an accepted practice for at least 50% of couples in the developing world by the year 2000.

The technological revolution that is promised by SDI

Last week, EIR covered the reopened debate on SDI, emanating from LaRouche's proposal. Excerpts of the 1986 Tokyo conference on SDI, including a message by LaRouche.

On April 22-23, 1986, the Fusion Energy Foundation and the Schiller Institute co-sponsored a conference in Tokyo on "The Strategic Defense Initiative: Its Scientific, Economic, and Strategic Dimensions." That conference was probably the last major international discussion of SDI to take place in a public forum, featuring U.S., Japanese, and West German scientific and strategic researchers, retired military from France and the U.S., and the Soviet embassy's attaché for science and technology. Exactly one year, less a day, after this groundbreaking conference took place, the governmental "Get LaRouche" task force shut down FEF.

The presentations and discussions in Tokyo four years ago are as relevant today as they were then. On the one hand, the SDI has been virtually a dead letter since then, as Kissinger's policy has come to dominate the U.S. administration. On the other hand, the initiatives taken by Germany's Chancellor Helmut Kohl with regard to the economic and political reunification of Germany offer the potential for the kind of economic rejuvenation which then presidential candidate Lyndon H. LaRouche envisaged as a spinoff from the development of SDI. It now appears that the Soviets are indeed considering the implications of the original LaRouche proposals in connection with the Kohl initiatives.

We have selected three excerpts from nearly 100 pages of the transcript of the conference proceedings, which illustrate how right LaRouche and his associates' were on the issue of SDI. We begin with the speech of Uwe Henke von Parpart, on the theme "The technological revolution promised by SDI," followed by LaRouche's remarks, and an exchange between Mr. Parpart and the Soviet representative.

Mr. Parpart was the director of research at the Fusion Energy Foundation, Washington, D.C., and is currently on the Scientific Advisory Board of 21st Century Science & Technology and an editor of the quarterly Fusion Asia.

. . . Now, what I will report to you about, at least in summary, are several studies that the Fusion Energy Foundation has carried out since 1982 on the economic impact potential of SDI. Nineteen hundred and eighty-two, of course, was the year before the SDI was announced, and the economic impact studies that the Fusion Energy Foundation carried out had a good deal to do with the ultimate decision in the United States to go ahead with the project, because one of the questions that had to be answered was: Is this not only scientifically feasible, but is it economically feasible? And I want to address myself specifically to this issue of economic feasibility, and not only what you might call microeconomic spinoffs, but macroeconomic implications.

I would also like to say here, at the beginning, that I believe that the Soviet Union is not necessarily principally concerned with the military implications of SDI. They have talked about it a great deal, and whatever they talk about a great deal is something that I find one should probably dismiss as not being the essence of the matter. What the Soviet Union has not talked about is the expected strategic-economic impact of SDI.

If you have been watching the United States, how we behaved economically during the 1970s, and watched this from the Soviet standpoint, you probably would have been very, very happy indeed. Because without any external threat, we managed to damage our economy in the United States to such an extent, that the United States manufacturing sector managed no average productivity gain in the entire period between 1972 and 1982. This is a very important thing to understand. We have had some productivity gains in the economy overall, but almost all of those have come from agriculture and not from the manufacturing sector.

Incidentally, to my mind, that is the real problem of U.S.-Japan economic relations. The reason why Japan has a trade

surplus is that our own manufacturing sector is not competitive in productivity with the Japanese production sectors—not for any other reason.

Everything else, and this is just an aside, is so much nonsense and fog and smoke, but not the reality. And also as an aside, if I may make one brief statement on this: The idea that the United States is now recommending that you change *your* economic policy in the way *we* did in the 1970s, strikes me as patently absurd. Unless you simply want to travel down the same road that we did, please do not take this advice.

Now, as I said, I believe that the Soviet Union is more worried in a certain sense about the economic impact potential of SDI than about the military potential. There is every indication that if we can bring these new technologies online in the reasonably near future, and if we simultaneously can get collaboration between the United States, Japan, and Western Europe, then we will have a dramatic advantage over the Soviet Union in economic-strategic terms, because our economies are quite capable of transferring military research into applications in the civilian economies.

By the very structure of the Soviet economy, they are almost entirely incapable of doing that. The Soviet Union is capable of copying certain military technologies and developing, for example, an almost perfect replica of the F-16 fighter in a relatively short period of time. However, these developments in their military production sector, which are under the control of the GRU (military intelligence), do not usually even so slightly benefit the civilian sector.

In our economies—in the United States, in Japan, and in Western Europe—there is no significant distinction between civilian and military research. Yes, I know that officially there is in Japan, and I know officially there is in Europe, and officially there is in the United States, but if TRW produces something for military purposes, the same engineers will be thinking about civilian applications, and what is true for TRW is true for Mitsubishi.

So, I think we have the capability of technology transfer from military research to civilian research, and the Soviet Union has tremendous difficulties with that. So, their greatest fear must be that if we collaborate in SDI research and development, they will be left far, far behind in overall economic advance during the next decade. The strategic implications of that will be enormous.

The most important strategic thing that could happen in the world today is if the U.S. economy recovers in depth. I don't mean the kind of phony recovery we have had over the last three or four years. Right now, we are simply financing our recovery by extracting capital from the developing sector, which is an extraordinarily strange thing: that the world's largest economy should have become a net capital importer from the developing world. This must be reversed. But if we can revive productivity in the United States, the strategic long-term implications

of that will go well beyond any specific military matters that we could be discussing here.

A tenfold productivity increase

Now, in light of this, I would like to also say another brief thing. I was asked recently by a Japanese economic journalist . . . about market demand. I said, "Well, let me ask you a question. If I had asked you in the year 1960: What is going to be the market demand for semiconductor-based products, what would you have said?" And then he laughed, and said, "Well, of course, I would have vastly underestimated this."

The same thing is true for SDI. We cannot predict what will be the market demand. The only thing we can predict, is that the type of technologies and scientific advances now being discussed have the potential of improving average productivities in industrial production about tenfold—that is to say, by about 1,000%. We investigated in our work a very large range of new SDI-implied technologies, and the average productivity gains of introducing these technologies into the production process, ranging from high-energy lasers, to laser welding, to new materials, new structures, new propulsion systems, etc. There was not a single case in which at least a fivefold productivity increase was not realized.

Now please consider that in macroeconomic terms. Any country that realizes a 5-10% annual productivity increase considers itself very, very happy indeed today. If we could get 500-1,000% increases over a 10-year period, this would be the most massive productivity push in industry that we have experienced in the post-World War II period. . . .

The return on research

Now, let me give you some simple and interesting figures which, if you are not aware of them as yet, may at least give you some indications of what SDI implies. . . . But these are essentially the SDI research budget projections as they exist right now. The total for 1985 was about \$1.3 billion; 1986, including certain elements of ballistic missile defense not covered by the research budget, gives you \$3.7 billion; and then essentially you will be scaling up, by about \$1.5 billion every year, so that a total of \$32 billion in constant 1986 dollars will be reached by the year 1990.

Now, in 1974, some economic analysts in the United States were asked by NASA to make some estimates of the return on research money that NASA has spent. That is to say, what was the relationship for every research dollar spent by NASA in terms of return to the civilian economy. The estimate ranged between \$14 for \$1 in research, all the way up to \$23. But let's just take the lower figure. Then, the research impact of SDI, if you multiply \$32 billion by 14, will give you about \$450 billion in overall benefit returnable to the economy, if SDI is successful at a level of productivity enhancement similar to NASA. Since the SDI program is much broader than the space program, and since it implies a

much larger variety of different technologies, I think there is absolutely no question that the multiplier 14 is going to turn out to be a relatively conservative estimate. So that gives you at least a general idea of what is involved.

Now, the other point is this: We know historically that the relationship between research and development, and procurement cost in military matters, is about 1 to 20; that is to say, for every dollar that the Defense Department spends on research, if the weapons system gets developed, you will spend about \$20 for procurement. So that would give us a

The only thing we can predict, is that the type of technologies and scientific advances now being discussed have the potential of improving average productivities in industrial production about tenfold—that is to say, by about 1,000%.

very rough estimate of what the total deployment cost of SDI would be after 1990—that is, roughly in the range of \$500-600 billion. We may say it's going to be less, it may be somewhat more, but basically if you want any estimate at all that makes sense, I would say \$500 billion overall is a reasonable assumption. So, that is the simple financial scope of SDI.

The present top 10 SDI contractors in the United States are: Boeing, Lockheed, McDonnell Douglas, LTV, Teledyne, Rockwell International, TRW, Hughes, Avco, and Litton. The contract total for 1983-84 was \$1.5 billion. I don't think there is a single surprise there. Even if you did not know it, you could have guessed it. But it makes the point that I made before: All of these companies, of course, are also massively involved in civilian research and development, and the internal transfer of technologies from the defense side to the civilian side is something that can happen very rapidly and very readily.

Technology spinoffs

Now, in order to assure that technology transfer from the military to the civilian sector in SDI does occur, as Mr. Zondervan pointed out this morning, the SDI Office has created a special office for innovative science and technologies. The specific areas of research are listed here, and the reason I put up this list, is to give you a sense of the scope of SDI research.

1) Reliability of electronics: This means, for example, fully self-correcting chips and circuits.

2) Nonlinear optics: beam combination, phase conjuga-

tion technologies, investigation of penetration of beams through the atmosphere, which in turn will give us interesting insights into atmospheric science itself.

3) Short and ultra-short wavelength lasers and free electron lasers: As pointed out before, the x-ray laser is not necessarily pumped by nuclear explosive devices, but can be pumped by a different laser, by a more conventional type of laser. And probably the major advances in biological and especially in cancer and related research that we will get by being able to use x-ray holography will allow us to actually look at the living cell; we will not have to kill biological cells any longer in order to investigate them. This will be dramatic, and will probably foreshadow some of the most dramatic advances ever in biological research.

4) Advanced accelerators.

5) Power sources.

6) Advanced materials and structures.

7) Energy-materials interaction.

Let me focus on points six and seven. These different materials composites that are being investigated by SDI, in just two or three years of research have produced new results which nobody was able to predict, even a short time ago. But most important, we are now testing these materials under very, very extreme conditions. That is to say, we take any new advanced material and we are hitting it with a high-power laser or a particle beam, rather than ordinary stress testing. And we are learning enormous amounts about new materials. You saw Mr. Zondervan this morning show the Titan booster that was hit by a laser—a very small laser, not very powerful. Every scientist who observed that experiment was absolutely astonished by the effect. It was expected that the laser might burn a hole, that it might produce a crack. Nobody had expected, however, that the laser would actually explode the booster; it was a totally unexpected effect. It shows you that, when we are testing new materials in this extreme environment, we will be able to make advances that had not been expected.

Most likely we will, in a very short time, have new types of materials which will permit the construction of self-supporting airframes—we will no longer have to put sticks into the wings. And the advances in aircraft technology that could be gotten from that are extremely significant—they might reduce the cost of airplane construction by more than 50%.

8) Survivability, hardening: "Hardening" is a very interesting point, because it addresses the question of building engines, various kinds of engines; not only for spacecraft, but engines for an ordinary automobile, that may possibly be surface-hardened without having to do hardening of the entire cylinder or the cylinder head. There are major advances possible in this field.

9) Ultra-high-speed computing: I think the most interesting ideas and concepts here will be in optical computing for which Bell Laboratories and other laboratories in the United

States now have major SDI contracts. To give you an idea, we are talking about, even the moderate range of SDI, about 5 giga-ops [operations per second], for those of you to whom that means something. And in overall battle-management, on some occasions, we might have to go up to 1,000 giga-ops, so the advances in computing speed and in necessary associated software architectures required are major, if they do occur, obviously the economic implications are almost entirely impossible to estimate.

In 1984, there are 4,800 scientists directly employed in SDI-related work. By 1987, this figure will have grown almost fourfold to 19,000. By 1990, it will again increase three times; and during the actual deployment phase, we will probably have at least 160,000 scientists and engineers involved in SDI-related work. This would be almost double the number of scientists and engineers involved in the Apollo project at its high point in 1966.

So, not only are there new technologies, new materials, and new computers to be gained from SDI, but, if you will, also new scientists, new people, and new talent. And in the long run, that is more important than any specific scientific advance, or new gadget that we could create.

Historical models

In order to test our ideas, we looked at the U.S. war economy between 1942 and 1945. . . . We looked at overall productivity in terms of the relationship of output to unit labor input in totals. In the initial period of the war, when the United States primarily resupplied Britain but was not itself involved in the European side of the war, no new technologies were being introduced into military production. Under those conditions, productivity in the relevant production sectors actually went down. The reason is relatively simple: We tried at that point to produce many things very quickly with inadequate means. We put a lot of people to work on military production, but did not give them adequate tools to actually carry out the job. However, by 1942, certain entirely new technologies and methods were being used for military production. And the productivity gains that the U.S. economy made, especially in the course of 1943-44, were absolutely astonishing, outdistancing anything, at least in recorded U.S. economic history. Of course, this was under very special wartime conditions, and you may have to correct for this, but basically it gives you a sense of what happens when you retool in depth in economic infrastructure. . . . Until 1942, we were actually still at a level of productivity growth that was below breakeven. Right after that, productivity increased at a very rapidly increasing exponential rate. Without going into the details of our study of SDI-implied technologies and their productivity impact, something quite similar to these types of productivity gains are very much implied by what SDI is actually all about. This is what I think we should all reflect upon when we're discussing economic and technical collaboration in the SDI context.

Some SDI projects

Now, I want to run through a series of relevant technologies very quickly to show you some of the major points.

Taking the years from 1850 and, let us say, the year 2000, you will be struck by what interesting wavelengths of the electromagnetic spectrum industry characteristically operated on. Until very recently, we basically used only the infrared range of the spectrum: We will be able to concentrate energy better for production. That is the major thing implied by all of this. Or to put it differently, we will reach higher energy-flux density, more energy per unit time and per unit area. That is all that productivity ultimately is about: How can we use energy and concentrate it in order to make production more efficient?

The Shiva laser at Lawrence Livermore is going to be used to attempt to produce commercial energy from thermonuclear micro-explosions. A similar program—and in fact by now, a larger program, as Professor Cox pointed out earlier—is now actually under development at Osaka Laser Engineering Laboratory. But fusion energy, obviously, as you all know, is ultimately the principal energy source that we will have to count on on this planet, maybe not tomorrow, maybe not even 10 years from now, it's not all that important. But clearly, the beam developments in SDI will speed up the time when so-called inertial fusion is going to come on-line.

In the process, we will be bringing on-line things like flexible laser-based machine-tool stations. I don't think I have to explain too much about this to this audience. These kinds of devices are now under development in Japan. We can only expect that lasers, especially high-energy lasers, will become a lot cheaper to produce and a lot more readily available, and better understood in the near future, so that these developments can proceed.

A laser built by, I believe, Avco Laboratory, is now used for production metal-cutting. Again, nothing particularly new. The interesting thing in SDI is materials-energy interaction studies: We're learning a tremendous amount about what is actually the best way of using lasers, especially with very hard materials.

We will also be introducing a plasma steel-making furnace, in which you can produce in a few seconds the amount of steel that normally would take several hours to produce. Especially for specialty steels, this is very important, and again, it is now being pursued in the context of SDI, precisely in order to produce certain types of specialty steels that cannot be easily produced otherwise.

As was indicated earlier, we might be able to drive an x-ray laser, not with a nuclear explosion, but perhaps with a small fusion reactor. The SDI Office has given out about 20 contracts to universities and other laboratories for the development of very compact fusion devices.

The Soviets some years ago developed a concept for a magnetohydrodynamic power generator based on thermonu-

clear reactions. This was published at that time by E.P. Velikhov, a top Soviet laser and fusion researcher, who is now one of the people in the Soviet Union who goes around the world and says that SDI is not scientifically feasible. Thank you very much, Mr. Velikhov.

In fact, I will relate a brief story which is interesting. I was at a fusion conference in Leningrad in the summer of 1981, and then visited the Lebedev Laboratory in Moscow, where they do a lot of their laser research. In the evening, I had dinner, I was invited by some Soviet scientists—I think I should perhaps not name names—but in any case, they told me over dinner, “Look, wouldn’t it be a great idea to use lasers for ballistic missile defense?” This was in August 1981. And I looked at them, and thought, “Yes, probably it’s a good idea, we better think about it fast.” So, Soviet scientists have been thinking about this without any question in more detail and with more precision than we have in the United States for a longer period of time. Anybody who doubts that, should simply question some of your own scientists and ask them what Soviet scientists know about that from their own standpoint in scientific conferences.

One aspect of magnetohydrodynamic devices is so-called super-capacitors: Capacitors today can store about 100 joules per kilogram. SDI has now demonstrated capacitors that can store up to 20,000 joules per kilogram, so you can see energy storage is going to make some major steps forward. What that means for industry again, I think I do not have to elaborate.

New materials are being used for rocket nozzles that are flexible and can be moved in order, for example, to withstand very concentrated energies, and be used to move a battle station around.

A new type of gyroscope has been developed to replace the present type of gyroscope, based on fiber optics. This, of course, is another area in which, in fact, Japanese industry has a significant lead over other world industries, in fiber optics—not specifically with regard to gyroscopes. In fact, your space agency doesn’t like gyroscopes, because there are some people who say that if you put a gyroscope in somewhere, it might be used for military applications.

I cannot go into more details, but I think it should be clear that what is implied in economic and technical terms by SDI research is broader than any similar research program in the past. Therefore, quite apart from all specifics, to jump into this at this point, I think is the right thing to do. More importantly, I would like to emphasize that there have been some people in our government who have themselves questions whether SDI might survive the Reagan administration. I think if you see the kind of research that is now going on, the kind of efforts that are now being made, it doesn’t ultimately matter what happens after the Reagan administration. On these kinds of programs, I do not think there is any way of turning back.

LaRouche’s 1982 SDI proposal

Lyndon LaRouche conveyed his thoughts in writing to the participants at the Tokyo conference.

Twenty-four years ago, Soviet Marshal V.D. Sokolovsky wrote his shrewd insight into the flaws of the U.S. ballistic missile defense program then being developed. He foresaw that high-speed interceptor rockets and related kinds of so-called kinetic-energy weapons could never provide an effective defense against offensive ballistic missiles. He foresaw that only by using what we described then as advanced physical principles, such as laser weapons, could defense obtain the superiorities in firepower and mobility needed to supersaturate a strategic thermonuclear offense.

It is a matter of physics principles and therefore, also valid for the United States, that a strategic defense based upon what are called new physical principles, will have at least a 10 to 1 superiority in firepower, mobility, and cost over a ballistic missile offense.

Many techniques for deploying beam weapons have been discussed, including the techniques of strategic defense which my associates and I first proposed in 1982. During my discussions with French military officials in 1982, those officials asked me if it were not true that what I was really proposing was not any single set of defense systems, but rather that I was projecting very high rates of technological attrition in defensive systems over the decade ahead. I responded that the French military’s assessment of my proposal was correct. As rapidly as one set of defense weapon systems is deployed, work will begin to develop effective counter-measures against such systems. To overcome those counter-measures, improved defensive systems must be deployed.

The most critical feature of my 1982 proposal for a U.S. strategic defense initiative was my assessment of the economic feasibility of sustaining the costs of such a defense policy. A few, but not most of the military features of my proposal, were original to me. The Soviets have been committed to their own version of SDI since 1962. So, if we pursue SDI we can therefore concentrate on the economic benefits to our economies.

The starting point of my economic analysis is not unfamiliar to Japan. My standpoint is broadly identical to that of such exponents of the American System of political-economy

as Alexander Hamilton, the Careys, and Friedrich List. My opponents among economists therefore label me either a mercantilist or a neo-mercantilist. The basis for my own contributions to economic science is the principles of physical economy first developed by Leibniz. My only original contribution to economic sciences is my use of the work of Bernhard Riemann to solve the problem of correlating measurable advances in technology with resulting rates of increase in the productivity of labor. It was this contribution which has been at the center of my proposals for the U.S. Strategic Defense Initiative.

It is this connection between the new technologies of SDI and increase of productivity in the economy generally to which I turn your attention now. In brief, the functional connection between technological progress and productivity is demonstrated by comparing the potential population of so-called primitive societies, of about 10 million individuals at most, with the present population approaching 5 billions. This increase is due entirely to those kinds of modifications in human behavior which the past 500 years' associates with scientific and technological progress.

We can sum up the results of economic science by stating that the possibility of increasing the potential population-density of humanity depends upon conducting technological progress in an energy-intensive, capital-intensive mode. This means that the amount of usable energy per capita and per square kilometer must be increased. It also means that the portion of work allotted to capital improvements in land and workplaces must increase as a percentage of total work. For example, without development of infrastructure and without increasing rates of capital investment per operative, no nation is capable of sustaining technological progress in agriculture and industry.

By economic science, we mean economic science as originally defined by Leibniz. Instead of simply economic science, we might use the term used to describe the teaching of Leibniz's economic science in German universities during the 18th and early 19th century, physical economy. It may be recalled that Leibniz's founding of economic science was begun with his study of the principle of heat-powered machinery. These principles were introduced to the American economic system by Benjamin Franklin.

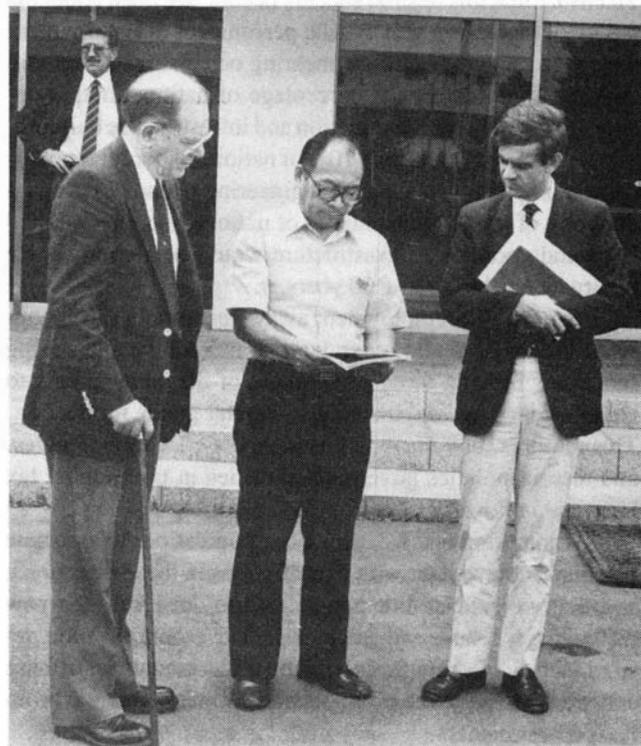
There are four principal factors correlating with increase of productive powers of labor. First, the amount of production of capital goods must increase relative to production of household goods. Second, the amount of usable energy supplied must increase, both per capita and per square kilometer. Third, the model energy-density cross-section and the relative coherence of energy supplies must be increased; fourth, technology, as Leibniz defined it, must be advanced.

We are at the verge of the greatest technological revolution in mankind's history. This revolution will be based on greatly increasing the volumes of usable energy, both per capita and per square kilometer, with emphasis in leaps in the

levels of high energy-density cross-section, with increasing emphasis on the electro-hydrodynamics of plasma process, and the role of coherent forms of electromagnetic pulses in production, and on new qualities of robotics by means of which operators will be enabled to control production of such high energy-density characteristics.

Perhaps the best way of demonstrating the impact of SDI technologies on the economy is by considering the application of these technologies to the colonization of the Moon and Mars. The establishment of artificial habitat environments on Mars and the need for continuously powered flight by flotillas at one gravity between Earth orbit and Mars orbit, require the technologies of controlled thermonuclear fusion, of coherent electromagnetic pulses of very high energy-density, self-focusing effects, and of optical biophysics. It will also require dedicated types of parallel processing computers, in the megaflop range. We shall be greatly advantaged to have analog-digital hybrids of the quality indicated. If our planet undertakes such a colonization program seriously, we could begin colonization of Mars during the third decade of the coming century.

Such a target has already been recommended by a U.S. commission. Obviously if it is feasible to establish colonies on Mars, it is a much easier task to apply the same technologi-



Lyndon LaRouche (left) and Uwe Henke von Parpart (right) are briefed by a staff member at the Tsukuba City, Japan's high-energy physics laboratory during a 1984 visit.

Carlos de Hoyos

es to such tasks as developing rich agro-industrial complexes in the middle of the great deserts of Earth. It is even cheaper to revolutionize the design of new qualities of cities in the more agreeable climates of Earth. With these technologies, the Earth's food supplies can be produced far more cheaply, more abundantly, by energy-intensive industrial process methods aided by application of optical biophysics.

The connection between the technologies of an SDI system and space colonization technologies is so immediate that the research and development of one is nearly identical with that for the other. Therefore, the central practical question to be confronted by governments and industries in connection with SDI, is the question of assuring ourselves that this desired kind of spillover of technology into the civilian domain does occur. Technology is transmitted into production chiefly through improvements in the technology of capital goods produced. The greater the rate of advancement of technology in capital goods, the greater the rate of investment in capital goods per capita, the greater the rate of increased productivity generally.

Thus, the buildup of the capital goods sector for SDI and space development is the most efficient mechanism by which such technologies are transmitted directly into the civilian domain. It is merely necessary to build these new capacities on a scale significantly greater than that required from SDI and space requirements, and to cause the excess capacity to spill over rapidly into capital goods for civilian production. To ensure that this desired success occurs, we must adopt the policy of increasing greatly, the percentages of employment devoted to scientific and engineering occupations, while increasing significantly the percentage of national output devoted to capital goods production and infrastructure building.

A target of not less than 10% of national labor for employment in relevant science and engineering occupations and a doubling of present percentages of national incomes allotted to capital goods and infrastructure would be a good choice of targets for the coming 10 years.

We must shift employment away from emphasis on non-scientific services and redundant administrative and selling functions, moving these percentages of the labor force into either science and engineering or capital goods production. This requires, obviously, adjustments in education policies, and also in policies governing priorities in preferential tax rates and in flows of credit.

On condition that we inspire our populations to associate personal achievement with contributions in these directions, and that we educate our populations to cope with the new technologies I have indicated, we shall accomplish the desired victory of strategic defense over thermonuclear offense and we shall solve the principal non-military strategic problems of our planet.

If we adopt the proper policies, the creative powers of many millions of scientists and individual operatives will do the rest for us.

The Soviet science attaché responds

The following exchange took place between Mr. Synonov, the attaché to the Soviet embassy in Tokyo and Mr. Parpart, regarding the Soviet view of SDI.

Mr. Synonov: I want not to ask a question, but to give some remarks.

I thank Mr. Parpart for informing the audience about my disagreement with his very bright, but incorrect detail, that the innovator of the laser, Mr. Basov, is a general. But it is not the only one, and not maybe the most important distortion and error of fact connected with him.

Now, the problem of the SDI and the policy of the U.S.S.R. I am sorry, I did not introduce myself: I am Synonov, attaché for science and technology of the U.S.S.R. embassy.

It is not only one fact where the audience heard distortion, and are missing some very important things about SDI weapons and U.S.S.R. policy. I hope the audience will excuse me that I speak with an accent, but you can understand that English is not my native tongue.

There was much talk this year about the Soviet nuclear strategic threat. It was used in the latest decision of our government for developing our economy. Any of you can read the documents and understand this distortion. When it is convenient for American propaganda, it talks about the very poor performance of our economy, science, and technology. But when it is necessary to get support of American people or world opinion for the next military program American officials spoke about, [they talk of] our superiority in that or other technology. I see from some questions of some Japanese participants of this meeting, that they understood this twist.

I want to quote one article from yesterday's *Japan Times*: It was about American Congressman Ed Markey's [D-Mass.] statement. He said that exaggerated claims about the Soviet threat do not encourage Russian constraint. Right about budget time, we always hear that the Russians could be pulling

ahead of us in some new military technology. At the end of the third panel, nobody here said a word about a very important point, such as the existing ABM Treaty. How does the SDI program suit the ABM Treaty? Or when it was convenient for the United States, the U.S.A. signed the treaty about anti-missile defense systems and when it is not, forget it.

Mr. Parpart also said that it is a weak point of our economic system, we don't use military technology in our economy. It was in a way, admitting that our system and our economy are not interested in developing weapons or arms race. From the other side, Mr. Parpart said a very interesting thing, even close to the Marxist point of view, that the American economy could not develop well without huge military programs and spendings. Is it good from the moral point of view? I spoke about moral because here I have heard much about moral and immoral things. The United States may develop its economy only in connection with an arms race and military weaponry?

Somebody—I remember, Mr. Zondervan—and now in the letter of Mr. LaRouche, for purposes of demonstrating that it was the Soviet Union who started developing of anti-missile laser weapon, used a quotation from a book by Mr. Sokolovsky published in 1962. Mr. Zondervan might even use the other book by our famous writer, Alexei Tolstoi, published as far back as 1927, called *Our Leader*, about can beam space weapon be engineered. But it is necessary to say that the book by our Marshal Sokolovsky was published in 1962, so much before the signing of this ABM Treaty.

And the SDI program started in the year you say, not on the empty place admitted also here. Our figures give a different picture of who started research in the military use of space. It was necessary to say also that it was our proposal in 1981 to sign the treaty not to deploy weapons in space, and it was the United States who refused to negotiate this treaty. And the same: They also refused to sign the treaty not to use nuclear weapons first, and the latest, our proposal to destroy nuclear weapons up to the end of this century.

From our point of view, the purpose of the SDI is to break the existing military balance in the world. According to Mr. Reagan, he once said, that he is to increase in vast scale military expenditure in the world and to destroy our economy in this way. At the same time, he didn't say it, but it is to give the military-industrial complex, about which power warned Mr. Eisenhower, huge opportunity in profits. Using the image of General d'Allonnes about cake, I want to say that this cake is not for children; this is cake for the military-industrial complex, and it is now developing into not only a military-industrial, but a military-industrial-scientific complex. And the real threat is not the Soviet arms race, but also there is a big threat that science becomes more and more militaristic. And the United States wants to organize scientists for some program for sophisticated technology. Okay, why not develop this same difficult but peaceful problem, fusion energy. That's all, thank you.

Mr. Parpart: I would like to briefly respond to two of your principal points, if you permit me. When President Reagan announced the SDI on March 23, 1983, he said, and this was reiterated by Secretary Weinberger, that the United States invites the Soviet Union to immediately exchange scientific information, to have Soviet and U.S. scientists jointly look into the feasibility of the system, and if necessary, to jointly deploy such a system for our mutual benefit. This proposal was reiterated at the Erice conference in Sicily, Italy in 1984 by Dr. Edward Teller. George Keyworth, the former science adviser to President Reagan, has made the same point on many, many different occasions. We have at no point in the United States received a direct or specific answer. All we have received is denunciation from the Soviet leadership and disinformation from Soviet scientists. I would like to again reiterate, and I believe that the entire U.S. scientific community is committed to this, that this offer for ultimate collaboration and sharing of these technologies, as far as I know, stands today and awaits your answer.

As for fusion collaboration, at the Geneva summit this was proposed by the United States, specifically in a letter by Secretary of State Shultz. And, as you know, we have had collaboration in the fusion program between the United States and the Soviet Union since the 1960s, when the Soviet invention of the tokamak program actually convinced the United States that fusion was a feasible force for energy production. But you must permit me to say that I find your discussion about the nature of the U.S. versus Soviet military spending somewhat disingenuous. The Soviet Union spends, both in percentage terms of GNP as well as in absolute terms, by any estimate that we have, considerably more on military systems than the United States. And these points can be debated, but I think some of the well-known published figures on actually existing weapon systems today cannot be dismissed.

Finally, a word about the ABM Treaty. The ABM Treaty contains, as you very well know, a very specific clause saying that it does not cover systems based on new scientific principles that might be developed in the future. The protocols to the ABM Treaty, which were attached when the treaty was deposited at the United Nations, make it clear that this clause concerning new scientific principles was insisted upon by the Soviet side when the treaty was signed, and not by the U.S.A., which doesn't surprise me very much, because the principal negotiator on the U.S. side was a man who knows nothing about science, namely, Mr. Kissinger.

What I would say, as clearly as I can, is that we have discussed the nature of what we regard as the Soviet threat, and we believe that the best possibility for disarmament lies in our jointly developing these systems and deploying them at a certain future point. . . .

So, those are a few, and I hope clear, points which at some point or other I believe your government must answer.

LaRouche plan for economic boom in Europe advances

by Christine Bierre

On Oct. 12, 1988, American economist Lyndon LaRouche, then running for election as the President of the United States, surprised many when he traveled to the Berlin Wall and proposed that the Western nations make a sweeping offer to the crisis-wracked Soviet Empire. "We say to Moscow: 'We will help you. We shall act to establish Food for Peace agreements among the international community, with the included goal that neither the people of the Soviet bloc nor the developing nations shall go hungry. . . . If Germany agrees to this, let a process aimed at the reunification of the economies of Germany begin,'" LaRouche told a press conference at West Berlin's Kempinski Bristol Hotel.

Subsequent events on continental Europe have fully borne out the rightness of LaRouche's approach. LaRouche's "Food for Peace" plan has now been adopted by West Germany's Chancellor Helmut Kohl as the key road not only to German reunification, but to the forging of a European economic superpower which will soon far overshadow the United States, and even Japan. Truly, freeing Europe from the grip of the neo-malthusian, anti-technology policies enforced by the Anglo-American establishment, represents a ray of hope for all people suffering under the tyranny of economic backwardness and hunger.

That ray of hope was the subject of a conference held by the Schiller Institute over the weekend of Feb. 10-11 in Paris, France. Its title, "Franco-German Alliance for the Economic Development of 400 Million Europeans," could not have been more appropriate, since Chancellor Kohl was just then also in Paris to meet with French President François Mitterrand on the results of his recent consultations with Soviet leader Mikhail Gorbachov and East German caretaker Prime Minister Hans Modrow.

But the Paris conference went far beyond the Franco-German economic alliance per se. Among the 300 persons attending were patriots from countries East and West as well as North and South, including China, Cambodia, Lebanon, Poland, Romania, East Germany, Czechoslovakia, Hungary, as well as from all



Gill Riviere-Wekstein

Mapping out a new "Schiller Era" of cultural optimism at a Paris conference are, from left, West German Gen. Paul-Albert Scherer, Christine Bierre of the Schiller Institute of France, and Michael Liebig of EIR (Federal Republic of Germany).

Western European countries and the United States. The largest delegation, comprising about 100 people, was from East Germany—a palpable demonstration of the intense interest which East Germans have shown for LaRouche's "industrial triangle" proposal, which has been circulating widely there in the form of millions of leaflets and pamphlets (see *EIR*, Feb. 2, 1989, "Paris-Berlin-Vienna Triangle: Locomotive of the World Economy").

In the report below, *EIR* publishes two of the speeches to the conference, touching upon the economic and strategic questions which the speedy transformation of Eastern Europe poses.

Two ideas came out very clearly after the two-day conference: First, the Schiller Institute, founded by Lyndon LaRouche's wife Helga Zepp-LaRouche, is the international organization to which patriots from all parts of the world are now addressing themselves in order to fight the dictatorship of the U.S.-Soviet condominium, which has been trying to cling to power; and, second, the Schiller Institute is one of the few institutions in the world today, which is proposing original ideas to intervene in the various crises facing the world.

Burying the 'New Yalta' deal

The first day's proceedings concentrated on the "New Yalta" policy which the two superpowers are attempting to impose upon Europe and the rest of the world, in particular in what concerns the strategic-military aspects. Gen. Paul-

Albert Scherer, former head of West Germany's military intelligence organization, outlined how the economic and political crisis inside the Soviet Empire is leading inexorably toward civil war. Indicating the dangers emerging out of a collapsing empire comparable to a wounded beast, General Scherer nonetheless stressed that only through such a "necessary catharsis" can a totalitarian power come to an end.

Schiller Institute founder Helga Zepp-LaRouche, while not underestimating the dangers of the present situation, nonetheless stressed its tremendous opportunities. The East Germans and other East bloc countries have put the ideal of freedom up front, she said, and it is up to Western Europeans to mobilize themselves to create the conditions in which these countries will not only be free, but where Europe will become the heart of a growing world economy. She outlined how a triangle of industrial development, whose three vertices would be Paris, Berlin, and Vienna, could radiate growth and prosperity to every corner of the European continent. The possibilities of a new era of economic growth, and especially of a new renaissance in values and ideas, is what led Helga Zepp-LaRouche to conclude with an optimistic vision that we are actually on the threshold of a new "Schiller era."

Webster Tarpley, president of the Schiller Institute in the United States, outlined the degeneracy of the Bush administration in the face of all this, while Michael Liebig, European director of Executive Intelligence Review Nachrichtenagentur, responded to one of the main worries, especially of the East Germans and their Eastern European neighbors: What to

do about the military situation? Liebig explained that the “New Yalta” negotiated between the two superpowers calls for a “neutralization” of Germany in exchange for reunification, and for a Finlandization of Europe once the U.S. troops are pulled out. He outlined a kind of “Gaullist” solution to the defense of Europe in view of the heightened danger from an unstable Soviet Union: No to neutralization of Germany, reinforcement of a European defense, but in the context of a restructured Atlantic Alliance along the lines of the proposals made earlier by the French Gen. André Beaufre (p. 34).

IMF austerity, or development?

Jacques Cheminade, president of the Schiller Institute in France, and Jonathan Tennenbaum of the Fusion Energy Forum in Wiesbaden, West Germany, both outlined the kinds of economic proposals the West should promote toward the East. Cheminade attacked as “criminals,” those in the West who are imposing the International Monetary Fund’s austerity policies on Poland and the other East bloc countries. This, he said, has led to drastic reductions in production and in the already abysmal living standards (p. 31).

Dr. Tennenbaum laid out the full breadth of LaRouche’s proposal for the development of a triangle of growth in Central Europe, centered around massive qualitative and quantitative improvement of rail and waterway transport infrastructure for products and people throughout the area.

During a discussion period, an economist speaking from the floor reminded the audience that if Western European countries had been generous with the Germans in the 1920s and had canceled the disastrous war reparations imposed by the Versailles Treaty, Hitler would not have taken power in Germany in the 1930s. “We cannot impose the same disastrous policies on our East bloc friends today under a new disguise, that of the IMF,” concluded this participant, who also called for a new “Marshall Plan” for Africa.

From the anti-bolshevik resistance

The conference also heard presentations by representatives of practically every single country at war against the dictatorship of the U.S.-Soviet condominium policy. Peter Albach, member of the executive committee of the Demokratische Aufbruch (Democratic Revolution) party in Thuringia, East Germany, described how the East German revolutionaries are looking at the situation. The legacy of socialism has been disastrous, he stressed; but he was also quick to point out that freedom does not consist in eating McDonalds hamburgers! We have a debt to those who are leading the fight, and to those who are still fighting, he said, saluting the courage of the Chinese and the Romanians in particular.

Bassam El Hachem, a Lebanese professor, spoke eloquently in defense of Lebanon and of its liberator, Gen. Michel Aoun. Mircea Burada, a Romanian film producer, spoke about the horrors of the dictatorship of Romanian President Nicolae Ceausescu. He denounced the KGB for “steal-

ing” Romania’s December revolution, and gave full support to Doinea Cornea, whom he described as the “conscience of the Romanian people” and the “Vaclav Havel” of Romania, who left the new government to protest the fact that it is composed entirely of pro-Gorbachov Communists.

The Chinese democratic opposition was well represented by Yue Wu, one of the main organizers of the opposition workers’ movement of Beijing, and by Chen Lichuan, who spoke for Wan Runnan, secretary general of the Federation of Democracy in China. Both stressed the importance of the Eastern European revolts in maintaining and feeding the flames of resistance in China, even after the June 4, 1989 massacre at Beijing’s Tiananmen Square.

Poland was represented by Mathis Bortner, former head of Solidarnosc Côte d’Azur, who protested against the IMF rule over Poland and stressed that this debt was not legitimate: Out of \$40 billion, only \$17 billion actually went to Poland, the rest having been expropriated by the Russians. Bortner made an impassioned defense of a Poland capable of developing in science, technology, and agriculture, just as it did during the 1921-39 period.

Father Marian Falenczk, superior of the Pallotins order of France, spoke about the John Paul II Forum which he has created for Polish scholarship students in France, while Marion Apostol, member of the Friends of Poland group at the European Parliament spoke about the democratic tradition in Poland, dating back to the 16th century.

Hungary was represented by Kalman Domotor, secretary general of the Hungarian veterans’ association in France.

Telegrams of support were addressed at the end of this session to Lyndon LaRouche, currently a political prisoner of the Bush administration, as well as to Romanian dissident Doinea Cornea.

The kind of culture which must found the new world economic and political order, was the last theme dealt with by the conference. The names of Friedrich Schiller, Ludwig van Beethoven, Lazare Carnot, Gaspard Monge, Benjamin Franklin, and Gottfried Leibniz were referred to often in the speeches, as exemplars of a beautiful conception of man. Schiller’s idea that it is through beauty and art that profound conceptions about how humanity can be transmitted intelligibly, were the subject of several interventions by Helga Zepp-LaRouche, and of a presentation on the influence of German culture in the French Revolution by Christine Bierre of the Schiller Institute in France.

But just hearing about it was not enough: On the eve of the conference, the Schiller Institute’s Eastern European guests—most of whom had never been in Western Europe before—were treated to an evening tour on a *bateau mouche* on the Seine River. For it is through the eyes that Paris, the “city of light,” can give a sense of harmonic beauty stemming from its long Christian-humanist tradition. Indeed, never had the Eastern European guests seen so much light, used to as they are to unlit cities after nightfall.

To build Europe, we must defeat the International Monetary Fund order

by Jacques Cheminade

My presentation has the purpose of telling you why you who come from the East have not been helped by the West as you deserve, and as you ought to be, in the face of the historical challenge. I will put it bluntly, because in times of tragedy, it is not always a good thing to be too aloof. The truth is that the Western Europeans have been cattle, who worship the Golden Calf, finance economics, and not the goose that lays the golden eggs of which Mr. LaRouche speaks, the golden goose of economic development and industrial growth.

Today we hear countless politicians' speeches about the destiny of the East, stressing the need to aid Eastern Europe and concluding with fine and generous gestures. Countless official delegations from France, Germany, and Italy go to get their pictures taken in Bucharest, Leipzig, or Warsaw. Not all these words, and deployments, are useless, nor are they all guided by fads or demagoguery. Yet not one is answering the real challenge, because behind all the clamor, the governments of the Western democracies are not up to the task at hand. By passivity or deliberate will, in spite of or because of themselves, they are all adopting a malthusian standpoint, starting from *financial* constraints, and not from the needs of physical economy.

Instead of acting in the real interest of the Eastern peoples, so as to raise their standard of living, culture, and freedom, they are submitting to the rules of rentier finance and the imperative of debt repayment.

At a time when, east of the Elbe, the passage from a totalitarian order to an order of freedom is at stake, their attitude—and most notably, their acceptance of the usurious policies of the International Monetary Fund—is leading straight to disaster.

In fact, we cannot build Europe, nor set the world economy back on course around Europe's construction, *except against the IMF order*. On this point, no compromise is possible. This is not a sectarian statement regarding an institution or certain persons, but arises from the examination of the concrete consequences of an intolerable policy that destroys the very substance, human and material, of the econ-

omies to which it is applied.

In the Third World countries, the IMF advisers have always imposed reforms which, under the pretext of "balancing" revenues and spending, have aimed at cutting back internal demand (brutal reduction of credits for consumption, creation of taxes on construction, transport, and trade, encouraging exports for debt payments).

More concretely, upon those countries—Latin American, African, or Asian—which had gone into debt to invest and were no longer able to repay their debts, the IMF imposed lowered living standards and a reduction in productive investments and imports, as well as a sharp revival of exports, so as to skim off the surplus, so that debt payment could again be assured.

Such a policy, even under normal conditions, would amount to prescribing leeches to a sick person. Today in the Third World, the patient is dying, for the loans contracted by these countries were not invested to develop them. More than three-quarters of the sums obtained were directly or indirectly recycled into the lenders' financial circuits, both by the worsening terms of trade, and by capital flight, and by the effect of the rise in interest rates and the fall in exchange rates.

Thus, the Third World countries were forced to pay a debt which, due to the interplay of composite interest, represents often several times the initial capital, and from which they have not drawn the slightest benefit.

This resulted in the "hunger riots" in Egypt and Tunisia, or more recently, in Venezuela, in February 1989, with 1,000 dead and thousands wounded. Above all, the choices imposed by the IMF have led to a decline in public health, with galloping infant mortality and epidemics (classic ones, like yellow fever, trypanosomiasis or leprosy, as well as AIDS).

To claim to apply these "prescriptions" to the Eastern European countries hence betrays both suicidal incompetence and cynicism bordering on criminality. Yesterday the case of Romania, today that of Poland, demonstrate this already in spades.

Ceausescu was IMF favorite

One forgets too readily that Nicolae Ceausescu's Romania was the IMF's "good boy." It was not just nationalist deviations and the effects of the Soviet system which provoked the Romanian Winter, but also IMF *conditionalities*.

It was the IMF advisers, after the brutal deterioration of the Romanian balance of payments in 1980, who imposed a program of "structural adjustments" on Bucharest, resulting in a price increase to consumers of 35% since 1982. Yet, these first measures were judged inadequate by the IMF to "reduce internal demand." Hence, the Oct. 17, 1981 decree fixed maximum levels of consumption, under the pretext of the "exigencies of rational nutrition." In 1982-83, Ceausescu imposed—to the IMF's satisfaction—a "virtually unified exchange rate" which accelerated the lowering of living standards, as well as of investments and imports.

Ceausescu proceeded then to the "full and early repayment of the debt," ruining the country, with the full approbation of the IMF, which nonetheless scolded him for not doing enough. More "human" than the international financial institutions, the Nero of the Danube had refused to further hike the price of energy!

The totality of this policy was carried out with the *tacit complicity of Western governments*, against popular resistance against these intolerable policies (the strikes of 1977 and 1980, the Brasov uprising in 1987).

Today, the IMF congratulates itself that the Romanian people "after such a cruel trial," are "less demanding in terms of consumption than those in countries like Poland and Hungary." Yet it is not a different policy that is today being imposed on Poland, but the same one—doubtless in order to teach its people to behave better.

The Balcerowicz plan

The consequences of the accord signed between Poland and the IMF in December 1989, and the *Balcerowicz Plan* (from the name of the current, Harvard-trained economics minister) which followed, are in fact terrible: a 12% drop in projected production, due to rising costs; a 25% drop in living standards and real wages; a sevenfold increase in the price of energy to private users (with all the consequences that that implies in wintertime). Poland today finds itself thus in the situation of France in 1943-44, when penury determined all behavior, and when the most impoverished—the elderly, the sick, and very young children—were hit the hardest.

The impact of these measures has had direct repercussions on Polish peasants: There is an attempt to make the Poles swallow austerity by keeping the price of ordinary food products relatively low, with this gouged out of the farmers' living standards. Rural people are facing a tenfold increase in cost of inputs and pesticides, a fifteenfold hike in that of farm machinery, and a doubling of fuel costs. As a result many are unable to equip themselves to produce and others refuse to deliver. Thus, Western food aid has ended up by

putting pressure on domestic production! The result of this "program" is a foreseeable drop in farm production of 30%, according to Rural Solidarity's leaders.

Same choices as vis-à-vis the Third World countries, same catastrophic results: Poland is coming out of the Soviet totalitarian system, only to fall into a "Argentina" scenario for its economy—as it is cynically put by World Bank functionaries.

Czechoslovakia and Hungary are no better treated. Under the pretext of "liberalizing" the Eastern economies, they are being handed over to financial pillage.

Western Europe—the European Community of the 12—cannot continue to tolerate this, because if the fruits of "freedom" are so bitter to our future partners, the Eastern countries, they will become easy prey for any adventure, rather than constituting a new area of joint development and prosperity.

Financial totalitarianism

If the European governments, despite their fine words, have not yet changed strategy, it is not because they do not know the consequences of the IMF's policies. Numerous West German leaders have been heard saying that while IMF conditionalities are all right for Poland or Czechoslovakia, they should not be applied to East Germany, implicitly recognizing that they are harmful. Without saying so aloud, these things are being pondered quietly, and in some cases not so quietly, in France itself.

Yet the alternative is not clearly spelled out. Why? After all, it is precisely the countries of the European Community which are the owners of three-quarters of the Polish foreign debt, and which thus, in principle, have dominion over their subject, right in the bosom of the Club of Paris.

The reason for the "paralysis of will" is our governments' subjection to the enslavement of the financial markets. To act, they fear, would be to deal a death-blow to a pyramid whose equilibrium is already very fragile.

Thus, as the French economist and 1988 Nobel Economics Prize-winner Maurice Allais rightly points out, the amount of capital traded each day on the financial markets (to the tune of \$500 billion) represents about 25 times the daily volume of trade in goods and services (about \$20 billion). This abnormal growth prohibits institutional investors from playing a stabilizing role on the markets, which have been given over to speculation, where the law of buy-sell and quick profits dominates that of long-term investment.

The capitalization of the Paris Bourse, for example, represents six times the present real-estate value of cultivated land in France, and two to three times the total real-estate value in France.

As money draws money into a "speculative cycle" as opposed to a "cycle of production," the phenomenon is worsening day by day, and the "snowball" swells, with less and less relationship to real goods' production.

Prévision, a financial newspaper, thus wrote on Jan. 12:

“Never have social inequalities been more accentuated than now, and that is because the capital benefits from the inflationary increases of the stock markets have been distributed to a small number of people. Through this enrichment, nothing productive has been achieved; the enrichment is not a compensation for a positive contribution to the community.” The stock market is not a place where investments are prepared and financed, but a place in which one buys and sells firms—with the money of others, to then asset-strip them of muscle and bone.

People forget that Ceausescu's Romania was the IMF's 'good boy.' Yet, more 'human' than the international financial institutions, the Nero of the Danube refused to further hike the price of energy—as they demanded!

The political authorities have abandoned their powers to the central banks, completely awed by their own power. The use to which they have put this power has led to a two-, three-, or fourfold multiplication in short-term rates, floating on the bond markets—to a situation in which firms can no longer borrow to invest, because money costs too much. That is the cycle of speculative money, of which the IMF “system” represents the apex.

One therefore understands the cause of the paralysis, or of the complicity, of national governments, caught in the trap.

Europe's aces

Europe, despite the penetration of these interests, has a special responsibility in this context. Financier economics has destroyed less of the basic infrastructure there, than elsewhere. Europe has the aces to play, more than anywhere else in the world, for a strategy of breakout.

We still have available, in fact:

- a good physical infrastructure (highways, ports, canals, railroads, etc.);
- a human services infrastructure (schools, hospitals, laboratories) which is certainly threatened, but resistant;
- an economy whose development has been relatively maintained, while the real, physical economy of the United States has been falling apart for 10 years, along with the average income of its operatives (a 17% drop in living standards of American workers since 1972).

We Western Europeans represent today 25% of the total world product, with a constantly rising portion for the past 20 years.

Especially, we have the largest *intellectual capital*: 44% of the world's patents are in Western Europe, and more than one-third are in the 12-nation European Community (contrasted to barely 13% in the United States, and 32% in Japan).

Finally, the part of our economy which has been “financierized,” as they say today, although it has increased greatly, is still much smaller than that of other industrialized countries: In total stock-market value with respect to the Gross Domestic Product, Paris and Frankfurt “only” represent 16%, while New York represents 55% (of which a large part is fictitious holdings, linked to “bad debt”) London 89%, and Tokyo 160%.

Furthermore, Eastern Europe, with the heightened level of human knowledge of its people and the relative ruin of its economy, resembles, all other things being equal, the conditions of Western Europe in 1945.

With our potentials, we know what to do, we have the means to seize the challenge of developing the East by creating a “lever” which will also free ourselves from financial totalitarianism and relaunch the agricultural and industrial “machine” into the world. The experiences of the postwar Marshall Plan and Fulbright Scholarships should be reexamined more closely in this perspective, such that training and investment may go hand in hand with creating the conditions of recovery.

It is in that perspective that we have elaborated here the alternative to the present financier economics, which itself is leading straight toward disaster and potential war. We are not, of course, presenting a “turnkey” economic program, all neatly wrapped up, which would just be one more illusion! We are sketching a framework, a “discussion document” for builders: Europe has the chance today to become the “heart of the world.” It should not let this chance pass. Much is expected of us in Warsaw, in Prague, in Budapest, in Bucharest, and even in Moscow.

In our country, we have seen a tremendous surge of solidarity toward what was perceived as the liberation of Romania, where almost everything, today, has yet to be done. Well, our framework aims to give a concrete perspective to that surge of charitable feeling which was unleashed during the events in Romania. Our project for a Paris-Berlin-Vienna “European Triangle,” symbolized by the East-West TGV network, shows what we must mobilize around to “awaken” Eastern Europe—to save it—and at the same time to transform ourselves, reorienting our system toward production, for the common good of Europe, first of all, but also of the Third World and the entire world economy.

In a word, can we tolerate—we Western Europeans—that only financial austerity is offered to the Eastern peoples who are demanding freedom and growth? We must change this! To save, to relaunch, to give new life to the Eastern countries, the ball is now in our court, in Western Europe. We must become worthy of the battle our Eastern brothers are fighting.

Economic and military strategy in the European revolutionary process

by Michael Liebig

No one today—in February 1990—can seriously dispute that historic revolutionary convulsions and changes have taken place in the realms of the Soviet Russian Empire, and also in Communist China. The pressure of internal weaknesses has brought the Soviet leadership to the position of no longer categorically rejecting German unity. The superpower condominium hangs onto existence, even though the overall potential, especially the economic potential, of the superpowers—the United States included—has declined both relatively and absolutely. So, what happens now?

Will there be a further radicalization of the revolutionary movements in eastern Central Europe as the result of worsening economic conditions?

Will the revolutionary movements encroach on the Soviet heartland itself?

Are the revolutionary movements subsiding, going over into their “retirement years” through exhaustion?

What effect will these revolutionary changes have on the military potential of the Soviet Union and the Warsaw pact?

Will there be a reactionary backlash from the Moscow *nomenklatura*, and will there be a new “ice age” in eastern Central Europe?

Can the revolutionary changes be channeled through the superpower condominium into a “neo-Metternichean” structure of “stability and equilibrium”?

How will the process of German unification be completed, and into what political-strategic formation will it lead us?

In what direction, politically and economically, will the United States go in the coming months?

What is the future of the Atlantic Alliance?

These are only some of the central questions that arise amid the present frenzied historical transformations. It is already enormously difficult to find answers, in order to arrive at a reasonable judgment in a rapidly changing situation. Cultural values and goals and strategic interests contribute decisively to the judgment, analysis, and prognosis of the situation. And this is naturally all the more true, to the extent that it is a matter of drawing creative conclusions from the changing situation.

LaRouche and Beaufre

In the following, I will attempt to give an assessment of the situation and, flowing from that, will sketch, from our point of view, the fundamental parameters of a order of secu-

rity in Europe. In so doing, I associate myself with the concepts of the American strategic thinker and dissident Lyndon H. LaRouche. The following considerations also take into account the ideas of the French strategist André Beaufre, who employed those ideas on the question of Western European security in the 1960s. In my view, there exist remarkable parallels between the strategic options available to France under de Gaulle in the 1960s, and those today of western Central Europe as a whole at the beginning of the 1990s.

The following rough considerations, put forward for discussion, are oriented around a comment which Beaufre made in 1966: “Strategy is therefore a constant new creation, that is, a process that rests on hypotheses whose validity can only be tested in the course of action itself. . . . The greatest difficulty of strategy lies primarily in times that, as is true today, are subject to a rapid change.”

LaRouche is among the very few who foresaw the life-and-death crisis in the Soviet Russian Empire. The strength of his prognosis has consisted in his recognition that this life-and-death crisis is not a crisis of ideology, of the *nomenklatura*, or of the oppressed nationalities, but rather that the crisis is a symptom of the accelerating decline of the Soviet Empire’s physical economy. The Soviet Empire’s physical economic potential—both in terms of personnel and material—was subjected to a kind of auto-cannibalization. The *nomenklatura*, the security apparatus, and the “military-industrial complex” have subjected the overall potential of the Soviet Empire to a form of systematic “primitive accumulation,” which reached a critical point of decay at the beginning of the 1980s. That is why LaRouche has never been impressed by the continual hectic “restructurings” in the organization of the Soviet *nomenklatura*, and the particular role of Gorbachov. These transformations in the political “superstructure,” and especially Gorbachov’s economic ignorance, have not only failed to halt the decline of the Soviet Empire’s physical economy, but have actually intensified that decline.

For that reason, profound socio-economic convulsions, leading to mass strikes and bloody civil war, is preprogrammed for the Soviet Union. This is the first fundamental strategic parameter in our assessment.

Simultaneously, LaRouche recognized that, since the end of the 1970s, the physical economy of the United States in material and personal terms, has been increasingly losing its output capacity, as the gap between real productive output

and financial superstructure grows wider and wider. LaRouche correctly predicted that this gap could only be eliminated in the course of a profound convulsion of the American economic and financial system. From the 1970s onward, the relative economic weight of the United States vis-à-vis Western Europe and Japan has been decreasing, and has diminished dramatically since the mid-1980s. Every attempt to change the economic and financial policy responsible for this real-economic decline has, up to this point, been wrecked by the bitter resistance of the U.S. establishment. This economic decline is leading to increasing social and political instability in the United States. Even now, the Bush administration is pursuing a domestic policy of “neo-absolutism” in response to the continuing internal crisis. This crisis of America is the second fundamental strategic parameter of our assessment.

The superpower condominium

The increasing internal crisis and objective weakness of the United States has led the American establishment since the mid-1980s to turn toward the Soviet Union, itself convulsed by crisis. Since the mid-1980s, we can and must speak of a Soviet-American condominium. The basis for the condominium was created by the Andropov proposal of April 1983 concerning the “partnership” of the nuclear superpowers—the “continental power” of the Soviet Union, and the “sea power” of the United States—which he expressed in an interview in *Der Spiegel* on April 24, 1983. Obviously, Andropov wanted to block the U.S. Strategic Defense Initiative program and to come to terms on mutual interests toward—or against—the Third World; but Western Europe was included in the package, of course. The “stationing debate” and the so-called peace movement concerned not only the Russian SS-20s and U.S. Pershing IIs, but also France’s (and to a lesser extent Great Britain’s) nuclear forces, along with the German nuclear-capable Pershing Ia missiles, whose range extended into the western Soviet Union. The INF Treaty, because of massive French resistance, did not affect French nuclear forces; but as the result of common pressure from the superpowers, it did eliminate the German Pershing Ia. There can be no doubt today that the Soviet Union and the United States both agree that the U.S. SDI Program must *not* be extended to the West European NATO partners, since that would allow them to escape the superpowers’ nuclear control.

The “partnership” between the superpowers, as it was explicitly characterized in the Andropov *Der Spiegel* interview, has been aimed at doing the most possible to hinder and, if possible, prevent the formation of an economically, politically, and ultimately militarily strong and independent Western Europe. The superpowers refused, and continue to refuse to accept the shift of the absolute and relative weight of global potential. It is in this perspective that we must see the irregular warfare being carried out against Western Europe, with its huge psycho-political mass campaigns (the

so-called anti-nuclear and peace movements). Indeed, it is no accident that eminent economic leaders such as [Dresdner Bank head Jürgen] Ponto, [German Employers’ Association head Hanns-Martin] Schleyer, or [Deutsche Bank head Alfred] Herrhausen, who worked to develop a western Central European economic zone, were the victims of terrorist attacks. And the same is true for leading representatives of the military-industrial complex in France, the Federal Republic [of Germany], and Italy.

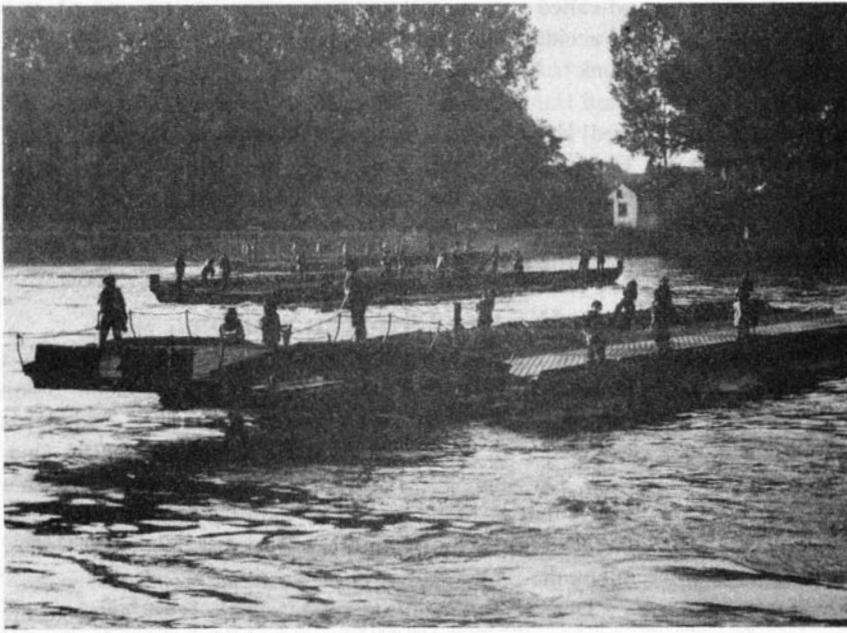
U.S.-Western European ‘economic war’

The American establishment’s hardening stance against its allies in Western Europe (and also against Japan, South America, and the pro-Western Third World as a whole) is revealed with brutal clarity in the so-called Webster Doctrine. On Sept. 19, 1989, CIA director William Webster stated that he now sees U.S. national security primarily threatened, not by the military power of the Soviet Union, but by the economic power of Western Europe and Japan.

Despite diplomatic statements from Washington to the contrary, the U.S. establishment has been deeply disturbed by the process of creating the European domestic market by 1992. Above all, the U.S. establishment hopes to enlist the aid of the United Kingdom and the Netherlands, as well as international financial institutions such as the International Monetary Fund, in order to water down the European Community’s domestic market as much as possible and gain influence over it. Washington’s profound “disturbance” concerning the European Community’s common market increases, of course, by orders of magnitude with the approaching prospect of an expanded western Central European economic region which would include East Germany, Czechoslovakia, Poland, and Hungary. Apart from certain advanced military-industrial technologies, in which the United States continues to be the world leader, this economic region would be far and away the most productive, expandable economic region in the world. We can imagine the reaction of the Bush administration when LaRouche put forward his project for the Central European triangle of real economic expansion in December 1989.

In reality, war is always total war; that is, the military never stands alone, but is only one dimension alongside politics, culture, and, above all, the economy. As LaRouche has repeatedly emphasized, strategy must always be understood as “grand strategy” which includes the political, cultural, and economic along with the military. In addition to the two parameters referred to above—the parallel, but not equivalent, internal economic weaknesses of the Soviet Union and the United States—comes a third, additional parameter: the Soviet-American condominium for strategic control of Western Europe; and a fourth one: the increasingly aggressive thrust of the U.S. establishment against its NATO allies in the western Central European economic zone.

Simply compare the Webster Doctrine with the key points



The French Army Engineering Corps preparing a war bridge over the Rhine River, in the LV '88 Exercises of NATO. Conducted under the command of a German Territorial Army, such exercises are a model for Franco-German military collaboration. The bridge part in front is aptly named "Carnot" after the great French strategist and engineer.

of the original NATO treaty. The fact is largely overlooked today, that in the NATO treaty of April 4, 1949, military assistance is only first mentioned in Article 5, whereas before that, in Article 2, one finds the statement, "The treaty partners will contribute to the further development of peaceful and friendly international relations . . . by promoting the preconditions for internal stability and well-being. They will strive to eliminate conflicts in their international economic policies, and will promote economic cooperation between the various individual or all parties."

Up to this now, only a small circle of international policymakers and economic leaders have had any consciousness of this highly dangerous split within NATO. But the progressive economic crisis in the United States over the course of this year will bring this bitter reality into the consciousness of the general population. It is now clearly foreseeable that the Bush administration will react to the economic crisis, which can no longer be denied, with a "scapegoat" reflex, and the Federal Republic and Japan will be made primarily responsible for what is actually a self-induced economic crisis. This will lead to massive, overt tensions within the Alliance, possibly even to the breaking-point.

NATO: parallels 1966 and 1990?

As already mentioned, we cannot escape the impression that the year 1990 could show astonishing parallels to the years 1965-66. At that time, France under de Gaulle withdrew from the military integration of NATO, and eliminated NATO troop presence and NATO bases in France. Could the Federal Republic and other continental European states be forced into a similar situation? The following questions are on today's strategic agenda:

- Could economic conflicts and obstruction of German unity, and the simultaneous obstruction of a greater Central European economic region, by the United States in cooperation with its condominium partner the Soviet Union, lead to a Gaullist reaction by the Germans?

- Could the Germans then be forced by the American-Soviet condominium into the corner of a "New Versailles"? Is it not conceivable, that the condominium powers might tie their "agreement in principle" to German unity to massive, tribute-like economic demands or, even "war reparations" in connection with the signing of a formal peace treaty?

Should we not expect that German unity will be tied to security policy conditionalities which will lead not only to undercutting German sovereignty, but also to eliminating the very possibility of a Western European defense system?

What is true for all alliances, is also true for NATO, namely: Alliances live only as long as the sum of shared goals and interests is greater than the sum of conflicting interests and contrary goals. Is continued membership in NATO still in the interest of the Federal Republic of Germany? Is it still in the interest of the French and Germans—Western continental Europe—to maintain the Atlantic Alliance? The answer would certainly have to be: Yes, but not at any price! And secondly: The present structure of NATO cannot remain the form of the Atlantic Alliance in the future!

A new Atlantic Alliance

Furthermore, in 1966, de Gaulle did not leave the Atlantic Alliance, but only quit the military organization of NATO. It is in our interest—that of Germany, France, and Western continental Europe—to maintain the Atlantic Alliance, even under extremely difficult conditions. Several

things speak in favor of this:

First, despite extraordinary cultural decline and degeneration, there still exists a common cultural potential on both sides of the Atlantic.

Second, the Atlantic Ocean must be kept open as an economic and military-strategic line of communication, precisely to keep open the potential for economic cooperation and interaction.

Third, what André Beaufre wrote in 1966 is true today: "Under these conditions, it is essentially a matter of maintaining the closest ties to the United States, in order to be in the position to have influence on American decisions and to accommodate our own course to the foreseeable development of American strategy." The foreseeable social and economic convulsions in the United States will free up new political forces there that have been suppressed up to now, or who, like LaRouche, have been politically persecuted. Continental Europeans will "quite pragmatically" incorporate the American dissidents into their considerations, just as they did—even if only at the last moment—with the dissidents in the Soviet Empire.

Military strategy follows lines of force in the real economy. This will express itself in an unavoidable restructuring of the Atlantic Alliance. It will begin quite concretely with the fact that the military-strategic condition of threat that underlies the previous NATO structure is changed and will increasingly continue to change. The connection of economy and military potential in the Soviet Union manifests itself in the fact that the profound economic crisis in the Soviet Russia makes it difficult, if not impossible for it to maintain the military-strategic positions it has occupied up to now in Central Europe.

This connection between the Soviet Union's economic crisis and its military potential is not mechanical. The Soviet Union's "military-industrial complex" (MIC) consists of their one economic sector which remains intact, as the result of its preferential control over the best in personnel and material resources. It is not so much the absorption of economic resources by the MIC that is blocking a recovery of the Soviet economy, as it is its complete insulation, which prevents the technologies and advances in technology achieved in the MIC being made generally available. And we must be vigilant against the idea that dismantling the Soviet military presence in eastern Central Europe will "save costs," i.e., resources, in some mechanistic way. On the contrary, in the short term there will be enormous logistical costs for the withdrawing and redeploying inside the Soviet Union. Finally, it is absolutely not the case, that the withdrawal of Soviet forces from eastern Central Europe would probably free them up for tasks associated with quelling domestic rebellion, since for the most part, these forces' high degree of mechanization makes them unsuitable for such deployments.

The objective pressure, produced by the economic crises, to dismantle the Soviet military presence in Eastern Europe,

is having a political impact. It is here that we see reflected the enormous energy loss and erosion of power which the Soviet leadership has suffered domestically, as the result of the socio-economic crisis and its massive and manifold effects every area of social life in the Soviet Empire.

The people's will as the driving force

Second—and here we pick up on our initial point about the revolutionary character of the changes in the Soviet Union—the people themselves have become a central determining factor. The will of the people is the cause of the historic changes in the Soviet Empire. The Soviet leadership's action or inaction in the past months toward the peoples of eastern Central Europe, but also toward those in the Soviet Union itself, is the effect of the people's will expressing itself. The Soviet leadership is reacting to the people's will, is being forced to accommodate to the people's will.

The degree to which the people's will manifests itself politically in eastern Central Europe is not the same as, and is obviously further advanced than it is within the Soviet Union itself. But even there it is effective in multifarious ways. It is fascinating to observe how many strategic experts confuse cause and effect. For eastern Central Europe, and the Soviet Union itself, Lenin's characterization of a revolutionary situation is true: It exists "when the people refuse to go on, and their rulers are unable to go on."

Up to this point, the revolutionary ferment in the consciousness of the peoples of the Soviet Empire has had virtually no effect on the Soviet Union's *material* military potential. But the effects on its personnel, in the collective consciousness of the armed forces, will be of overwhelming significance. The moral psychological condition of the Soviet armed forces will be of enormous importance in any strategic assessment of the situation. Obviously, the Soviet leadership has at its disposal a broad spectrum of possibilities for influence and manipulation, especially among the armed forces. Especially regarding Germany, there exists a profound negative potential in Russian nationalist sentiment. We must consider that deliberate measures by the Soviet secret service can be utilized to construct an emotional reaction based on Russian nationalism. It is conceivable that Soviet services could be planning to stage "Gleiwitz" incidents in eastern Central Europe [the incident Hitler staged and then used to invade Poland]. It is not difficult to imagine what emotional reactions could be produced in the Russian people if terrorist groups, guided by the secret services, were to carry out bloody, terrorist attacks, on the model of West European terrorists, against Soviet military personnel, for example, in East Germany.

Even if we consider the possibilities of massive psychological manipulation of the population and armed forces in the Soviet area of power, it is at least questionable whether the degree of basic trust, motivation, and necessary allegiance of the Soviet army still exists for carrying out military

attack operations beyond the borders of the Soviet Union itself.

The peoples and governments of Czechoslovakia, Hungary, and Poland have already unmistakably expressed their desire for the withdrawal of Soviet troops. It is only with great difficulty that the Soviet leadership will be able to resist this pressure. After the upcoming March 18 elections in East Germany, the previously taboo subject of the Soviet occupation army in East Germany will be put on the political agenda. Even before a complete withdrawal from Hungary, Czechoslovakia, and Poland, the question of communication lines to Russia for the Western Group of Soviet Armed Forces will become more and more problematical. The military operational capability of the armed forces in the reforming eastern Central European countries within the context of the structure of the Warsaw Pact hardly exists anymore. In the event of a Soviet military confrontation, its "rear flank" would be quite exposed to extortion, and even to offensive operations. Freedom of operation in its rear flanks and secured communication lines play an overwhelming role in the operational thinking and actions of Soviet armed forces.

The 'transitional phase' in Europe

The presence of Soviet armed forces in eastern Central Europe, and especially in East Germany, is currently receiving critical support from the expressed wish of the Bush administration that they remain there, even if in reduced numbers. There is no other way to understand the U.S.-Soviet agreement, pushed by the Bush administration, on the upper or lower limit of 195,000 Soviet and U.S. troops in Central Europe—i.e., in Germany. This Bush administration policy is in blatant contradiction to, first, the objective internal political pressure in the Soviet Union to withdraw their armed forces from eastern Central Europe; and, second, to the expressed wish of the peoples of eastern Central Europe for the withdrawal of Soviet armed forces from their countries; and, third, to the security interests of Germany and Western Europe.

We are also obliged to conclude, conversely, that the presence of the United States in the Federal Republic is likewise supposed to be secured in this manner. Moreover, the legal demands of the United States as a victorious power of World War II toward a Germany pushing toward unification, no longer rests essentially upon U.S. economic superiority, but rather on the political weight of U.S. military presence in West Germany.

And with this, we return to the question of the necessary restructuring of the NATO alliance. There is no doubt that the U.S. military presence in Germany and Western Europe was indispensable until the revolutionary changes that began in the fall of 1989 in eastern Central Europe. American forces in Europe were an unconditional prerequisite for deterrence against the superior military power of the Soviet Union in Central Europe. For the reasons given above, the advanced

position of the Western Group of Soviet Armed Forces on the Elbe River has suffered strategic erosion not from outside, but from within. At the present moment, we find ourselves in Central Europe in a very difficult "transitional period," in which the Western Group, despite considerable reductions, remains on the bank of the Elbe. It therefore cannot be excluded that the Soviet Union's still available military potential in Central Europe could be used for threats, extortion, confrontation, or even for a military "flight forward." It is the absolute duty of military strategy to plan for the "worst case." Unfortunately, we cannot categorically exclude the possibility that the Moscow leadership would launch military actions as "madness with method." Nonetheless, grand strategy must not become fixated on, and limited by planning for the military-strategic worst case.

No one can predict the outcome of the the bloody confusion which, unfortunately, we can expect to engulf in the Soviet Empire. The fact remains, however, that the present Soviet Union will have the task, as the future Russian nation-state and world power, to enter into long-term, economically based cooperation with the western Central European economic region now coming into existence. This "Berlin formula," conceived by LaRouche in October 1988, is one side of the answer to the real possibility of a military flight forward by the Soviet Russian leadership. Only the western Central European economic region is capable in the short term of bringing about an enormous increase in real economic productivity that will make available the goods necessary for the regeneration of the economy of a consolidated Russia. Only this initiative goes to the heart of the life-and-death crisis in Russia; only this approach leads to successful conquest of that crisis.

German 'neutrality' is absurd

The second side to a credible answer to the possibility of a Soviet Russian military flight forward in Central Europe, is the establishment of a convincing Western European military deterrence and defense capability. The necessity for Western Europe deterrence and defense arises in the short term from the continuing presence of the Western Group of Soviet Armed Forces on the Elbe. In the medium and long term, however, the necessity of Western European deterrence and defense stems from the foreseeable reorganization and consolidation process in Russia. A Russian national state within the context of legitimate boundaries will also be a nuclear global power with large armed forces.

For this reason, the idea of a neutralized, or virtually neutralized Germany is absurd. A neutral Germany would be completely exposed to the strategic undertow of the consolidated major power of Russia. The remainder of Western Europe simply lacks the economic, political, and military potential to resist the Russian superpower with a neutralized Germany within the Russian sphere of influence. But if it flows from what we have said, that it is necessary to create a

Western European deterrence and defense system, then the question remains whether a continued U.S. military presence in the previous structure of NATO is necessary or sensible.

Here we should an essential aspect, namely, the significance of nuclear weapons as part of the U.S. troop presence in Europe. Since the founding of NATO, the American military presence in Europe has been under the "umbrella" of U.S. nuclear weapons in Europe. By this we mean not U.S. strategic nuclear weapons, but rather tactical weapons, primarily those in Germany. Since the signing of the fateful INF Treaty, a result of the condominium agreements at Reykjavik, there are no longer U.S. nuclear systems capable of covering the sanctuary of the sole conceivable aggressor, the Soviet Union. There is still nuclear artillery, with a maximum range of 30 kilometers; the Lance missile system with its 120 kilometer range; and tactical combat aircraft without effective stand-off weapons. It requires no military brilliance to recognize that the deterrence capability of these tactical weapons, which has become highly doubtful since the INF treaty was signed, would be completely absurd in the case of a foreseeable withdrawal of Soviet forces from eastern Central Europe. To threaten the nuclear self-destruction of Central Europe in order to deter Russian aggression, is simply absurd. Nuclear deterrence for both Western and Central Europe can only mean that the sanctuary of the aggressor, not the territory of the aggressor's victim, is vulnerable to nuclear attack. The present disposition of U.S. tactical nuclear weapons in the Federal Republic, as well as in the Netherlands and Belgium, is not militarily or politically feasible in the event that the Soviet armed forces pull back from eastern Central Europe. The following question also arises: To what extent could conventional American armed forces, acting in accordance with U.S. military doctrine, remain in continental Europe without a tactical nuclear umbrella?

As I already mentioned, even if the Soviet Union were to withdraw from Central Europe, even if today's Soviet Union were to become a consolidated Russian nation-state, it would remain a military world power with enormous nuclear forces. Guaranteeing the military security of western Central Europe will remain an urgent necessity. But the security of western Central Europe, of the greater Central European economic region, will no longer be guaranteed within the present structure of NATO. The greater western Central European economic region of the Paris-Berlin-Vienna triangle needs a self-subsisting "security blanket"; it requires the dimension of a credible deterrence and defense capability. For that reason, a fundamental reform of the Atlantic Alliance is an urgent necessity. And with regard to such a fundamental reform of the Atlantic Alliance, the strategic concepts of André Beaufre seem astonishingly up-to-date: "In my opinion, the key reforms called for today must aim toward bringing the Atlantic Alliance into harmony with a European defense system, closely associated with the United States. . . . The present NATO structure blocks the way to Europe, since

it prevents Europeans from becoming conscious of their own problems. . . . Europe [has] the right and duty to take its security into its own hands."

A European security system

France and Germany would have to form the heart of the European defense system. As with the creation of the European Economic Community in 1956, Italy, the Netherlands, Belgium, and Luxembourg would also come along. Spain and Portugal would be natural partners in the European defense system, and the same is true of Denmark and Norway. Great Britain's participation, if it is desired at all, should be delayed until the defense system has been internally secured. The sum of economic, political, and military potential of the six to ten member states of the European defense system would not need to fear comparisons with the potentials of the two superpowers or even of Japan, or of a future China or India. The member states of the European defense system would naturally seek the close political and ultimately security policy collaboration with Switzerland and Austria, and emphatically with Poland, Czechoslovakia, and Hungary.

Beaufre's reflections from the year 1966 concerning the formation of the military-strategic components of a Western European defense system are also extremely timely today:

- Military defense of one's country is national in character. Military security is always primarily national security. In peacetime, land and sea forces remain under national command.

- The general staffs of member states of the European defense system during peacetime will form a common military committee, from which a joint high command will be formed in defense situations.

- Air forces and a common European missile defense system, yet to be built, will be permanently under a joint command answerable to the military committee.

- The member states of the European defense system will commit themselves to close cooperation in military research and development, and the production and acquisition armaments.

- The member states of the European defense system and a common military committee will be in close military policy consultation with the United States and Canada. A naval staff subordinated to the military committee will be in permanent institutionalized contact with the naval staffs of the United States and Canada.

- For nuclear weapons, there can be "only one finger on the trigger." France's nuclear forces will remain exclusively under national command.

Only out of the combination of the economic power of western Central Europe and the resulting capacity to offer Russia (and the Third World) economic cooperation *and* the secured deterrence and defense capability of western Central Europe, will peace be assured in Europe and beyond.

Free East German elections make way for reunification

by Rainer Apel

The world will look much different after March 18, the day of the first free elections in East Germany since the end of the war. Whichever of the new political parties or alliances of parties wins the elections and forms the new government, it will operate together with the West German government of Chancellor Helmut Kohl in an entirely new political geometry.

This will be most strikingly documented in the high-level talks on German reunification between the Germans and the four Allied powers of World War II—the United States, Great Britain, France, and the Soviet Union—that are to begin shortly after March 18. It will be the first time since 1945 that representatives of freely elected bodies from all of Germany will negotiate on an equal status with the allies of the former anti-German coalition. Before these “two plus four” talks of the two Germanys plus the Four Powers, most diplomacy concerning “the German question,” the partition of Europe, cooperation between East and West in Europe, has proceeded from the basic fact that there was one German government that was freely elected and one that was not. The fact that the one part of Germany was never free to express its views, also limited the maneuvering room of the other. This will now change.

To many, and not only in the East, this is a threatening perspective. Even in France, the “closest ally of the Federal Republic” (to quote a recent statement by Chancellor Kohl), where the perspective of a “truly sovereign, reunited Germany” has publicly been endorsed by many of her political leaders, including President François Mitterrand and Foreign Minister Roland Dumas, the changes that are certain to come

after the East German elections are still meeting deep skepticism among the political elites.

But imprisoned U.S. economist Lyndon LaRouche, in a statement released on Feb. 20, emphasized that the nations of the West must emphatically support the reunification moves, and quickly. “It is urgent to proceed very rapidly now,” he said, “with the monetary integration of the G.D.R. [East German] economy with the deutschemark of the Federal Republic of Germany. To delay would mean a catastrophe for all concerned.” All Americans should support this process of unification and the early step of monetary union, he stressed, particularly in view of the bankruptcy of the U.S. economy. “We do not have any more the means to re-start the U.S. economy on a full basis, by ourselves. We will depend upon Western Europe to the greater degree, Japan to a lesser degree, to bail the United States out of the collapse. And thus, if Europe does not proceed rapidly with an efficient unification of the two parts of Germany, we in the United States and most families in the United States and localities will suffer greatly. Therefore, all of us, worldwide, all people of good will and good sense, have a common interest in the success of this unification process.”

A chance for everybody, a threat to nobody

In West Germany, the prospects for rapid developments after the March elections are already shaping policy planning profoundly. In the second half of February, this became visible in three areas: the issue of self-determination, agriculture (food supply to the East), and nuclear power.

1) *Self-determination*: “Shevardnadze is simply wrong

on German unity," declared Horst Teltschik, Chancellor Kohl's national security adviser, at a press briefing on Feb. 21. Teltschik said that the statement by Soviet Foreign Minister Eduard Shevardnadze a few days before, that German reunification would "still take several years, at least," did not correspond to reality. "He will be wondering about the things to come," Teltschik declared, "because the pace of developments is neither determined by him nor by us—it is the people in the G.D.R. that are determining it. This, and nothing else, is self-determination."

A few days before, Bonn Foreign Ministry spokesman Günther Chrobog informed the press that West Germany aims at having the upcoming "two plus four" conferences result in "a phasing-out of the privileges of the Allied powers on German affairs." Chrobog added that "under no circumstances, will the talks take place at the Allied Control Council building in Berlin, because it should be clear from the start that the Allied powers are not the ones to determine the negotiations. We want talks on a parity level."

One of the keys to that development lies in France, which already agreed to unlock the doors to full German sovereignty. Another important key lies in the Kremlin. If Moscow accepts that principle of self-determination and sovereignty in the sensitive case of Germany, the doors would be swung wide open to the perspective of self-determination everywhere else in the world.

2) *Securing food supplies in the East:* "There will be enough food for the East, if necessary, also from East Germany," a senior official of the Ministry of Agriculture in Bonn told *EIR* on Feb. 21. "The surpluses we have in Western Europe will suffice to keep the level of food supply in the East at least at the level it is at now." He said that Bonn's policy is to "help with the modernization of the farm sector in the East, if they want it. Once they drop this crazy policy of food autarky, they'll become more flexible and can produce grain, feed grain, and certain categories of fruit and vegetables that are still hard to find there now."

The East German farm sector could become a "prosperous food supplier to the rest of Eastern Europe and even the Soviet Union, very soon," the official declared, adding that "since those countries are not part of the European Community and won't be before 1993, they will be able to produce what and how much they want, not being bound to any production quotas. Brussels [headquarters of the European Commission] has nothing to say in the East, not yet."

This reference to the Brussels quota system limiting food production in Western Europe is important: Once it is proven that substantial Western investments in the ailing Eastern farm sector can vastly increase the production of food in a relatively short period of time, a vital principle is established for the rest of the world, especially the starving developing sector.

Once a policy of investments is launched by the West German government, and it seems it is fully committed to do

so in order to help secure food supplies in the Soviet Union and Eastern Europe, the era of anti-farming straitjackets is over. West Germany is the biggest single contributor of the European Community budget. Any substantial change in Bonn will necessarily affect the Community budget, and it is high time that the restrictive quota policy in Brussels be thrown out the window, that Europe's farmers be free again to mobilize their production potentials for the good of the world.

3) *Nuclear power:* Due to the growth of the ecologist movement domestically, and political blackmail from abroad (by the Carter administration in the United States, for example, and the Soviets), the West German nuclear power sector has been frozen at its current level, and exports of nuclear technology to the Third World are at a standstill. From 1969 to 1979, West Germany sold 20 turnkey nuclear power plants abroad; since then, none.

In order to remobilize the nuclear export sector, West German firms like BBC and Siemens-KWU have tried, over the past years, and even more so after the Chernobyl disaster of 1986, to convince the Soviet Union that West German power technology was the safest and, once produced in large enough quantities, also the fastest to get. The Soviets always said "no," but the Feb. 10 meeting between Chancellor Kohl and Soviet leader Gorbachov seems to have lifted the ban. A few days later, Siemens-KWU spokesman Heinrich von Pierer told the press that his company is well positioned to supply all of Eastern Europe and the Soviet Union with the most modern turnkey nuclear power plants. They could be produced on a kind of assembly line, which would vastly reduce costs and production time. While the Soviet Union is not capable, as shown in the East German project of six new power plants that have been under construction in Stendal since 1976, to deliver the plants in less than 10-14 years, West Germany's nuclear power sector hopes to be able to do so in less than four years, by 1993.

For East Germany, nuclear power is the only way out of its present technology of lignite-based production of energy. For the rest of the world, a powerful, export-oriented nuclear power industry in Germany offers a viable chance of solving the chronic energy shortage.

Will Moscow keep its promises?

The central question to be answered is: Will the Soviet leadership stick to the spirit of "good cooperation and mutual friendship" that reigned at the meetings on Feb. 10 in Moscow between Kohl and Gorbachov? Will the Kremlin leaders see their advantage in keeping good company with the "goose that lays the golden eggs" of the productive industrial nations of Western Europe like Germany?

LaRouche, in remarks issued on Feb. 21, underlined that "Mr. Gorbachov is not nice, nor is he entirely a fool. He's only a simple thug, but he understands a few basic things. First of all, he understands, as the Soviets have been saying

How Kohl went with the LaRouche policy

Although the toppling of the Berlin Wall on Nov. 11 seemed to many like a bolt out of the blue, it was not so to those Western political and economic leaders not blinded to their zeal to bolster Mikhail Gorbachov's utterly failed perestroika restructuring program in the East bloc. Information is now turning up indicating that by mid-1989, a grouping around West German Helmut Kohl had paid careful attention to the recommendation issued by U.S. economist Lyndon LaRouche late in 1988, that the West offer Moscow substantial help in rebuilding the East European economies, in exchange for a Russian acquiescence to German reunification.

Chancellor Kohl reportedly first conveyed such a message to Gorbachov and the Soviet leaders at the peak of the refugee crisis in August-September 1989, and did so again in early December after the fall of the first transition government of the communists in East Berlin on Dec. 3.

Details of Kohl's communication with Gorbachov in 1989 are not known, but sources close to the chancellor leaked that he made an offer of the following kind: West Germany would provide substantial economic and financial assistance to reforms in the Soviet Union, for Eastern Europe and East Germany, on the condition that Moscow give the official go-ahead for German reunification and for a stabilization of the political reform process in all of the East European glacis. Kohl made the condition that a reunified Germany would remain in the Western alliance,

and that it be a nation living under the Western paradigm of values. The chancellor urged Gorbachov to meet with him on the German issue as soon as possible, to have the stabilization of the East German economy begin without any further delay.

Kohl's message was buried in the drawers of the Kremlin, the reason being, as sources close to the chancellor believe, that Gorbachov was opting for a major strategic breakthrough at his scheduled Dec. 2-3 summit with U.S. President Bush at Malta, such that Soviet concessions on the German question would be unnecessary. In other words, Gorbachov, who is closely tied to the Anglo-American financial circles known as the "Trust," chose to collaborate with the American establishment spokesman Bush, whose country, as the Soviets should have known, was certainly not in a favorable economic condition to come forth with anything attractive to help the Kremlin out of its economic convulsions. Moreover, given the wreck which the U.S. economy has become, Bush would not have been able to help Gorbachov, even if Bush had wanted to do so.

Meanwhile, throughout the summer and early autumn of 1989, official Soviet propaganda kept hammering on Kohl's policy as being "revanchistic" and a "threat to peace and stability in Europe," and the ruling East German communist party, the SED, launched a broad campaign against the alleged "threat of neo-fascism encouraged by West Germany."

Thus, although Kohl's first personal encounter in December in Dresden with Hans Modrow, East Germany's transitional prime minister, was not unsuccessful in that at least it paved the way toward future rapprochement between the two German governments, Kohl's initiative for broader East-West cooperation was blocked and neglected by Gorbachov throughout December and January.

for over a year, that unless Mr. Gorbachov can put food on the table of the Russian people, that he's doomed, and that whoever can put food on the Russian table, is the accepted leader of all the Russians. . . . Mr. Gorbachov has caught on to the principle of the golden goose. Now, this doesn't require any great amount of learning on Mr. Gorbachov's part, since everybody in Moscow knows that the G.D.R. and the Czech economies were the backbone of the Soviet economy, and without the Czech and G.D.R. economies, the whole Russian economy goes ge-flop!"

Gorbachov himself, in an interview published in the *Pravda* Feb. 21, praised Chancellor Kohl as a "man of peace," which is even the more remarkable, as Kohl was addressing a crowd of 150,000 East Germans at a campaign

event of the anti-socialist Alliance for Germany in the city of Erfurt.

Gorbachov went out of his way to stress that "the Germany of today is different. . . . There is no denying the German people have learned the lessons from Hitler's rule. . . . New generations matured in both German states. Their view of Germany's role in the world is different from the one that existed over the past 100 or so years and particularly in the period of Nazism."

Gorbachov pledged that the "Soviet Union will not stand in the way of German unity," claiming that the Soviet Union "has never stood in the way" of German unity in the past 40 years. Gorbachov gave a chronological rendition of past Soviet proposals for the creation of a united Germany, listing

Gorbachov's overdue response

At the beginning of February, Gorbachov suddenly sent a message to Bonn that he would like to see Chancellor Kohl in Moscow Feb. 10-11. The request for a meeting was presented as having the status of "utmost urgency," according to sources around Kohl in Bonn. Apparently, this was the long-expected official response from Gorbachov to the Kohl initiative of early December. The only reasonable explanation for Gorbachov's move was that he realized he was in deep trouble and recalled Kohl's offer, and was possibly willing to grant concessions on the German reunification issue in return for substantial economic aid from West Germany.

Whether aspects of this high-level communication between Bonn and Moscow got leaked to some analysts, or whether it was "in the air" by accident—the new situation was reflected at the International Wehrkunde Conference in Munich Feb. 2-4. Here, at the annual, high-powered gathering of about 200 leading NATO politicians, military and strategic analysts, the German issue and Moscow's views on it had become the center of the entire discussion.

In the midst of the heated discussion at that gathering, several speakers pointed out that the crisis of the Soviet empire has reached a point of no return. Moscow had only two options: either go in the direction of a military strike abroad or crackdown internally, or both; or, grant concessions in exchange for economic help.

"The Red Army," said Karl Kaiser, president of the German Foreign Policy Institute in Bonn, "can't really be used anymore for the reconquest of Eastern Europe . . . the classic instrument of Kremlin power politics, the military, has lost its geographical base of operation because of the changes caused by the revolutionary developments of the recent past."

"There are democracies in all of Eastern Europe now," said Kaiser, "and this means their armies would fight against the Red Army, should it try to reconquer what was lost on the political level. Even the NVA [East German army] would defend the G.D.R. achievements against Moscow."

While Kaiser, like most of the conference attendees, warned that the volatility of the situation in the Soviet Union meant immense dangers to peace, the former Dutch minister of defense, Willem van Eekelen, made an effort to spread confidence that Gorbachov's internal weakness would force him to make substantial concessions to the West. Van Eekelen said there was no time anymore for unconditional, Malta-style arms control concessions of the West to Moscow: "The West should not pay any price for the withdrawal of Soviet troops from Eastern Europe. . . . The Soviets actually have only few options left, so I think that in the context of discussing troop level cuts, we should not pay any price when there is no need to pay a price."

Van Eekelen said that with "some good deal of certainty, the Warsaw Pact military organization will disintegrate, the Soviets will withdraw all their troops from Eastern Europe, and I am very certain that German reunification will come anyway. So why pay a price for something that is going to happen anyway?"

As for the confusion in the West about Gorbachov's strength, van Eekelen declared, "Gorbachov is a great prober. He tries something, to see if it works, and when it doesn't work, he'll come up with something else. So we should wait until he comes up with something else."

As the developments around Gorbachov's meeting with Kohl in Moscow documented, van Eekelen's evaluation was quite accurate. The Soviet leader made concessions.—*Rainer Apel*

March 1952 (the Stalin Note proposing a reunified but demilitarized Germany), the 1955 meeting of the Four Power foreign ministers, 1957, 1958, and finally again in 1959. He blamed the West for having prevented all these past chances for German unity from having materialized.

"The Germans themselves should decide on the state forms, the timing, and conditions for realizing their unity," Gorbachov said. But having said this, he proceeded to list as conditions the inviolability of European borders, including special guarantees for Poland's borders, and measures to preserve the "security" and "stability" in Europe. He did not cite neutrality of Germany as a condition. Gorbachov did reiterate what formed the centerpiece of the demands he put forward to Kohl in Moscow,

namely economic conditions. Gorbachov stressed that German unification must not mean "moral, political or economic damage" for the U.S.S.R.

The reunification of Germany will cause no damage; indeed, it will help to repair the damage left behind by 70 years (in the Soviet case) or 45 years (in the case of Eastern Europe and the eastern part of Germany) of ruinous socialist policies. LaRouche's proposal for a productive triangle of industrial activity from Paris to Vienna to Berlin, thereby combining and developing the vast potentials of a reunified German nation with those of its most important neighbor and ally in the West, France, and of the neighbors in the East like Poland and Czechoslovakia, would work like an assembly line for laying "golden eggs."

British Establishment prepares to dump Margaret Thatcher

by Mark Burdman

The British Establishment is rapidly losing patience with Prime Minister Margaret Thatcher. Were it only a matter of the devastation she has caused to the British economy itself, the Establishment could perhaps tolerate her for some time yet. But her consistent foreign policy blunders, particularly her obsessive hostility to German unity, coming on top of the economic devastation, have made the situation intolerable. Britain is now threatened with a catastrophic loss of influence in Europe and throughout the world.

From their own standpoint of reference, many British influentials comprehend what Lyndon H. LaRouche has been saying about Mrs. Thatcher in the past days. In LaRouche's formulation, a Germany moving toward unity is emerging as the centerpiece of a Western-Central European "golden goose" that will lay the "golden eggs" that will help revive the world economy. Mrs. Thatcher, by contrast, is acting like a "silly goose," squawking hysterically against the Germans. Her attempts to destroy the "golden goose" are only doing damage to Britain itself, both by denying Britain the potential benefits of an economic-industrial boom in continental Europe, and by shutting Britain out of the historical political developments on the European continent.

LaRouche has stressed that the "golden goose" issue brought about a divergence of views between Thatcher and Soviet leader Mikhail Gorbachov on the subject of Germany: While Thatcher maintains her ideological obsessions, Gorbachov has come to the practical realization that good relations with a united Germany are vital if the Soviet leadership is to provide food and other necessities to its own people.

Certain among those in the U.K. who are hoping to dump Thatcher, don't necessarily have the noblest motives. They would prefer to associate themselves more closely with continental Europe, to shape and contain developments there, in the usual British "balance of power" way. Such Britons are at least orienting to reality, while Mrs. Thatcher would appear to be becoming mentally unhinged.

Editorials and commentaries questioning her competency and calling into question her ability to rule Britain have appeared in leading newspapers. Similar sentiments were expressed privately at a meeting at the Ditchley Park estate

over the Feb. 16-18 weekend, in the context of a meeting involving former West German Chancellor Helmut Schmidt, former French President Valéry Giscard d'Estaing, former British Prime Minister Lord James Callaghan, and others. Said one Ditchley participant: "Thatcher has been guilty of botching the whole issue of Europe, not just Germany. But to be gotten rid of, it has to happen within her own Tory party." He said that former British Defense Minister Michael Heseltine was preparing to make a challenge to Thatcher, and that others might come forward as well.

On Feb. 20, London *Times* political editor Robin Oakley reported that parliamentarians in the Tory Party were in a "state of panic" about the future prospects of the Conservative Party, under conditions of Mrs. Thatcher staying on as prime minister and party leader. More than ever, they were pointing to Thatcher herself as the problem the party faces, and "one-time Thatcher enthusiasts are inquiring if the magic has gone." Stated Oakley: "Never before under her leadership have I heard the doubts so widely expressed in her own ranks."

'A stench of decay in the air'

Of the published attacks on Thatcher, the most significant was a Feb. 21 editorial in the *Financial Times*, since this is the mouthpiece of the City of London. The paper charged: "The world has moved on, while Mrs. Thatcher has not. . . . She has allowed her personal doubts and fears to overrule the imperatives of contemporary diplomacy." It attacked her "inevitably negative-sounding signals" toward the Germans, which don't take into account "the sensibilities of Germans, East and West, who see the prospect of unification as an occasion for national rejoicing."

The City of London is indeed smarting. Reportedly with encouragement from Mrs. Thatcher's 10 Downing Street, certain powerful City institutions have, since mid-February, been running periodic raids on the Frankfurt, West Germany financial markets, hoping to destabilize the German-German talks on monetary and economic union. But this operation has only caused an upward trend in interest rates worldwide, hurting the Anglo-American markets in the process.

The fears about her foreign policy fiascos come amidst the ongoing collapse of the British economy; this is disrupting would-be partners on the European continent, a fact that is only further undermining Britain's relations to Europe.

For example, on Feb. 21, a warning was delivered to the government-owned British Aerospace (BAe) company by Henri Martre, chairman of Aérospatiale, the French state-owned aerospace company which is a member of the consortium that is producing the Airbus passenger airplane together with BAe, West Germany's Messerschmitt-Bölkow-Blohm (MBB), and Spain's Casa. He pointed to BAe's failure to resolve a 16-week strike by engineering workers at a BAe plant, and charged that this had cost the Airbus consortium as much as \$300 million, and was threatening to bring the Airbus production line in Toulouse, France to a halt.

Similarly, British obstructionism is threatening the famous "Chunnel" (Channel Tunnel) construction project that would connect Britain and France through a tunnel across the English Channel. The 10 construction companies involved in the project have insisted that they cannot work with the British director, Sir Alistair Morton. The banks that would be funding Chunnel have threatened to stop the £9 billion credit line to the project. The Bank of England was forced, over the Feb. 16-18 weekend, to take the historically unprecedented move of appointing a "buffer manager" to smoothe out the conflict between the construction companies and Morton; the bank has never before gotten involved in such a dispute.

Meanwhile, within Great Britain, there is a calamitous combination of high mortgage rates, high interest rates, and infrastructural collapse that is unmatched in any European country. Building societies raised mortgage rates in mid-February to over 15%, threatening millions of homeowners with devastation. Inflation is close to 8%, with fresh food prices for January having had their largest monthly rise in almost a decade. The British base interest rate is 15%.

On Feb. 18, London *Sunday Times* commentator Robert Harris warned that "domestically, there is a stench of decay in the air," and Thatcher is apparently "losing touch with reality." Under the headline: "Isolated in a granny's flat: will this be the Lady's chosen fate?" Harris observed that Thatcher had become isolated from the course of history, "wondering what on earth" the revolutionary movements in Eastern Europe were all about. He asked whether Thatcher had become "a relic of another age, like the elderly rulers who have been swept away in Eastern Europe." Harris pointed to Mrs. Thatcher's disorientation on foreign policy issues, "easily the worst" of these being "our attitude to German reunification."

Mrs. Thatcher's Germanophobic ravings are backfiring against her. On Feb. 18, she went so far as to call for Soviet troops to remain in East Germany to help contain a united Germany. This was too much for even the pro-Thatcher *Daily Express*, which warned on Feb. 19 that "there is little or

nothing the Prime Minister, or anyone else, can do to brake the process [of German unity]. Frantic and open attempts to do so simply create resentment in a people we shall continue to have as partners and allies for many years to come. . . . Do we really want to humiliate the Germans again? . . . This though the Germans have been exemplary democrats for almost two generations and their Eastern brothers have thrown off the yoke of totalitarian Communism?"

The London *Sunday Times* lead editorial on Feb. 18 attacked her for her "act of consummate folly" in her handling of the German reunification question. "It is always foolish to oppose something that is inevitable (and it has been inevitable that Germany would be reunited from the moment the Berlin Wall was breached), doubly so when, like Britain, you are without real power to slow down the course of events," the paper argued. Furthermore, "Mrs. Thatcher's use of language has only made matters worse," as she hysterically conveys the image that "a united Germany carries the risk of the Hun going on the rampage in Europe for the third time this century. . . . Of course, there would be every reason to be dragging our feet if there was a purpose to it. But there is none. . . . Britain's future role in the world is more uncertain than at any time since the end of the second world war. Our Downing Street-dictated foreign policy has distanced us from Germany, the future dominant power in Europe, at a most crucial juncture in its history. . . . No wonder Britain is set to play only a marginal role in the reshaping of Europe, an increasingly irrelevant voice that nobody bothers to listen to."

The paper made the observation, that British and Soviet policy toward Germany was no longer synchronized, since Soviet Gorbachov was more of a "realist" than Thatcher on the German question.

On Feb. 22, London *Times* commentator Ronald Butt charged Thatcher not only with being "counterproductive" toward Germany, but also with encouraging a "licensed racism" toward the Germans. Butt stated: "We should give up our obsession with the particular horror of Hitler's 12-year rule, which pretends that it represented something peculiarly German, and ignores the reality: that in the worst atrocities there was no lack of willing executants among people of other nations. . . .

"We are in danger of a new kind of licensed racism. Things can be said of the Germans which if said of any other people would be stigmatized as racist. We must put a stop to it. . . . The Government should change its tone."

Butt pointed to the fact that one day after Thatcher's speech on "containing" the Germans, the tabloid the *Star* published a two-page spread, warning of "the old Teutonic lust" and the revival of "Master Race" ideology in Germany, and counterposing photos of Hitler's soldiers goose-stepping, to supposed "young neo-Nazis" in Leipzig today. Mrs. Thatcher's attitude was helping unleash this "insensate anti-Germanism" in Britain, he said.

'Democratic Russia' takes to the streets

by Konstantin George

On Sunday, Feb. 25, hundreds of thousands of people will rally in Moscow and Leningrad, and of tens of thousands in dozens of Russian provincial centers, demanding that Russia "join Europe" and enjoy full political freedom, an end to social and economic misery, abolish Communist Party rule, and install a constitutionally guaranteed multi-party system. These demonstrations will not be confined to Russia, but are also set for the major cities of Ukraine and Belorussia. They are occurring one week before the March 4 elections for republic parliaments, regional and local governing bodies in the Soviet Union's "big three" Slavic republics: Russia, Ukraine, and Belorussia. These elections will witness a rout of the existing Communist Party apparatus.

The process of democratic revolution that has totally transformed Central and Eastern Europe since October has crossed into the Russian heartland. Where it goes is an open question, but as of early February, a movement campaigning for Russia to follow the path of the democratic revolutions has come into existence.

The first taste of this was seen in the Feb. 4 crowd of over 300,000 in Moscow who demonstrated for creating a genuine democracy in the Soviet Union. Throughout late January and the first half of February, mass protests in the Russian provinces and in Ukraine forced the resignation of more than a dozen regional party leaderships, from Sverdlovsk and Ufa in the Urals, to Volgograd, to the Ukrainian industrial and coal-mining centers of Donetsk and Voroshilovgrad.

'Russia at a crossroads'

The movement has crystallized around a new electoral bloc called Democratic Russia, which was formed on Feb. 19, to run candidates in the March 4 elections for the Russian Federation's Supreme Soviet, or parliament, and for local and regional bodies throughout Russia. Democratic Russia's platform demands that Russia not miss its historic chance to join the path taken by "most other European nations," referring to the democratic revolutions in Eastern Europe. Its platform has been given maximum publicity by its publication in *Ogonyok*, a weekly read by 20 million Russians.

The program contains the dramatic and true statement that "Russia now stands at the crossroads, whether it follows most of the other European countries and takes the difficult but peaceful, democratic, parliamentary path, at the end of which bread and freedom await everyone . . . or whether

Russia is plunged into bloody convulsions."

This statement encapsulates the great hope and great fear, seen so vividly in the faces of the hundreds of thousands who turned out in December to pay their last respects to Dr. Andrei Sakharov, that is serving as the "now-or-never" motor behind the growing mass movement.

The Democratic Russia bloc consists of, among others, the Russian component of the recently created All-Union Social Democratic Association; the historical association called "Memorial" (not to be confused with Pamyat, or "Memory," the Russian chauvinist movement), dedicated to erecting monuments to the victims of Stalin; the informal soldiers' trade union-type association called "Shield," and the "April" grouping in the U.S.S.R. Writers' Association. The program includes the demand that human rights, in conformity with the U.N. Convention, be incorporated into a new U.S.S.R. Constitution; that a multi-party system be formally created; that the powers of the KGB be drastically limited; and guarantees for freedom of enterprise, the right of land ownership, and broad powers for each republic, including the right to veto any laws from Moscow conflicting with their constitutions.

The Russian movement suffers most from the absence of any leaders of national stature. The untimely death of Dr. Sakharov in December deprived it of someone who had the potential to emerge as a genuine non-communist national leader. This vacuum is being actively exploited by populist, power-hungry demagogues such as Boris Yeltsin, who will win a seat in the new Russian parliament and intends to use it as a springboard for election to the post of President of the Russian Federation. As the Yeltsin case shows, Russia being Russia, this mass movement is open to manipulation.

But the candidates of Democratic Russia, and of allied pro-democracy, national sovereignty movements in the other Slavic republics—the national Ukrainian Rukh movement and the Belorussian Popular Front—will win heavily in the March 4 elections, at the cost of Communist functionaries. These elections will be preceded by Feb. 24-25 elections in the three Baltic republics, which will serve as the means for these republics to attempt to achieve full independence already this year. The March 4 electoral sweep will pave the way for the next surge of mass demonstrations and demands for Russia, Ukraine, and Belorussia to "join Europe."

The effect of the democratic revolutions in Eastern Europe on Russia and Ukraine is so strong that it has become a primary reason behind Moscow's rush to remove all its troops from Czechoslovakia by early 1991. Were it not for huge logistical problems—like how to provide housing back home for these troops and their families—Moscow would be removing them even faster. According to Czechoslovak sources, the Soviet side in the troop withdrawal talks has made no secret of the fact that they want the troops out because they fear that these 75,000 troops are being "contaminated" by the Czechoslovak revolution.

National problems in Eastern Europe go back to post-World War I treaties

Formerly an Hungarian insurgent in 1956, Mr. Sujanszky is currently president of the Association des Combattants hongrois de la liberté (Association of Hungarian Freedom Fighters). He was interviewed Jan. 23 by Joelle LeConte Rosenberg in Paris, and the interview has been translated from the French by EIR staff.

Q: Could you talk to us about the consequences of the Treaty of Versailles, of Clemenceau's role, and of the errors of French policy?

Sujanszky: Incontestably, all the national problems which one sees suddenly arising in Eastern Europe had their origin in the policy errors of the winners of the First World War. Instead of creating a Europe based on peoples' right to self-determination, with the treaty of Versailles, the Treaty of Saint Germain, and the Treaty of Trianon, they redrew the borders from inside an office, a negotiating room, without asking the opinion of the people who lived in those territories. And naturally, this artificial cutting-up created the kernels of discord between the neighboring states in central and Eastern Europe. The consequences, above all those of the Treaty of Versailles, with the elements of it that were so negative for the German people, were the development of totalitarian ideology among populations exasperated by this unjust treaty.

The Treaty of Versailles is therefore responsible for the birth of Nazism. (I must remark that the other factor that favored the development of Hitlerism in Germany, was the danger of Marxist-Leninist Bolshevism, which in that era had already shown that it represented neither the working class, nor social justice, nor peace, but was an ideology based on the oppression of peoples by a terrible police terror, and which caused, between 1917 and 1933, a veritable genocide in the Eastern Part of Europe, territory of the Soviet Union.) The countries of Central Europe and of the East, including Germany, were particularly concerned by this Bolshevik

danger which threatened the Weimar Republic.

So, on the one hand, unbearable conditions for the population had been created by the Treaty of Versailles, and, on the other hand, the imminent threat of seizure of power by the Bolsheviks was developing, thus permitting Hitler to develop his totalitarian theory as a self-defense solution. Without the Treaty of Versailles and without Bolshevism, which was manifesting itself in a more and more dynamic imperialism, Nazi totalitarianism would never have been able to develop in the midst of the German population, nor take power on the occasion of an election in 1933.

Of course, the Treaty of Versailles affected the Germans, but at the same time, it created political instability between Germany and Czechoslovakia, and between Germany and Poland. The Treaty of Saint Germain and the Treaty of Trianon dismantled the Austro-Hungarian Empire and created a hotbed of potential flareups in Central Europe and in the Balkans. Hungary suffered the most from the Treaty of Trianon. If you look at a geographic and political map of the eleventh to the fifteenth centuries, Hungary appears as a sovereign and independent state with a territory of 300,000 square kilometers, with natural borders to the east and south, formed by the Carpathian Mountains, whereas in that era you don't find a trace of countries like Czechoslovakia, Romania, and Yugoslavia. After 1920, with the Treaty of Trianon, this thousand-year-old territory was sliced up unjustly, without a plebiscite, without a referendum. The borders had been redrawn at the negotiating table of Palais Trianon, such that two-thirds of the millennium-old territory of Hungary was detached and attributed to two newly created countries, Czechoslovakia and Yugoslavia, and to Romania, which doubled its territory with the acquisition of Transylvania. All this artificial cutting up, without taking popular will into account, nor the principle of self-determination, created in Eastern Europe animosity between neighboring countries, which the Great Powers manipulated for their own interests.

The masterpiece of these unjust treaties was the blind policy, imbibed of sentiments of vengeance vis-à-vis the Germans and Austro-Hungary led by Clemenceau, president of the Council, and by France, a policy which enormously contributed to the development of conditions that allowed Hitlerism to reach power in Germany. France's and Clemenceau's policy are, indirectly, responsible for the outbreak of the Second World War.

Q: What do you expect from the famous perestroika policy of Gorbachov?

Sujanszky: It must be realized, 70 years since this unjust treaty, imposed arbitrarily by the winners in World War I, that many problems remain still as unhealed sores on the body of European society. And these more or less scarred, but still, unhealed sores are very adroitly utilized by Gorbachov in the framework of perestroika. We know very well that the Soviet Union's policy has always been very supple and capable of making unpredictable contradictory turns, which surprise and disorient their enemies. The first perestroika of Marxist-Leninist imperialism was produced in Lenin's day, when he abandoned the principle of Marxism-Leninism which consisted in suppressing all private property and reestablished, on a provisional basis, private property in agriculture, during the NEP [New Economic Policy].

The second perestroika, which took the whole world by surprise, took place in 1939, when Stalin signed a treaty with his mortal enemy, Hitler, the famed German-Soviet treaty. And he even turned over to the Nazis, German Communist militants who had taken refuge in the U.S.S.R. after Hitler took power. It is incontestable that Stalin wanted to provoke the outbreak of the Second World War between the Third Reich and the Western democracies, because he hoped that the belligerents would weaken each other and Europe would be ripe for a Bolshevik revolution. And if revolution did not produce itself in a European country, then the Red Army, intact, would set off to obtain the Bolshevization of all of Europe.

Hitler's clear victory in the West upset the plan of Stalin. That is why he hoped that Germany, to bring England to its knees, would undertake a grand invasion action by the Wehrmacht into the British Isles. Meanwhile, Stalin prepared a formidable military concentration on the western frontiers of his empire, primed to unleash a blitzkrieg attack against Germany when Germany's army was fully engaged in combat with England.

Hitler figured out the ruse of Stalin, who had used the German-Soviet treaty as a trap to spring World War II, and he gave up his invasion plan against England and launched a surprise attack on the Soviet Union: That was "Operation Barbarossa." It is an indisputable historical fact that the aggression of the Hitlerian army against the Soviet Army was a preventive war; otherwise some weeks later, the Soviet Union would have taken Germany by surprise.

For tactical reasons, to deceive Hitler and the Western democracies, the Soviet Union was able to do an about-face, and to ideologically disarm and upset so many sincere and idealistic communists around the world.

The third perestroika of Soviet Union: The regime of Tito, after 1945, was considered by Moscow as the most solid communist regime in Europe, outside of the Soviet Union. In 1948, for strategic reasons, it was denounced by Stalin as a traitor regime, which had become the "lackey of the American imperialists."

With these spectacular changes in Moscow's tactics, Tito, one of the most loyal and authentic communist leaders, turned into an enemy to be beaten. Of course, seven years later, in 1956, for tactical reasons, the same Tito, the "mad dog of American imperialism," became again, in Moscow's official line, a "communist comrade of great and authentic value."

The fourth perestroika, the most important in the history of the Soviet Union, was Khrushchov's decision to launch de-Stalinization in February 1956 during the XXth Congress of the Communist Party. Stalin, considered by communists around the world as the greatest personality of universal history, the "father of the peoples," he who had conquered Hitler, who opened the radiant future of communism for all the "oppressed," was suddenly booted out by the new Kremlin leader and treated like one of the biggest criminals of universal history.

With these perestroika tactics, Moscow wanted to put the vigilance of the free world vis-à-vis Soviet imperialism to sleep and to create an adequate policy for unleashing the era of "peaceful coexistence." In all the satellite countries, the ruling Communist Party immediately lined up on the new orientation of Moscow, retransmitted by the KGB conveyor belt. The liberalization of Khrushchov's regime resulted in a consequence unforeseen in the Soviet plan, the outbreak of the Hungarian revolution of October 1956. The extremely supple and deceptive tactics of Moscow provoked unexpected consequences: Moscow had to utilize the means of Stalinism: the intervention of the Red Army, policy-state terror, to channel events.

In the course of these 30 years of "peaceful coexistence," inaugurated and unleashed by Khrushchov with his de-Stalinization, the Soviet Union has made strategic advances on all the continents (Vietnam, Cambodia, Laos, South Yemen, Angola, Ethiopia, Mozambique, Guinea, Cuba, and Nicaragua). We reached, thanks to the sound policy of Reagan, a situation where Moscow felt the need to develop a new tactic so as to put the vigilance of the free world back to sleep, and recover its imperialist dynamism, which had slackened.

It's in this framework that we must view the perestroika of Gorbachov. He is trying to give a new image to the Iron Curtain countries which is very sympathetic, because he promises a democratic transformation based on respect for human rights. In the wings, it's the same all-powerful KGB

pulling the strings—The KGB which, since its founding by Dzerzhinsky under the name of Cheka, has remained the major builder and guardian of the Soviet Union as a world power.

We must not forget that Gorbachov is the protégé of the KGB and that the whole apparatus of this super-political police stand behind perestroika. How can one believe in the sincerity of transformations of Marxist-Leninist totalitarianism toward an authentic democracy without the removal and suppression of its major support, the KGB?

The Communist Parties are crumbling to dust in the East bloc. But on the contrary, the secret police, the KGB's subsidiaries—although this is well dissimulated in Western media and public opinion—remain intact. The nationalities problems, an untreated sore since 1920, and even earlier, are very adroitly utilized by perestroika, and hence by the KGB. Certain events are provoked which tear open the tender scars and cause the unhealed, merely disguised, sores to appear.

The KGB is trying to draw on the sympathies of the great Western powers by its policy of perestroika, which is nothing but a ruse to obtain the maximum support from the peoples of the free world, and this support must not be only political and mediating, but also economic and technological, which is what the Soviet Union today needs so badly.

In ripping open the scar tissue of old wounds, Moscow leads people to think that the existence of the central power of Moscow is necessary in order to prevent nationalist discord between the peoples of Eastern Europe and of the center. It's a remarkable, adroit, and deceptive, tactic whose efficacy can be measured by the willingness of Western politicians to get into bed with Gorbachov and the Soviet Empire.

Q: What is going on with Transylvania, the former province of Hungary which was attached to Romania in 1920?

Sujanszky: Being Hungarian, I am of course very sensitive to the problem of Transylvania, unjustly detached by the wrong policy of Clemenceau in 1920—detached from Hungary and stuck onto Romania without a plebiscite, without respecting the principle of self-determination of peoples. Nonetheless, my main concern remains the difference of conception which exists between democratic societies based on the respect for human rights, and the totalitarian Marxism-Leninism embodied by the Soviet Union. In this framework, territorial problems, which do indeed exist, pass for me into the background. I think that in a united, free, and democratic Europe, such thorny problems, which originated from unjust treaties of the past, are going to find their equitable solution, which will have to be founded on reciprocal loyalty between peoples, on respect for the human rights of minorities, and on the principle of self-determination of peoples. But to get to that point, Marxist-Leninist imperialism, which has committed innumerable crimes against humanity in the same way as Nazism, must disappear definitively off the world political chessboard.

Book Review

A journalist's view of the Pacific War

by Dean Andromidas

Pacific Microphone

by William Dunn

Texas A&M University Press, College Station,
Texas, 1989

399 pages, hardbound, \$19.95

If you have read several histories of the Pacific War or biographies of General Douglas MacArthur, then I highly recommend *Pacific Microphone*. This very readable book is the wartime memoir of a CBS correspondent who covered the Pacific beat, starting a few months prior to the outbreak of the Pacific War to the Allied victory in August 1945. Make no mistake, the book does not intend to be a history, but is Mr. Dunn's personal memoir of his experiences in that historic conflict. Its usefulness lies in the ability of the author's anecdotes and personal observations to add a third dimension to so many of the modern two-dimensional histories, dry books that, more often than not, are revisionist tracts that only succeed in distorting history to the purpose of their authors. Although Mr. Dunn is clearly a conservative by political persuasion, his observations are not at all made through ideological spectacles.

Being fairly well read in the Pacific War, this reviewer found that many of Mr. Dunn's personal observations and anecdotes lent greater insight into the events, political developments, and leading personalities that were part of that great war.

Mr. Dunn left for the Far East at the beginning of 1941, on a 90-day assignment that lasted nearly four years, first touring the pre-war U.S. colony the Philippines; the colonies of the British Empire including Singapore, the Malay states, Burma, and India; and the Dutch East Indies and China. He also visited pre-war Japan, observing its war mobilization, which was even apparent to a newscaster's superficial glance.

His observations on a region enjoying a dubious peace, while war raged in Europe, is testimony to how the public mind was so unprepared for the realities of war, especially the American population. A case in point is what he saw of Americans in Manila after the outbreak of war between Nazi Germany and the Soviet Union in June 1941. At that time, U.S. government policy, as early as the beginning of 1941, called for all dependents of American government and military personnel to evacuate the Philippines, which many had done. Nonetheless, many of these returned following the expansion of the European theater into the Soviet Union, with the attitude that “war will never come” to the Pacific. This hysteria permeated the American community, right up to the attack on the Pearl Harbor on Dec. 7. The hysterical illusion of peace crumbled under the dreadful reality of having to spend what became the next three and a half years in Japanese internment centers.

Mr. Dunn spent the first weeks of the war in the Dutch East Indies. He recounts how the Dutch military and civilian community, whose own soil was under Nazi occupation, had very few illusions in those dark pre-war days: After all, Japan would ultimately march to war to satisfy the need for East Indies oil. He recounts how the failure of the Dutch defense effort was due to a complete lack of the equipment necessary for defense and how those tools were denied by Great Britain and the United States. Mr. Dunn comments that, in this respect, the Allied effort was strictly to serve Anglo-American interests. He returns to this theme later on. In 1945, after MacArthur retook the Philippines, General Sutherland, MacArthur’s chief of staff, called him into his headquarters to brief him on the status of plans MacArthur had made to liberate the Dutch East Indies from the Japanese. Plans would not be carried out, according to Sutherland, because the British High Command had put up opposition. That decision, Dunn tells us, would lead to the bloody and protracted independence struggle in the Dutch colony, which contrasted to the bloodless transfer of independence enjoyed by the Philippines.

The bulk of Mr. Dunn’s narrative is taken up with the war itself, giving the reader a war correspondent’s view of General MacArthur’s brilliant campaign on the long road back to the Philippines and the eventual conquest of Japan. Unlike the liberal correspondents of the period, who took every opportunity to tag MacArthur as an egoist or an authoritarian personality, Mr. Dunn paints a true and insightful picture of a great soldier. Although he considered himself a personal friend, Dunn was by no means among MacArthur’s inner circle; nonetheless, his recollections and comments give important insights for anyone concerned with the MacArthur story; one wishes there were many more. Among Dunn’s personal friends and acquaintances were many of MacArthur’s leading commanders, including Adm. Thomas C. Kincaid, MacArthur’s naval commander; Gen. George Kenny, his air commander; and especially Gen. Robert L.

Eichelberger, 8th Army Commander. By means of these contacts, Mr. Dunn is able to set the record straight on the many hundreds of wild stories that are circulated to paint MacArthur as an egoist.

Although one would have hoped for more on MacArthur, the Pacific War was one of the longest and hardest ever fought, and Mr. Dunn does not leave the reader feeling as if he is suffering with historical leftovers. *Pacific Microphone* is one man’s war story and gives insight into how the war profoundly changed the lives of everyone involved. As a correspondent, Mr. Dunn was a noncombatant, but that did not make it any easier, which is underscored by the death of no less than 18 of his colleagues. His description of the challenge of reporting that war to the American people through their living-room radios also makes interesting reading. In those days the electronic media was still in its primitive stage—nonetheless, all newscasts were broadcast live, leaving the reporter with the challenge of finding a microphone close to the battle zone, but not too far from the broadcast facilities that reached the stateside studios.

The role of great culture in the war

In reading a wartime memoir, one is always struck by the profound differences in life then and now, after 40 years of postwar “peace.” One example was the cultural life in the war. In contrast to the image that Hollywood promotes of the USO roadshow by today’s show business personalities, there was actually a strong appreciation for classical music. One of Dunn’s close military acquaintances, Air Force Gen. Paul B. Wurtsmith—who eventually became commander of the 13th Air Force—was a great devotee of classical music. In the midst of the war, Wurtsmith rescued Dunn’s own sizable collection of classical records from an Australian second-hand shop by flying in a B-17 Flying Fortress bomber to ferry them to his front-line airbase in the Philippines. Another moving anecdote tells how, after three and a half years of war, the Viennese conductor of the Manila Philharmonic Orchestra, organized his musicians literally out of the ashes of a liberated, but largely destroyed city, to perform Beethoven’s “Eroica” symphony in the burned-out remains of Manila’s Santa Cruz Cathedral as a celebration.

The only problem with *Pacific Microphone* is that it ends too soon. After detailing his work from day one of his “90-day” assignment, the main narrative ends following the surrender ceremonies aboard the battleship *Missouri*. In a brief epilogue Mr. Dunn recounts a few very interesting observations on the Korean War, including when he accompanied General MacArthur on his reconnaissance of the Yula River, then deep behind enemy lines, in MacArthur’s unarmed and unescorted aircraft. We are only informed through reading the book’s jacket that Mr. Dunn left CBS and returned to the Philippines to rebuild the Manila Broadcasting Company and then spent six months covering the Korean War for NBC.

Hopefully Mr. Dunn is considering a sequel to this book.

Democracy movement puts Nepal's monarchy on the spot

by Susan Maitra and Ramtanu Maitra

The simmering political crisis in Nepal erupted on the streets of the major cities Feb. 17, when a combined opposition consisting of the banned Nepali Congress party and a United Left Front launched a movement to bring democracy back to this strategically situated Hindu kingdom. The confrontation between the pro-democracy crowd and the monarchy-supported "partyless" government has already caused at least 30 deaths, left hundreds injured, and led to the arrest of more than 1,200 political activists. The bloodiness of the confrontation indicates that neither side is yet ready to throw in the towel.

Although the combined opposition has not yet made an official demand for removal of the monarchy, the demands they *have* made, if met, will significantly curb the power of King Birendra. As the Nepali Congress party has articulated it, the movement demands restoration of a multi-party system, the right to free association and the freedom to form trade unions. Nepali Congress spokesman Rishikesh Shaha told the *Times of India* that King Birendra alone could defuse the crisis by granting the demands, adding that there was no possibility of a compromise with the king. "No, there are no options," Shaha said. "Even if Nepal is an independent country, today the Nepali people are not free. They can't breathe freely."

The confrontation is of vital interest to both China and India, Nepal's immediate neighbors. India, which has given shelter to Nepali Congress leaders for years, will be interested in seeing the democracy movement succeed. It is a foregone conclusion that sooner or later Nepali officials will accuse India of providing moral, if not covertly material, support to the movement—accusations that Beijing could be expected to echo. China has cultivated King Birendra and his father to significant practical strategic advantage over the past 30 years.

Seeds of confrontation

The seeds of confrontation were planted in the 1960s, when King Mahendra, Birendra's father, engineered a military coup to dismiss a democratically elected government and put the ruling Nepali Congress party leaders behind bars. A year earlier, the country's first and only democratic elections had brought the Nepali Congress to power. Following the coup, King Mahendra imposed a partyless *panchayat*

(council) system in which 112 members are elected by adult franchise and 28 are nominated by the king. Only individuals who denounce a multi-party system are allowed to contest, and, for the most part, only those candidates who enjoy the full approval of the palace are elected. Once elected, members of parliament passively endorse decisions of the cabinet, which receives its instructions directly from the palace.

The Nepali Congress, the largest political party in Nepal, was banned more than 30 years ago and its leaders have been systematically persecuted. Many sought asylum in India, and, over the years, have developed strong links with Indian politicians across the party spectrum. In 1986, following a series of meetings with Nepali Congress leaders, King Birendra gave indications that he would allow the banned party to rejoin the mainstream and participate in the May 1986 elections to the Rashtriya Panchayat—but the hints were never followed through.

Last year, following the impasse between India and Nepal on trade and transit issues associated with lapsed bilateral treaties governing relations between the two nations, the democracy movement began to gather momentum. In September, student bodies sounded a call to unite and fight for the establishment of democracy in Nepal. The pro-Moscow group, which had until then been one of the staunchest backers of the partyless system, was among the movement's leaders.

Socialist International in the fray

When the banned Nepali Congress decided to hold a public conference in Kathmandu, Nepal's capital, in January, focusing on a political resolution calling for the launching of a mass movement to restore democracy, it was clear that the storm would soon break. Fearing violent repercussions otherwise, the palace allowed the meeting to take place. The conference declared Feb. 18 to be "Democracy Day" in Nepal. The proceedings got a boost with the participation of a number of senior Indian politicians from the ruling Janata Dal as well as the opposition Congress (I). Although the Indian High Commission stayed away, diplomats from the United States, West Germany, and Israel were present.

Though the Nepali Congress leaders have friends among Indian politicians, they in fact look more to the affiliates of

the Socialist International than to India's Congress (I) party. India's National Front government has at least one leading light, Minister of Railways George Fernandes, who is a prominent member of the Socialist International, and an outspoken proponent of independence for Tibet. But reports indicate that bigger fish than Fernandes are already in the fray. The *Times of India* reported on Feb. 14 that Willy Brandt himself is likely to come out in support of the Nepalese struggle, and that the Socialist Democratic Party of West Germany may send observers. It has also been reported that a West German television team will be "on location" to record the course of the democracy movement.

Already some human rights groups have been activated. The Human Rights Organization of Nepal, HURON, has warned U.S. Ambassador Julia Chang Bloch to desist from actions that might be interpreted as anti-democracy. HURON has also taken note of a remark by Richard N. Haass, special assistant to George Bush and senior director for East and South Asian Affairs, to the Asia Society in January. Haass said, "The first and most important challenge facing us [in South Asia] is the need to make democracy permanent."

In spite of the dubious links that the Nepal democracy movement has established, India would like to see it flourish and succeed simply because it may curb the growing anti-India policy of the palace and its cozying up to China, in particular.

The China factor

The Nepali monarchy's efforts to distance itself from India and get closer to China began in the early 1960s, when the tension between India and China began to surface. In the face of a violent resistance struggle from the ousted Nepali Congress and India's protestations against the royal coup, King Mahendra began to stroke Nepali chauvinism. The Sino-Indian border clash, which humiliated the Indian Army, gave Mahendra the opportunity to enlist the Chinese in his anti-India campaign. Construction of the Kathmandu-Kodari road, which connects the capitals of Nepal and Tibet, and strident anti-India statements by visiting Chinese Vice Premier Chen Yi in 1962, increased India's suspicion about the palace game. At the end of King Mahendra's reign, China got involved in cotton textile projects and geological surveys along the Indo-Nepal border, in what India took to be a play to undermine the 1950 Indo-Nepal Treaty of Peace and Friendship.

King Birendra, who took over after his father's death in 1972, did little to improve things either with India or domestically within Nepal. In 1973 Birendra told *Newsweek* magazine that Nepal "is not a part of the subcontinent; it is really that part of Asia which touches both China and India." By 1988, when King Birendra imported a significant consignment of anti-aircraft guns and other arms from China, India's trust had been sorely frayed. Delhi considered the act a deliberate attempt to violate the spirit of both the 1950 treaty and

the 1965 agreement on import of arms. Earlier, in 1985, King Birendra had tried to involve China in the western sector (the Kohlpur-Banabasa section) of the east-west highway, since China submitted the lowest bid for the Saudi Development Fund- and World Bank-funded project. India preempted the King's move by providing a \$50 million grant to Nepal.

One of King Birendra's central strategic-political gambits, to which India has also not taken kindly, is the campaign to establish Nepal as a "zone of peace" launched in 1975. The zone of peace proposal, which internationalized Nepal's security, in effect abrogates the treaty of 1950. It is no surprise that China was one of the first countries to endorse the proposal. Chinese Prime Minister Li Peng, who visited Nepal last November, stated that China wanted to see Nepal as a zone of peace. China would always support Nepal—"no matter what happens in the international situation"—Li Peng vowed, adding his appreciation for Nepal's "understanding approach toward China after the counterrevolution in Beijing," a reference to the Tiananmen Square massacre of June 4, 1989. Now that Nepal is in difficulty (over trade and transit issues with India), Li said, China would try its very best to provide moral and other support to Nepal.

In contrast to the palace's continuing effort to nettle India, leaders of the Nepali Congress believe that India is Nepal's natural ally.

Monarchy on shaky ground

So far, the pro-democracy movement has not called for the ouster of the royalty, and there are reasons for it. The Nepali monarchy is considered the incarnation of the Hindu god Lord Vishnu by the population at large. Still, neither King Birendra nor Queen Aishwarya is considered above criticism. There are constant rumors about Birendra's perpetual drunkenness and Aishwarya's involvement in drug trafficking. In short, though the royalty still dazzles rural Nepal, some of its glitter has certainly tarnished.

More significant have been the recent statements of some of the pro-democracy leaders. Recounting his meeting with King Birendra, Nepali Congress spokesman Rishikesh Shaha said: "I told him three things that day. I said, 'Your Majesty, you are sitting on a volcano.' And I told him that his palace had become a center of corruption. And lastly, that he should put the political process back on track without getting involved in it himself. My advice was not heeded. Now we will know whether or not monarchy itself has outlasted its utility."

It is clear that the monarchy is on the spot. Whatever the outcome of the immediate battles ahead, it will continue to lose strength and credibility. A bloody crackdown will put the royal house on death row. On the other hand, allowing a multi-party democracy to emerge may save the monarchy from sudden death, but only at the cost of gradual extinction, its vise-like grip on every aspect of life in Nepal decisively loosened.

British perfidy hands Hong Kong to P.R.C.

by Mary Burdman

One thousand people are now leaving the British colony of Hong Kong each week, and the numbers will grow after the government of Margaret Thatcher, in its latest act of perfidy, yielded to the Communist Chinese government on all important demands in final negotiations over the future of Hong Kong the week of Feb. 12.

The final version of the Basic Law, which will govern Hong Kong after Britain yields sovereignty to China on June 30, 1997, gives Beijing the ability to do whatever it wants. Most of the final negotiations were not conducted by the official Basic Law Drafting Committee, which includes representatives from Hong Kong, but in secret diplomacy between the Chinese Foreign Ministry and British Ambassador to China Sir Alan Douglas, one of those "Foreign Office Sinophiles" who are doing all they can to save what they call "commercial communism" in China.

The Thatcher government is betraying the Chinese democracy movement. One million Hong Kong citizens demonstrated during typhoons to support the Tiananmen demonstrators on May 31, 1989. Hong Kong sent millions of dollars to support the demonstrators, and was the center for support operations from all over the world. After the crackdown, it was people in Hong Kong who ran, at the risk of their own lives, the underground railroad that brought many of the Tiananmen leaders to safety.

British-Chinese condominium

"Between now and 1997, the British intend that the government of Hong Kong shall be a kind of 'condominium' whereby they will provide the day-by-day administration; China will take, or have a veto over, major decisions and apply behind-the-scenes pressure to get its way on what it deems to be 'sensitive' topics," the Hong Kong-based *Far Eastern Economic Review* wrote Feb. 1. "Britain has clearly signaled that its desire for 'convergence' between the pre- and post-1997 political systems in Hong Kong overrides all and any promises of representative government and protection of basic liberties."

What makes British perfidy even worse, is that the 1984 Sino-British Joint Declaration is not even a binding treaty. At any time, the agreement could be repudiated, especially in the wake of the June 4, 1989 Tiananmen Square massacre and the nationwide crackdown in China. Britain's pretense of championing direct elections to the legislature, is even

more absurd. There are no elections in Hong Kong now, and schools are not even allowed to teach about democratic processes.

Of far greater interest to the British government is paying tribute to the now-senile Deng Xiaoping. Deng, who has made the regaining of Hong Kong and Taiwan top priorities, told the 51-member drafting committee Feb. 17 that the Basic Law is a "masterpiece of creativity" and "a historical event not just for the present and for China but for all mankind." Deng, who nominally has retired from power, was flanked by Prime Minister Li Peng, President Yang Shangkun, and Communist Party head Jiang Zemin, who was there to clarify all of Deng's mumbled statements to the audience. In April 1987, Deng stated that Beijing would tolerate criticism, "but if they try to turn Hong Kong into an anti-mainland base under the cover of 'democracy,' we will step in."

Deng has done just that. A lot of brouhaha was made about London's standing up for one or two more directly elected Legislative Council seats, but actually Britain simply yielded to China on even more important security issues. China agreed to allow direct elections for 20 of the 60 members of the Council by 1997, instead of the 18 it earlier proposed. But this was a pyrrhic victory. The protracted negotiations over the number of seats preempted more important issues, including the choice of the Chief Executive, which Beijing will just appoint, and an independent judiciary.

Beijing has all provisions for a crackdown on Hong Kong in place. The wording of the Basic Law on declaration of martial law is sufficiently vague to allow Beijing to do what it wants. Any actions which would "subvert the central people's government" have been declared illegal. This law is already in force, as demonstrated when Beijing expelled two members of the drafting committee, leaders of the Hong Kong Alliance in Support of the Patriotic Democratic Movement in China, Martin Lee and Szeto Wah, in October for their "subversive" activities. Both have been warned they could be prosecuted after 1997.

Foreign groups of "a political nature" are banned from activity in Hong Kong and Hong Kong groups are not allowed to work with foreign groups. The formulation is so vague that it could easily be applied to human rights groups, churches, and trade unions. Senior positions are closed to anyone with the right to abode outside Hong Kong, nullifying Britain's supposed "confidence-building" measures.

Thousands of Hong Kong students reacted to the announcement by demonstrating in the streets and burning copies of the Basic Law in front of the Xinhua News Agency office, the de facto Chinese embassy in Hong Kong. Hong Kong leaders said that if such an agreement had been reached in an Eastern European country, Britain would be the first to cry "half a democracy is no democracy at all," the London *Times* reported Feb. 17. Activist Szeto Wah told demonstrators not to believe anything the British or Chinese governments promised, and to continue fighting.

U.S. sets up military dictatorship in Panama, as resistance spreads

by Carlos Wesley

President George Bush's attempts to consolidate a colonial protectorate on behalf of the drug cartels in Panama is facing growing resistance. According to a recent poll, 80% of the Panamanians rejected the invasion, and oppose the continued U.S. occupation of the country. The poll, conducted by "Cadena Millonaria" radio network, was the first expression of popular sentiment since the invasion, and belied Bush's claims—still being promoted by the liberal U.S. major media—that Panamanians "overwhelmingly" welcomed the invasion.

Americans who still buy that liberal media line, or the excuse that Bush was waging the "war on drugs," should be informed of the following realities, which are going unreported in the United States.

First of all, almost every day there are protest demonstrations. On Feb. 21, the Public Employees Union (FENASEP) rallied to demand the reinstatement of 3,000 of their members, fired by the quisling Endara government for political reasons. The same day, *La Estrella de Panama* published an open letter from doctors at the Social Security administration protesting "the inquisition" being carried out against their ranks.

Even the so-called "Civic Crusade," erstwhile supporter of the U.S.-installed regime, is threatening to become an opposition. Unless the regime gives in to its demands to fire experienced civil servants, to be replaced by members of the "Crusade," the group will take to the streets, said spokesman Raul Mulino. The Crusade was created, financed, and run by the U.S. secret government apparatus known as Project Democracy, to mobilize against the former nationalist government of Gen. Manuel Noriega.

There are rumors that the U.S. may soon replace Guillermo Endara, the President installed by the invading troops—a tool of the Cali Cartel of Colombian cocaine traffickers, as documented in *EIR* and even exposed, recently, on page 1 of the *New York Times*.

The puppet regime is unable "to sustain itself without foreign rifles," charged a manifesto issued Feb. 12 by several leading members of the PRD, the former ruling party. The manifesto (see *Documentation*) denounces the preventive detention of thousands of suspected opponents of the occupation, without due process. It adds: "Peace and security will be unattainable due to their incompatibility with the U.S. objective of justifying a permanent presence on national territory. With that objective, the invaders have devoted them-

selves to creating situations of instability, to make themselves indispensable for Panamanian peace of mind."

Democracy? What democracy?

New evidence obtained by *EIR* shows that the Bush administration has established a military dictatorship in Panama. Contrary to Bush's claims that the Dec. 20 invasion "reestablished democracy in Panama," the documentation shows that the day-to-day administration of Panama is in the hands of American officials. According to a table of organization of the Panamanian government prepared by the U.S. occupation authorities, every single government agency in Panama, from the presidency down to the mayors of provincial capitals, and each police precinct, is under the control of the U.S. officials.

The table lists two U.S. officials at the same level as alleged "President" Guillermo Endara, one of whom is John Bushnell, the second-ranking official at the U.S. Embassy in Panama. "First Vice President" Ricardo Arias Calderón, who is also the minister of government and justice, has two officials assigned to his ministry: a Colonel Pryor, who is identified as the "CA-CAT," and a Mr. Brownfield from the State Department. So does "Second Vice President" Guillermo "Billy" Ford, who is also the minister of planning and finance: Lt. Col. Harley and a Mr. Blackman from State. Similarly the Ministry of the Presidency is assigned to Lt. Col. Ely and to a Mr. Brownfield from State, Education is under the control of Captain Vargas and Mr. Wolfe from the Pentagon, and a Mr. Williams from State, and so on.

According to reports received Feb. 22, some 2,000 U.S. troops are arresting scores of political and labor leaders in the western province of Chiriquí. This repression is intended to erase the nationalist spirit fostered by Gen. Omar Torrijos, and continued by Noriega, so as to facilitate the imposition of a colonial regime, charged labor leader Mauro Murillo in a statement Feb. 14 (see *Documentation*). "This means privatization of the state companies; increasing reform of the Labor Code; suspending labor agreements; creating a new minimum wage scale; supplanting labor organizations with a Costa Rica-style formula; and the mass firing of public employees," said Murillo.

As part of the privatization policy, the government is even selling off the helicopters and other aircraft of Panama's Air Force, reported *La Estrella* on Feb. 22.

Panamanian labor leader: 'The fight goes on!'

Statement issued in Panama on Feb. 14, 1990, by labor leader Mauro Murillo, general secretary of the Panamanian labor federation CNTP, and vice-president of the Latin American Federation of Communication Workers.

During the Torrijos era, organized labor and the people in general lived moments of splendor, of advancement and of progress; the unions grew and achieved many collective bargaining agreements; we won a more effective and advanced Labor Code. Workers, peasants, and the whole population participated in the management of the state, because our opinions were consulted; the project of national liberation was consolidated, as was the fight for our sovereignty and for the eradication of the colonial enclave that wounded the heart of our Fatherland.

The dream of our people turned into a nightmare on Dec. 20, 1989, when the U.S. Army troops, in a cruel and cunning way, invaded our soil with every kind of war-fighting technology, massacring our army and our people. Genocide was committed in the name of democracy, under the pretext of capturing a man who opposed the United States' warlike and interventionist plans in Latin America.

To this day, we Panamanians are unable to determine how many Panamanian and American actually died as a result of the infamous invasion. Here, only those regular forces that fought the invader, are spoken about, but there is no mention of how many people were killed by the American shrapnel, by the fire, the bombs and the laser rays; women and children, the old and handicapped were victims of Yankee arrogance.

On the eve of the invasion, a government beholden to the geopolitical and economic interests of the United States was installed; a government which does not think with its own head, which does not walk on its own two feet, and which doesn't work with its own hands, because it sees in the United States for the solution to all economic and political problems. This means worsening the degree of dependency of our people, perpetuating the presence on our territory of American troops and military bases. That is why the Panamanian army was destroyed for the second time in our history.

The invasion worsened the sociopolitical and economic

situation of Panama: commerce was destroyed by looting; there is more unemployment than ever, and many people are now homeless because their homes—especially in Chorrillo and San Miguelito—were destroyed by the bombing and the fire. Since there is no protection, because the Panamanian Defense Forces were dismantled, the thieves and assailants are ravaging the barrios and neighborhoods; there is no night life, because of a curfew at 12 midnight; many media are running a campaign of persecution and slander against individuals who were linked to the previous government, for one or another reason. That is, political revanchism is being promoted; an environment presenting the previous government as entirely corrupt has been created.

The population is being distracted with this kind of campaign while a plan to allow the refinancing of the foreign debt is being cooked up. The structural adjustments of the International Monetary Fund and World Bank, which we fought and halted in 1984, 1985, and 1986, will now be imposed. This means privatization of the state companies; increasing reform of the Labor Code; suspending labor agreements; creating a new minimum wage scale; supplanting labor organizations with a Costa Rica-style formula of "solidarism"; and the mass firing of public employees, of whom 2,000 have already been laid off. There is no program yet for agriculture; the state sugar harvest is in doubt; food prices have risen; and so on and so forth.

In conclusion, the people are already beginning to realize that between the famous "democracy" and the "dictatorship," there has been no change in their socio-economic status—on the contrary, they are worse off and there are no perspectives for a short- or medium-term solution; that the speeches of Panama's new rulers do not coincide with what their representatives and followers practice; the old rich families now rule, directly backed by American troops which represent the the government of the United States of America.

The people can be fooled once or twice, but not all of the time, and our people know how to fight in an organized way, as one fist, to expel the invading forces from our land, and to build a real and popular democracy that responds to the interests of all Panamanians, and not just to a single class; how to fight to prevent the entire Fatherland from being privatized, and how to prevent Panama from becoming one more star in the flag of the United States. We must fight to preserve our identity as a sovereign and proud nation: that the content, the spirit and the letter of the Torrijos-Carter Treaties be faithfully met; that the dictatorship of the parties be ended. We don't want any more governments of "elites"; we want a representative, democratic and popular government, a government where every class of people can feel represented.

History has taught us that you can persecute, jail, defame, torture, and kill a man, but never his ideals; and when the people share those ideals, there is no army nor class that can contain it. Our people experienced and savored a national

liberation plan, and will so again; what occurred on Dec. 20, 1989, rather than frightening us, outraged us by the way such barbarity was disguised and justified. Today our awareness is strengthened and our spirit magnified, because today we are suffering the arrogance of a powerful nation which has put in power a class that does not represent the interests of the people. Independent of the negative developments and excesses that could occur, this means we are moving in the right direction. Therefore, we proclaim that *the fight goes on!*

Manifesto to the national patriotic conscience

The following are excerpts from a manifesto published Feb. 12 by La Tendencia, a group within the Revolutionary Democratic Party of Panama, in its publication Quincenario Bayano. It is signed by members of the PRD leadership: Mitchell Doens, Jorge Montalván, Mario Parnther, Cecilio Simon, and Efraín Reyes.

The Panamanian people have been heroic in their difficult fight for sovereignty and authentic national independence, overcoming repeated interventions and military occupations, including the disarmament and dissolution of its armed forces. This time, with enormous war-making power and immense cruelty, the United States has tried to bury our historic aspirations forever. . . .

On the sad dawn of Dec. 20, the local oligarchy—represented by a triumvirate, and imposed by the bayonets of a foreign army and through the mourning and shedding of blood of thousands of Panamanians—reclaimed coveted political power from the U.S.'s Ft. Clayton military base.

Their statements of having been “notified of the invasion only five hours beforehand” and doing nothing to stop it, accepting and encouraging it, not only do not exonerate them as they would like, but incriminate them as directly to blame for the massacre, while defining their usurped role as illegitimate. . . .

This original sin of the regime—its inability to sustain itself without foreign rifles; thousands of dead, wounded, and disappeared; devastation and vendetta as its main political motivation—are among others the reasons why the regime cannot implement its slogans. Where is the reconciliation of Panamanians?

The trumpeted democracy is made a mockery by the political persecution and repression. The freedom of thou-

sands of patriots was trampled; they were confined to U.S. military bases and to inhuman concentration camps, where, crowded, manacled, and exposed to the elements, they were subjected to psychological torture, to the brutal sun and rain, and to lack of food and sanitary facilities.

The orphans, widows, and anguished parents who roam in search of their loved ones are denied the most elementary human right to information. They will never know to what common grave they can bring their prayers. The so-called defenders of human rights, in obvious complicity, have been unable to give clear figures on the number of victims. Nor have they denounced the occupying army's atrocities, who finished off the wounded with blows or by incinerating them; nor the sadism of those troops who ran their bayonets through the corpses left at the morgues to eliminate any possible hidden survivors, and the cremation of corpses to minimize the victim count in the bloody attacks on the poorest areas of Panama City, Colón, Arraiján, and La Chorrera.

The practice of harassing the citizenry with countless raids, at all hours of the day and night and without warrants, turns the watchword of legality into one more mockery. So too are the nominations to the Supreme Court, the comptroller, and attorney general's offices, which designations are illegal.

Justice based on legality becomes an illusion when there are no codes to back up legal proceedings. It is vendetta which promotes the insane wave of accusations and charges against every political adversary. And one cannot speak of justice and legality, when writs of *habeas corpus* go unanswered for weeks.

Without independence, the law cannot be applied justly, and there can be no independence when the censoring eye and the hidden veto is daily exercised by 400 U.S. intelligence agents installed in the public institutions, acting to safeguard their own interests, as is the common practice in a protectorate.

The thousands of politically motivated layoffs make “reconciliation” an empty word, except for the members of the Union Club, and expose the regime's demagogic nature.

Peace and security will be unattainable due to their incompatibility with the U.S. objective of justifying a permanent presence on national territory. With that objective, the invaders have devoted themselves to creating situations of instability, which then make them indispensable for Panamanian peace of mind. Similarly, by means of brutal humiliations (psychological, moral, and physical), they seek to eliminate the professional dignity of the Panamanian military and to shatter their national will by downgrading them to the mere role of orderlies, to keep them from guaranteeing security to citizens and protection to the Fatherland. It is obvious that the military before and during the invasion wore their uniforms with dignity, and will never resign themselves to playing such a sad role. This contradiction will always act against a lasting peace. . . .

CIA-FBI Mexican operative burned

The truth behind the assassination of DEA agent Enrique Camarena has yet to be told.

The U.S. Department of Justice could be getting the CIA into serious trouble, without even knowing it. On Feb. 2, the DoJ formally accused two former Mexican police officials, Miguel Aldana Ibarra and Manuel Ibarra, of complicity in the kidnaping and assassination of Drug Enforcement Administration (DEA) agent Enrique Camarena, which took place in the city of Guadalajara in 1985. The two former policemen are charged with belonging to a group of Mexican, Colombian, and Honduran drug traffickers known as the Guadalajara Cartel, which included such "notables" as Miguel Félix Gallardo, Rafael Caro Quintero, Juan Ramón Matta Ballesteros and Ernesto Fonseca, all currently imprisoned and accused of the Camarena murder.

However, the indictment makes no mention of the fact that Miguel Aldana Ibarra was (or is) a close collaborator of the CIA and of the FBI during the 1981-82 period in which he was the coordinator of the Federal Security Agency (DFS), and later, while he was director of the Anti-Narcotics Division of the Attorney General's office (1983-85), where he carried out dirty tricks for the FBI. It is also surprising that the Justice Department omitted the fact that Aldana Ibarra was the "right arm" of José Antonio Zorrilla, who was DFS director from 1981-85 and was forced to resign for his complicity with the drug traffickers ultimately indicted for the assassination of Camarena.

Although Zorrilla managed to evade for a while any indictment for his own criminal activities, his luck

ended with the advent of a new Mexican government, which arrested him in 1989. The DEA office in Mexico fingered Zorrilla in various ways as one of the protectors of Camarena's drug-trafficking assassins, but it was clear that Zorrilla's political contacts, and especially his close relations with the CIA office in Mexico City, succeeding in postponing his day of reckoning for several years. CIA collaboration with Zorrilla was the basis for a number of bitter confrontations between the DEA and CIA during that period.

The Justice Department's indictments, while intended to give U.S. authorities the veneer of dedication to hunting down drug traffickers "wherever and whoever they may be," in fact haven't the least validity inside Mexico, because there is no standing extradition treaty between the two countries. Further, if Aldana is guilty, the crimes were committed in Mexico and therefore, legally, his sentence would have to be served in Mexico. The Justice Department is fully aware of these facts, but its objective is otherwise: to use the case politically, to pressure, even blackmail, Mexican authorities, and to create the conditions for a possible paramilitary intervention by the U.S. in Mexican territory.

The most scandalous aspect of the Justice Department's action is that it maliciously ignores the fact that Mexican authorities had tried to arrest Miguel Aldana for his criminal links to Zorrilla, but had been blocked from doing so by the open interference of the CIA in Aldana's favor! On July 5,

1989, the Mexican Attorney General's office released the confession of drug trafficker and former police chief Rafael Chao, in which it was revealed that Miguel Aldana Ibarra had given Zorrilla approximately \$10 million a month to protect drug shipments from Colombia. Aldana denied the charge, but Attorney General Enrique Alvarez admitted that the charge was being seriously investigated. Every indication was that Aldana would be going to prison.

At that moment, the CIA came to the rescue. On July 30, Aldana Ibarra sponsored a lavish graduation ceremony at which he was to receive an honorary doctorate from Pacific Western University, headquartered in Los Angeles. Aldana received his doctorate from former U.S. ambassador to Mexico Joseph John Jova! The scandal was made worse by the fact that the "university" director was none other than Richard K. Lorden, a notorious CIA agent in Mexico, who praised Aldana's "spotless career."

In the early seventies, Lorden arrived in Mexico from Brazil, to work in the Mexican branch of the P.R. firm Robert Mullen Co., which functioned as a cover for the activities of CIA agent E. Howard Hunt during the dirty tricks that culminated in Watergate. The relationship between the CIA and Mullen Co. was exposed by Gordon Liddy in his book *Will*, (Dell Publishing Co., New York, 1981).

Further, the Mexican offices of Robert Mullen Co. also served as the offices of the Panamerican News Service, which employed CIA propagandist Daniel James. Panamerican was another CIA front. James and Hunt worked together in the disastrous Bay of Pigs affair, and in the 1954 Guatemala coup d'état. Later, and despite these failures, Hunt was rewarded for his services to the CIA by being named its Mexico station chief.

International Intelligence

East German election campaign heats up

Mass rallies in East Germany are turning more and more into campaign events promoting one party or another for the March 18 elections. These previously somewhat amorphous events and demonstrations are now generally shaped around a prominent guest speaker from West Germany, as in these cases:

- Chancellor Helmut Kohl addressed a rally in Erfurt on Feb. 20 of the anti-socialist Alliance for Germany.

- Bonn Foreign Minister Hans-Dietrich Genscher, a leader of the Free Democratic Party (FDP), addressed a rally of about 70,000 in Halle on Feb. 17, mostly supporters of the liberal parties.

- Otto Graf Lambsdorff, chairman of the FDP, addressed a rally of liberal supporters in Frankfurt/Oder on Feb. 18.

- Bonn Finance Minister Theodor Waigel addressed a party congress of the conservative DSU in Leipzig on Feb. 18, and arranged several speaking engagements for the rest of the campaign:

Also foreign guests are to be featured in the "hot phase" of the East German election campaign, like Neil Kinnock of Britain's Labour Party and former French resident Valéry Giscard d'Estaing, who will both address campaign events.

Rand sees a 'Dark Age' in Latin America

"Most of Latin America seems headed toward the failure of democracy and a plunge into a new Dark Age," David Ronfeldt, a geopolitician at the Rand Corp., a California think tank, wrote recently. "Its hallmarks will be . . . violence and chaos under a new generation of dictators."

Ronfeldt is a protégé of the State Department's Luigi Einaudi, now U.S. ambassador to the Organization of American States. When Einaudi was at Rand 15 years ago, it was concocting scenarios for setting the

South American nations at war with each other in a "Second War of the Pacific."

Now Ronfeldt argues, in an analysis published by Florida International University's Latin American Center, "With the United States and the U.S.S.R. out of the picture, ideology would decline while racism, regionalism and religion would increase as motives for violence. Hence, not only would terrorism against individuals increase but also the massacre of groups and communities would become a more viable and desirable option for some extremists. Large-scale migrations and refugee flows would ensue."

Ronfeldt's argument is spurious, since the Bush administration has escalated intervention in Panama and elsewhere, with Soviet acceptance. What little economic aid or concern for the region's economic holocaust used to exist is now evaporating. So, the pessimistic expectations of Rand may be close to the mark, or, at least give an inkling of what they plan to help occur.

Reuters reports that Peter Hakim, director of the pro-drug-legalization Inter-American Dialogue and others say those countries which allow their creditors to call the shots "will do well." But, Peru, Colombia, Argentina, and El Salvador should be written off.

Russian vets deepen ties with Orthodox Church

Soviet veterans of the Afghanistan war, known as "Afgantsi," are strengthening their political ties with the Russian Orthodox Church. Radio Moscow on Feb. 15 reported that special religious services are being conducted in Moscow and other cities to commemorate those soldiers who died in the war. A leader of the Afghan War Veterans Councils said: "Restoration of such traditions is indispensable for society. We are reviving our old Russian Army traditions, because it is impossible to live without roots. Traditions help us to live and grow stronger."

He praised the Orthodox Church as "one of the three stabilizing forces in Soviet soci-

ety today," together with the Communist Party and the Army.

The Orthodox Church had begun to play a big role in working with the Afgantsi in the months leading up to last year's 1,000th anniversary commemorations of the Christianization of Russia.

Israel's Arens: No need to fear German unity

Israeli Foreign Minister Moshe Arens said on Feb. 17 that German reunification is inevitable and could happen within months, and that Israel should not oppose it, Reuters reports. "In my opinion there is no place for us to take a stand on this subject," Arens told Israeli television one day after returning from talks with West German leaders. "The unification is going to become a reality, maybe within a few months.

"If that united Germany is a democratic Germany . . . fully conscious of the responsibilities that it has toward the Jewish people, a country that will contribute to strengthening democracy throughout the world, then I don't think that there's a danger to be concerned about," he said.

The statement was in sharp contrast to remarks by Prime Minister Yitzhak Shamir last November, that the prospect of a united Germany was a grave concern for the Jewish people.

Arens said the government had yet to take a position on the reunification of Germany, but that Israel trusted West Germany's democratic institutions. "If there were to be a breakdown of democratic institutions in West Germany, that in itself would represent the danger. We don't foresee that," he said.

He said the visit, at Israel's request, was not connected with a recently disclosed exchange of letters between Shamir and Kohl, setting out their differences on German unity. Israel held exploratory talks earlier this month about establishing diplomatic relations with East Germany and welcomed a statement by Prime Minister Hans Modrow accepting the idea that his country bore a share of responsibility for the Nazi persecu-

Briefly

tion of the Jews—a notion East Germany has previously denied.

Romanian protesters occupy government HQ

A thousand protesters occupied the headquarters of Romania's provisional government on Feb. 18 and seized Vice President Gelu Voican. Voican was led away by demonstrators, but there was no sign of any intended violence against him, Reuters reported. Troops accompanied Voican and the protesters.

A reporter who was inside the headquarters of the ruling National Salvation Front saw Voican being jostled by demonstrators chanting for his resignation. The occupation of the building, watched calmly by about 200 armed troops standing guard, followed a demonstration by about 3,000 people demanding the resignation of President Ion Iliescu.

With tensions running high, hundreds of demonstrators broke down the main entrance to the headquarters and poured inside, occupying government offices. State television condemned the action, describing the demonstrators as "turbulent elements who have gone beyond any standard of democratic and civilized life."

Italian jurist denounces U.S. arrest of Noriega

The former president of Italy's Supreme Court, Mario Berri, denounced the U.S. prosecution of Panama's Gen. Manuel Noriega as an "atrocious" violation of international law, in an article published by the Milan Catholic daily *Avvenire* on Feb. 9.

"It is certain that in the acts of war carried out," he wrote, "the U.S.A. massacred hundreds of persons and perpetrated acts of violence of a different type against unarmed people, using the brute strength of the occupying army. . . . It follows that, even in the event that Noriega is guilty . . . the injured

state has made acts of war of significant gravity against another state, guilty only of having Noriega as its chief.

"The legitimizing of the arrest and prosecution of Noriega is based on atrocious crimes. It follows that the trial is illegitimate, since it is based on a series of crimes that the injured state itself has committed, with cold calculation. As a jurist and a Catholic, I declare that such a trial horrifies me, even with all the respect I feel toward the lives destroyed by the ignominious drug trade."

Prince Charles's ecology schemes don't wash

On the eve of British Prince Charles's arrival in the United States on Feb. 16, British farmers overwhelmingly rejected his proposal for phasing out "chemical farming" and replacing this with "organic farming." At a Feb. 13-14 meeting of the National Farmers Union, speaker after speaker lambasted organic farming, saying it would only be affordable by the "well-heeled few," and warning that phasing out chemicals in farming would dangerously lower the food supply in Britain.

Farmer Peter Needham of Cheshire stated: "Chemicals are absolutely crucial if we are going to feed the people of this country. Hungry people are not very green." Another farmer said that yields of beets, potatoes, and cereals would go down 25% in one year, and 45% over a two-year period, should use of chemicals in farming be phased out. Other speakers warned of food shortages, should there be a significant shift to organic farming.

The Prince Charles lobby in such gnostic-anthroposophist groups as the British Organic Farmers and Organic Growers Association and the Soil Association railed against the NFU's rejection of organic farming, calling the NFU's attitude "myopic" and "the typical reaction of conventional farmers who are frightened of change." Both of these groups are closely connected to the London branch of the satanist Lucis Trust.

● **NIKOLAI RYZHKOV**, the Soviet prime minister, said on Feb. 18 that the 21st century belongs to the countries of the Asia-Pacific region. Ryzhkov told reporters that Europe had long dominated Moscow's foreign policy, but the focus was now shifting to Asia. Ryzhkov spoke at the end of a tour that took him to Thailand, Australia, and Singapore.

● **CHINESE DEMOCRACY** movement leader Wuer Kaixi on Feb. 20 urged the U.N. to keep his country's human rights record under scrutiny. His speech was interrupted by the P.R.C. government delegation as he addressed the U.N. Human Rights Commission in Switzerland.

● **LATVIA'S** Supreme Soviet, after heated debate, on Feb. 15, adopted by a 177-to-48 vote a declaration denouncing a parliamentary resolution that brought the republic into the Soviet Union in 1940, saying it could not serve as the basis for its future. "It is necessary to do all to restore the state independence of Latvia and transform it into a free, independent Latvian state," the declaration said.

● **CYRUS VANCE**, the former U.S. secretary of State, is mediating contacts between Israel and Syria, according to the *Independent* newspaper of London. "There were feelers for a month or two. There are signs of change in the Syrian approach," one source said.

● **RELATIVES** of Panamanians who died in the U.S. invasion dispute U.S. claims of the number of war dead. The head of the Association of Family Members of the Panamanian Defense Forces Who Fell Dec. 20, 1989 said in a news conference, "Until now it has not been known how many really died. We calculate that between civilians and military, there were more than 1,000."

LaRouche: U.S. elites adopt administrative fascism

This statement was released by political prisoner Lyndon LaRouche on Feb. 21. LaRouche was a candidate for the Democratic presidential nomination in 1980, 1984, and 1988, and is currently campaigning, from federal prison, for Congress in Virginia's 10th District. He was jailed on Jan. 27, 1989 on trumped-up conspiracy charges.

The people in the U.S. Establishment, from the level of the Enterprise or slightly below—in other words, the old boys and some of the younger fellows of the intelligence and political intelligence establishment—repeatedly say to us of my imprisonment: “Of course, he violated the political rules by being outspoken, and therefore he’s stuck in prison, and they’ll keep him in prison until he learns his lesson and doesn’t say these things any more.”

That’s the general nature of their charge: I did not play by the rules of the consensus. I said things which were out of turn, to use Freemasonic language. I opposed policies which the majority of the Establishment had come to agree upon. I did not accept the democratic centralism of the liberal Anglo-American Establishment.

There are two things that follow from what these Establishment insiders have said. First, they all agree that I committed no crime, as charged, but was put in prison for purely political reasons. The Establishment is engaged presently in the effort to exterminate to the last vestige the political association and entire political movement associated with me.

This is a conscious understanding internationally among these elites.

What do these facts say of the judicial and other features of the political system, which is responsible for imprisoning

me? What does that say of the United States?

It says the United States is become a form of *administrative fascist* state. That is what the insiders have consented to. That is what they defend. That’s what they rationalize. They may not like it, but they’re afraid: “That’s the system.” Some of them will say, “I, too, was victimized, perhaps to a lesser degree, by the same set of rules.” Does that justify it? They say, “Well, I learned to play by the rules and therefore I’m now free, and you’re in jail, and may remain indefinitely, as long as you show this terrible attitude against submission to tyranny.”

Did we go to war to defend tyranny? Did we say, “We’re going to defend democracy,” and, now, we’re defending, instead, an evil, irrational, *administrative fascist* tyranny here in the United States?

Is it not true that the United States policy, the so-called Volcker policies of the Federal Reserve, the conditionalities policies of the International Monetary Fund, have murdered approximately a half billion people on this planet in the last dozen years or so—far more people than died as a consequence of World Wars I and II? Is it not a fact, that there are those who are aware of what this means, who know that something in that order of magnitude has occurred, that kind of genocide—and yet they condone it? What does this say of them?

There is a second thing which follows from what the Establishment insiders have said: The Furies, the Erinyes, are coming in to destroy the governing institutions of the United States, unless the United States changes its ways. Let us look at me and my friends from a different standpoint: not only as victims of tyranny, which we are, but rather as the predicates of the self-destruction of a government under

George Bush and of the self-destruction of the forces which brought this Bush government into being over previous years.

What does this say? First of all, that these are damned fools. I say "damned fools," not as profanity but in the literal, theological sense of damned fools. *Damned they are*—at least if they continue as they stand now; and all of us who consent to do what they do, are damned with them. Adhere to what church you please: You're still damned if you condone this tyranny, this evil.

The United States has adopted policies which are destroying not only the populations of the Third World, and, if possible, also Japan and Western Europe, but policies which are in defiance of the very laws of the universe.

The policies of the United States, and also of the Thatcherite trained in Britain, are bringing the world toward a new world war, which in one form or another, either as simply an erosive, planetary civil war, or a war of the sort featuring a conflict between Western forces and Soviet military forces, means the plunging of this planet into a global new dark age, worse than that of Europe during the middle of the 14th century. It means the destruction of the United States. It means the destruction, in large part, of that class which has imposed these policies upon Britain and the United States, and, in that degree, upon the world.

These idiots, with their prating about democracy and deregulation, have refused to understand that there is a lawfulness in history, especially in political-economic history, just as there is lawfulness in what is recognized as physical science. The two are not separate.

Now we see the end result of liberalism and romanticism. Look at the case of Savigny's doctrine. Savigny, following Kant and British liberalism, said that that which is true in physical science, that is, susceptible of laws which may not be violated without penalty to the violator, is not true in the domain of *Geisteswissenschaft*—the spiritual sciences, politics, the arts. But, it *is* true, because the human mind is one, as I've written in published references which document the issue in some detail.

The rules of the game

Plato's Socrates teaches that underlying every proposition, is a set of axiomatic assumptions; and, underlying any successive sets of axiomatic assumptions, there is another underlying set of quasi-axiomatic assumptions. The latter assumption determines the directedness of thought in going from one deductive or ideological schema to the next.

What is wrong with the American Establishment, and its hangers-on—those who submit to its rules of the game in a childish fashion, in the sense of Piaget's rules of games that children play—is that their axiomatic assumptions are wrong. The axiomatic assumptions underlying those axiomatic assumptions' choice, are also wrong. Hence, no matter what decision they make, as long as they play by the rules of

the game, they come not only to a wrong decision, but to a decision which is worse than the policy they propose to mend. Thus, as long as the Americans and Anglo-American Establishment cling to their present policies, they bring upon themselves their own certain destruction, together with the destruction of any idiot foolish enough to uphold that Establishment in its behavior. So we see the United States now plunging toward its doom.

My situation

I have warned the Establishment, for example, in 1971, and earlier, that unless they abandoned their monetarist policies, we were headed not only into a depression, but into political fascism of some sort, which would mean a New Dark Age for this planet. I was right; that's exactly what's happening now.

I warned in 1979, that we were heading right into such a fascist holocaust. I warned in 1982, that that was the choice. I warned and warned and warned. Each time I have put my neck out to commit myself to a forecast warning, I've been proven correct, and within the general time frame which I specified, by my method of forecasting—not by somebody else's crystal ball method. I was right in 1987. I was right in 1989, and giving the percentiles, ranging from 75% in October to 95% in April, for the second crash, following the 1987 one, to erupt between October 1989 and the middle of April 1990. The financial system is now crashing down.

I was right in 1985, in projecting the way in which the Soviet economy would go into a physical economic breakdown crisis. I was right in the fall of 1988, speaking in the Kempinski Bristol Hotel in Berlin, in forecasting the imminence of events leading toward an early unification of Germany, in the context of the upcoming developments in Poland.

I have been consistently right in these matters, and that is what I am condemned to prison for doing: warning the Establishment of those changes in its policy which it must make in order to survive. I am charged for identifying concretely not only the policies, but the method of generating policies; and the institutions of generating policies, which are leading us to destruction. I am imprisoned for trying to save the Establishment from its own folly.

Having put me out of the way for the sake of that against which I warned them, what will be their inevitable payment? They shall be destroyed. Thus, as long as I remain imprisoned, the destruction of George Bush's administration and the Establishment, and who knows what else besides, is absolutely assured. That is the truth of the matter.

Let us put to one side all this nonsense about my breaking the rules. I broke the rules of silly geese. The silly geese who put me in prison broke God's rules; God will punish them unless they desist. If I'm free, they might survive; if I'm not; they shall not. Of that I can assure them. And of that God will assure them, those poor, literally damned fools.

Havel issues moral challenge to U.S.

by William Jones

The bureaucrats and the politicians of Washington had undoubtedly never experienced the likes of the compelling address delivered to a joint session of Congress on Feb. 21 by the President of Czechoslovakia, playwright Vaclav Havel. It was the first state visit from any of the recently liberated countries of Eastern Europe. One congressman expressed great surprise that he and his colleagues—who, he indicated, had an attention span that barely exceeds a minute or two—sat “spellbound” during Havel’s hour-long speech. The mild-mannered Czech President appeared with a quiet dignity among the polished soap-commercial dandies that the U.S. political process tends to put into office (and keep there).

The Czech President, small in stature, proved himself the moral giant, as the former political prisoner issued a challenge to the wheelers and dealers in the U.S. Capitol. It remains to be seen, how they will try to measure up.

Vaclav Havel explained the higher moral basis from which he, a former “dissident” and political prisoner who had refused to emigrate from his own country as a price for being let out of prison, could issue that challenge. “The communist type of totalitarian system has left both our nations, Czechs and Slovaks, as it has all the nations of the Soviet Union and the other countries the Soviet Union subjugated in its time, a legacy of countless dead, an infinite spectrum of human suffering, profound economic decline, and above all, enormous human humiliation,” Havel said. “It has brought us horrors that fortunately you have not known. It has given us something positive, a special capacity to look from time to time somewhat further than someone who has not undergone this bitter experience. . . . We, too, can offer something to you: our experience and the knowledge that has come from it.

“The specific experience I’m talking about has given me one great certainty: Consciousness precedes being, and not the other way around, as the Marxists claim,” Havel said. “For this reason, the salvation of this human world lies nowhere else than in the human heart, in the human power to reflect, in human meekness, and in human responsibility. Without a global revolution in the sphere of human consciousness, nothing will change for the better in the sphere of our being as humans, and the catastrophe toward which this world is headed . . . will be unavoidable.”

Havel pointed out that the task facing the world today was to “enter an era in which all of us, large and small, former slaves and former masters, will be able to create what your great President Lincoln called the ‘family of man.’ ” Havel expressed fear, however, that the world seems to be “receding from the ideal rather than growing closer to it.

“Interests of all kinds—personal, selfish, state, nation, group, and, if you like, company interests—still considerably outweigh genuinely common and global interests,” he said. “There are still many who say they are concerned not for themselves but for the cause, while they are demonstrably out for themselves and not for the cause at all. We are still destroying the planet that was entrusted to us and its environment. We still close our eyes to the growing social, ethnic, and cultural conflicts in the world. From time to time, we say that the anonymous mega-machinery we have created for ourselves no longer serves us but rather has enslaved us, yet we still fail to do anything about it.”

Responsibility to a higher order

Havel then touched on the bedrock issue which has not been evident in the U.S. Congress’s behavior of late—responsibility to universal law. From the passage of the criminally stupid Gramm-Rudman-Hollings Amendment, which turns decision-making on federal spending over to a computer, to the very recent failure to override President Bush’s reprehensible veto of a bill that would have extended the visas of Chinese students fleeing the monstrous Beijing regime, the U.S. federal legislators have flouted this moral imperative, all on behalf of their cozy affair with nation’s real powers—the financial oligarchy and the liberal establishment.

The Czech President said, “We are still incapable of understanding that the only genuine backbone of all our actions, if they are to be moral, is responsibility. Responsibility to something higher than my family, my country, my success—responsibility to the order of being where all our actions are indelibly recorded and where and only where they will be properly judged. The interpreter or mediator between us and this higher authority is what is traditionally referred to as human conscience.

“If I subordinated my political behavior to this imperative,” Havel continued, “mediated to me by my conscience, I can’t go far wrong.”

During the course of his speech, Havel made himself the spokesman for the ideals of the American Revolution, the Declaration of Independence, the Bill of Rights, and the Constitution, which he referred to as the real inspiration for the revolutionary developments in Czechoslovakia. Quoting Thomas Jefferson that “governments are instituted among men deriving their just power from the consent of the governed,” Havel pointed to this as “a simple and important act of the human spirit. What gave meaning to that act, however, was the fact that the author backed it up with his life. It was not just his words; it was his deeds as well.”

LaRouche: Why Czechs chose philosopher Havel

Jailed political prisoner Lyndon LaRouche addressed in a Feb. 22 statement why Czechs turned to a dramatist, Vaclav Havel, to be their President. Excerpts follow:

Yesterday, the 21st of February, 1990, the new President of Czechoslovakia, Vaclav Havel, addressed the U.S. Congress for about an hour. Vaclav Havel is not normally what one would think of as a professional politician; as a matter of fact, he's a dramatist, a leading playwright of Czechoslovakia, who went from imprisonment almost directly into the chair of the presidency in his own country. This might happen to me, for example, or more or less.

Vaclav Havel is a dramatist. He's not as great a dramatist by any means as a Friedrich Schiller. But he is a poet, in the sense that Shelley uses the term poet in his famous essay "In Defense of Poetry." And such poets are also philosophers in principle. They may not be systematic philosophers, profound philosophers, but poetry, and drama in the vein of poetry, performs a mission, the mission of philosophy. And Vaclav Havel partakes, perhaps not as a philosopher-king, but as a philosopher-president.

What we must understand from this is that the Czech people turned to such a philosopher for their President in this time. And they did so because during the period of the quiet resistance to the Nazi-like Soviet Communist occupation of Czechoslovakia, it was philosophy, in such forms as Havel's dramatic works, and so forth, which built up the national character of the Czech people as a whole and individually, to prepare themselves for the day of relative freedom.

It is not "money talking," it is not any of these stupid things that trade union hacks and others take for political reality, that count. What counts is philosophy, and it is to the extent that we are enabling people philosophically to understand the processes of which they're a part, as well as those coming down upon them, that we prepare a people to become qualified once again to govern themselves, as the United States, in the recent period, has not been so qualified to do.

The reason that fascism was able to superimpose itself upon the United States, in the form of George Bush's administrative fascism, or the fascism of Jimmy Carter, for example, which is what it really was, is because the American people had lost the fitness to govern themselves, because

they had lost contact with a kind of philosophical viewpoint which qualifies a people to govern themselves in a constitutional way.

Americans had become pragmatist, they'd become too preoccupied with "what do I get out of it personally?" "what does my constituency get out of it as a special advantage, in competition with other constituencies?" that kind of thing. The idea of a philosophical standpoint, which a people must share with their national leaders in order to have a mutual relationship of the type properly associated with the term self-government, that philosophical standpoint has been lacking. And what we have to do above all is by various devices to bring that philosophical viewpoint to people.

Poetry and the resistance movement

Poetry is a conception. Poetry is a way of looking at the world. Poetry expresses the spirit of science, it expresses it in metaphor. . . .

Reality lies not in that which deductive method identifies as the empirical proof of the theorem. Reality lies in the change, the mathematical discontinuity, which separates two deductive theorem-lattices, as a scientific revolution changes science pervasively, so that the old science represents the form of one deductive theorem-lattice, and the new, improved, corrected science, represents an entirely different deductive theorem-lattice. . . . And that which lies between, as *change*, is the focus. . . .

To the extent that speech is organized with grammatical formalism, neither of the two lattices . . . can describe the change.

Thus, in the use of language, we are compelled to resort to metaphor. The function of metaphor is to identify the change which lies between two such lattices, to bring the consciousness of that change to the fore as the substance, as the subject, of the poem. And that can only be addressed by a metaphor. . . .

This is the time for communicating metaphor to the people, metaphor which is understood as the substantive feature of change, as Plato's *Parmenides* dialogue refers ironically to the change.

This is the meaning of Shelley's essay "In Defense of Poetry," that in periods of great revolutionary upsurge, when there is "an increase of power of imparting and receiving profound and impassioned conceptions respecting man and nature," then poetry becomes the only suitable language of communication of important ideas.

It is the transmission of poetry . . . that the important ideas are transmitted to a population—whether they seem to ingest them with acceptance or not—it is the preparation of a population with such philosophy, with such poetry, as in the case of Czechoslovakia's selection of Havel as President, that a people becomes qualified again to resume that which it has lost, the capacity to govern itself, and to select philosophers as its leaders.

LaRouche calls Fourth Circuit rehearing denial a 'day of infamy'

The Fourth U.S. Circuit Court of Appeals sitting in Richmond, Virginia certified their commitment to the implementation of judicial fascism with its denial of a motion on Feb. 16 for a rehearing filed by Lyndon LaRouche and his co-defendants on Feb. 5.

The motion sought to have all six judges of the Fourth Circuit rehear the case which three of their colleagues dismissed out-of-hand in January, in an opinion which denied the LaRouche Seven's appeal. The motion raised substantive issues of law including the rush to trial, the decimation of the defense by an *in limine* order 11 days before the trial, and the "perfunctory jury selection process in a case involving one of the most controversial public figures of the past decade," an issue which the three-judge opinion evaded altogether.

Demonstrating that no judge on the court had the least bit of concern for the constitutional issues raised, the order reads:

As no member of this Court or the panel requested a poll on the suggestion for rehearing *en banc*, and

As the panel considered the petition for rehearing and is of the opinion that it should be denied,

It is ordered that the petition for rehearing and suggestion for rehearing *en banc* are denied.

Entered at the direction of Judge Murnaghan with the concurrence of Judge Hall and Judge Butzner.

LaRouche's comments

Upon hearing of the Fourth Circuit Court action from his jail cell in Rochester, Minnesota, LaRouche had the following response:

Today is the 20th of February. I have just received the information that as of Feb. 16, the U.S. Fourth Circuit Court of Appeals had turned down, summarily, a motion for reconsideration of the previous denial of relief from the conviction of me and of six associates in December 1988 before Judge Albert Bryan. This is a sad day, virtually a day of infamy, for the Fourth Circuit.

The denial of the appeal, issued by Judge Murnaghan on behalf of the panel, was full of outright lies, in defiance of the evidence in the record placed before him. And plain evidence it was.

For such an atrocity to be upheld virtually or implicitly *en banc* by the entire Fourth Circuit, certifies the Fourth Circuit for the moment, at least, to have ranked itself behind Nazi and Soviet justice in its contempt for all principles of reason and natural law. This is an unnatural act in fact by the Fourth Circuit, implicitly *en banc*.

Now we shall see whether the Supreme Court remedies this or not. We shall see, thus, whether there is any justice, in principle, left in the United States. We shall have to wait and find out.

It was said by the great poet, philosopher, and historian Friedrich Schiller, through the voices of the characters in his drama *Wilhelm Tell*, "There is a limit to a tyrant's power." Events are sweeping across the world, in which the United States itself will be judged. It will be judged whether the United States has become so far distanced from that state which it was committed to be at its founding, that history says this state must be removed from the planet as a warning to all who come after never to betray a cause in such soiled fashion as the United States has betrayed the principles of constitutional law, in many respects, thus far today.

We are swept on this planet by a great economic crisis, topped by an impending financial catastrophe. The catastrophe is rushing onward very rapidly, and may well hit the United States with rather extensive if not yet full force, before the middle of April of this year. Those who have framed me and condemned me within the federal administration, with the consent of parts of the federal court system, are the authors of this economic catastrophe, and the stubborn authors of the looming financial catastrophe. They are about to be buried in an avalanche of contempt, in the eyes of the American people and the world.

Perhaps, in this way, there is a coincidence between the false judgment rendered upon me and my associates, and the true judgment to be rendered upon the administration and its accomplices in the federal courts who hold us unfairly, unjustly, captive. I remember the prophetic words of Schiller's drama *Wilhelm Tell*: "There is a limit to a tyrant's power," and the means by which the Creator defines those limits, and brings a tyrant to heel, are sometimes awesome.

Those are my philosophical speculations on the monstrous travesty, the enormity of the conduct, implicitly, of the Fourth Circuit *en banc*.

U.N. gets LaRouche human rights case

The Commission to Investigate Human Rights Violations and Helga Zepp-LaRouche, wife of political prisoner Lyndon LaRouche, filed a second petition to the Commission on Human Rights of the United Nations in Geneva, Switzerland on Feb. 2, seeking U.N. action against human rights abuses committed against LaRouche and his political movement by federal, state, and court authorities in the United States. A first petition had been submitted at the end of May 1989, but has yet to be deliberated upon.

The United States has never ratified any of the human rights conventions, and the United Nations can only involve itself against human rights violations committed within the United States under Resolution 1503 of the United Nations Economic and Social Council. This requires proof of a "consistent, widespread pattern of human rights violations" in the country. Multiple complaints blaming the U.S. for such violations thereby increases the chances that the human rights bodies might intervene.

For this reason, the petition references a pattern of "unjustified criminal prosecutions against individuals and organizations, that are politically motivated and aim at the elimination of social, political, cultural, or religious minorities," which goes beyond the LaRouche movement per se. The petition cites the attacks upon "dissident" political representatives, holders of public office, independent trade unions, the anti-abortion movement, and the targeting of victims by the Office of Special Investigations in the U.S. Department of Justice.

Supporters of the commission are expected to begin soliciting endorsements both for the LaRouche complaint, and the filing of complaints with the U.N. by persecuted individuals and organizations themselves.

Bases of the complaint

The first section of the complaint relates to violations of Articles 1, 7, 18, and 20 of the Universal Declaration of Human Rights regarding the equal rights and personal freedom of each individual, equality before the law, the right to freedom of thought and manifestation of political belief, and the right to freedom of peaceful assembly and association.

The complaint concentrated mainly on the "new evidence" discovered since the May 1989 petition. FBI "Do not file" files were discovered to exist. The FBI and CIA use of informants and infiltration of LaRouche-affiliated organizations were documented, as were 11 instances of deliberate FBI dissemination of defamatory material to governments

abroad. The FBI's acting chief of records also revealed that LaRouche has been the subject of a classified file under Executive Order 12333 that created the "secret government" apparatus which came to light during the Iran-Contra affair.

More recent examples of harassment and financial warfare, including an economic death sentence imposed upon the National Democratic Policy Committee, a political action committee representing the LaRouche wing of the Democratic Party, without a hearing of any kind; the freezing of bank accounts of the Constitutional Defense Fund, LaRouche for Justice, and Hamilton System Distributors, Inc. by U.S. Circuit Court Judge George Pratt using the RICO statutes; and the Illinois indictment of LaRouche associates Patricia Schenk, Ron Fredman, and Richard Blomquist on 18 counts of theft, residential burglary, robbery, and intimidation, because they obtained a political contribution, were also documented. Illinois Prosecutor Dennis Schumacher admits his argument that the defendants entered a political supporter's home "with the intent to get money from her," and that their alleged use of intimidation was based on the fact that "they did not leave until they got it" constituted "burglary," was a "novel" charge.

Lack of a fair trial

The second section of the complaint related to violations of Articles 10 and 11 of the same declaration regarding the right to a fair trial by an independent and impartial tribunal, the right to be presumed innocent until proven guilty in a public trial during which the accused has had all the guarantees necessary for his defense, and the protection against conviction for any penal offense on account of any act or omission which did not constitute a penal offence, under national or international law, at the time when it was committed.

This section dealt with the substantive abuses of law covered in the appeal of LaRouche and six co-defendants, including the arbitrary choice of venue, rush to trial, and the denial of a fair and impartial jury because there was no valid *voir dire* examination of jurors.

The petition reviewed the court denial of defendants' request for exculpatory material, and the granting of the government's pre-trial motion *in limine* which denied defendants' right to present crucial evidence to the jury.

The third section of the petition addressed "violations of Article 5 and 9 regarding the protection against inhuman or degrading treatment or punishment and against arbitrary arrest and detention."

LaRouche's life-threatening treatment at the hands of prison officials at the Rochester, Minnesota facility was documented. Also, the barbaric treatment of Michael Billington, who was kept in solitary confinement in Virginia during trial there, and who was put into "The Hole" when moved to the Danbury, Connecticut prison facility, was presented to the U.N. committee.

Bush's administrative fascism gets new prey

by Kathleen Klenetsky

In midst of the Great Depression, Sinclair Lewis wrote a popular novel called *It Can't Happen Here*. The book sought to discredit the idea that the fascist movements that had come to power in Italy and Germany could never be replicated in the United States. Five decades later, Lewis's fears are coming to pass—not in the way he foresaw, through a mass fascist movement, but through the instrument of a technocratic bureaucracy intent on using the judicial system to eliminate what it considers to be its political opposition.

Political economist Lyndon H. LaRouche has been the chief target of the Bush administration's drive to impose this administrative fascism, precisely because he has been the most outspoken and cogent anti-fascist in the United States for two decades. Flush with its success in railroading the innocent LaRouche and his innocent associates to jail, in the last several weeks, the Bush Justice Department has found a number of new victims, including Washington, D.C. Mayor Marion Barry, and the International Longshoremen's Association.

Target labor organizations

The Justice Department is seeking to take over the ILA, the powerful East Coast shorefront union which has a long history of bucking the elite, including repeated job actions directed toward stopping the use of U.S. goods to prop up the Soviet regime.

On Feb. 15, Bush's chief enforcer, Attorney General Richard Thornburgh, flew to New York to announce that the Justice Department was filing suit to gain control over the ILA locals that work the New York-New Jersey port. The suit, filed under the civil provisions of the notorious RICO (Racketeer Influenced and Corrupt Organizations) Act, asks the immediate appointment of a temporary court officer to oversee the activities of six ILA locals, and the appointment of trustees to run new union elections.

Thornburgh conjured up the specter of organized-crime influence over the union to justify his actions. In addition to naming ILA president John Bowers and six union locals as defendants, the suit also names John Gotti, the reputed boss of the Gambino mob family, as well as Anthony Salerno, the alleged leader of the Genovese family. Thornburgh claimed at his news conference that the suit is an effort "to remedy decades of organized crime corruption on the New York and New Jersey waterfront."

But Thornburgh's rhetoric rang a little hollow, inasmuch as, just a few days earlier, federal prosecutors dropped all charges against Carlos Eleta, a Panamanian with close ties to the new Panamanian puppet government, who had been arrested last year in Georgia on charges of conspiracy to import 1,320 pounds of cocaine into the United States.

The action against the ILA clearly aims at giving the Feds total control over the union far into the future—and not simply ridding it of possibly criminal elements. Thornburgh explained that the suit was seeking civil remedies that would allow the court to intervene on a continuous basis in the union's internal affairs, whereas under a criminal action, a one-time-only penalty would have been the probable outcome. The ILA is the second major union to feel the Justice Department's boot on its neck. In 1988, the DoJ filed a similar suit against the Teamsters, in which it sought to get rid of the union's top officers, claiming they were frontmen for organized crime. The DoJ and the Teamsters reached a settlement which allows the government to control the union through a trusteeship.

Political lynching

The Bush administration's targeting of Marion Barry has the same goal: Eliminate any and all independent political capabilities and institutions that hold the least potential for future resistance to Bush policies. Barry was arrested Jan. 18 on cocaine charges, following a "sting" operation, after he announced that he would seek reelection. Less than four weeks later, he was indicted on five misdemeanor counts of illegal drug possession, and three felony counts of perjury.

Clearly, the mayor has serious problems. His wife has openly admitted that he has had a drinking problem for at least 12 years; and rumors that he uses drugs have been rampant for years. Such problems were a factor when the Washington liberal establishment catapulted Barry into office in the first place, sweeping out the old-guard black machine of former Mayor Walter Washington. But over the past 11 years, Barry built up an urban political machine that has engendered intense personal loyalties to him. That machine threatens, in Bush's own backyard of Washington, the top-down technocratic rule of George Bush and the "Bush league Democrats," who don't even want, in some cases like the neighboring state of Virginia, to run candidates against Bush's men.

The belief that the DoJ has been out to get Barry is so widespread, that the charges against him have triggered a political backlash, against the DoJ and in favor of Barry, in predominantly-black Washington. Moreover, as commentators as diverse as liberal Nat Hentoff and conservative William Safire have stressed, Barry's initial arrest bore all the marks of unconstitutional entrapment. Barry, who has been in a substance abuse clinic since his arrest, termed the Feb. 15 indictments a "continuation of the political lynching and excesses of the Justice Department."

Red brass pampered in U.S. military tour

by Kathleen Klenetsky

A delegation of Soviet political and military officials was given unprecedented access to American military facilities, and received virtually classified briefings on American military plans and weapons systems, during a visit to the United States in mid-February.

The 26-member delegation, representing the Supreme Soviet's Defense and State Security Committee, came to the United States under the auspices of the Congress's House Armed Services Committee.

The latter had undertaken a superficially similar tour of Soviet military installations last year, although one can safely assume that the Americans were shown only what Moscow wanted them to see; whereas the Soviet delegation here has been given the red-carpet treatment, including briefings on matters so sensitive that no ordinary U.S. citizen would ever receive them.

Unlike the American committee, which consists primarily of lawyers, its Soviet equivalent includes individuals who rank among the most important Soviet military figures, like four-star Red Army Gen. Vitaly Shabanov and weapons-designer Vladimir Lapygin—in other words, people who would be able to understand the kinds of briefings the Soviet delegation received.

Secret no more

The Soviet visitors were given access to such crucial strategic sites as Strategic Air Command headquarters in Nebraska; Fort Hood; the North American Air Defense Command (NORAD); the Los Alamos weapons lab; and Cape Canaveral. In addition, they sat in on several formal and informal House Armed Service Committee sessions, including a hearing on the FY1991 Air Force budget, and met with Defense Secretary Dick Cheney.

At a Minuteman launch site in South Dakota, the Soviets were given a briefing on missile-launch procedures that touched on technical matters which, as the *Boston Globe* put it, "would not be revealed in an open hearing of a congressional committee."

Among other things, the visitors were shown the sensors used by security police to detect intruders on the base. When one of the delegates, Vladimir Lapygin, chairman of the Soviet Committee on Defense and State Security, said, "I hope that doesn't apply to us," Gen. Robert Marquette, the base's air commander, hastily assured him, "No, you are our friends."

At the Kennedy Space Center in Florida, the Soviets toured the shuttle facilities where the Atlantis was being prepared for a mission to put a surveillance satellite in space—a satellite that reportedly will spy on the Soviet Union.

"I've never seen anything like it in my life," said one intelligence analyst. "George Bush is acting pretty stupid when he proclaims the Cold War is dead, and says that the U.S. has to bail out Gorbachov. But when he allows some of Moscow's leading weapons scientists to feast their eyes on some of our most important defense capabilities, then I think he's really gone round the bend. What's Bush up to? Trying to save the Soviets money by giving them secrets they'd otherwise have to pay for?"

But a House Armed Services Committee spokesman defended the level of access given to the Soviet delegation: "This is a brave new world. These are new times. Up until recently, we considered the Soviets our chief adversary; now, it's stated U.S. policy to pursue a degree of openness and transparency that leads to stability."

The Soviet delegation also inspected a B-1 installation, where Lapygin, who designed the Soviet space shuttle, asked extensive questions about the computers used in the guidance system, how the pilots and flight crews are chosen, and what kinds of gyroscopes are used.

At one point, after the Soviets had observed the simulated launch of a Minuteman missile targeted at the Soviet Union, House Armed Services Committee chairman Rep. Les Aspin (D-Wisc.) cheerfully exclaimed: "Can you believe that? Two years ago, this sort of stuff would've been taken out of the public transcript of the committee hearings. It's just staggering what's happening."

Staggering is definitely the word for it. The words "criminal stupidity" would also apply.

The tour ended Feb. 19, with the Soviets returning to Moscow after stopping off in New York City for meetings with their delegation to the United Nations.

But that is not the end of this particularly idiotic episode of glasnost in reverse. According to Aspin aides, the U.S. and Soviet committees are working on a host of joint projects above and beyond existing plans for another trip by the U.S. committee to the Soviet Union sometime in the near future.

Armed Services Committee sources report that future plans include setting up an "information exchange"; issuing joint reports on issues pertaining to the committees' work; and "even reaching some form of collaboration, possibly on the prospect of setting up some sort of mechanism where we could prevent the accidental launch" of a nuclear missile.

The subject of "accidental launch" has been used by the likes of Representative Aspin and his Senate counterpart, Sen. Sam Nunn (D-Ga.), as well as National Security Adviser Brent Scowcroft, to kill off the Strategic Defense Initiative once and for all by limiting it to a defense against the least likely occurrence—an accidental nuclear launch.

Fat Larry goes to SEED

No sooner did Fat Henry Kissinger resign from the President's Foreign Intelligence Advisory Board (PFIAB) in January, than the former president of Henry's global influence-peddling firm, Fat Larry Eagleburger, got himself a new job. Besides being number-two man at the State Department, George Bush gave him the title of Presidential Coordinator for Eastern European Assistance.

Wearing that new hat, Fat Larry took off on Feb. 20 for a seven-day tour of Hungary, Poland, Yugoslavia, and Austria. Fat Larry's mission was to implement the President's Support Eastern European Democracy Act, which, on closer examination, proves that the Bush administration policy toward Eastern Europe has "gone to SEED."

When Fat Larry landed in Budapest, he reviewed plans for the free elections to be held in Hungary in March. Ironically, this is the same man whose last presidential mission, in December, showed him kowtowing to plant a large kiss on Communist butcher Deng Xiaoping's behind, saying that all was forgiven for the mass murder of unarmed students in Tiananmen Square. There was even the well-publicized toast by Gen. Brent Scowcroft, who had been Fat Larry's partner in Kissinger Associates, Inc., where Scowcroft pledged to work against the "negative forces" that sought to break U.S. ties to the Chinese regime. Well, with such great credentials as a democrat, the Hungarians ought to make sure that after his talks with them, Fat Larry did not invite Deng Xiaoping's tanks to roll over their country, as the Soviets did in 1956, if he thinks Hungary is becoming too independent again.

Of course, Fat Larry also dangled the purse of all the aid voted for Eastern Europe through the SEED Act. Perhaps the lion's share of the SEED money is earmarked to go to "free enterprise zones"—just like the treaty port of Hong Kong—where, presumably, Western financiers could with minimal capital investment pay coolie labor wages. This SEED plan should be contrasted with the rapid rail transport and nuclear energy "triangle" planned by *EIR* founder Lyndon H. LaRouche, Jr., which would drop the equivalent of Japan in Central Europe, thereby becoming the motor for development to offset the U.S. financial collapse.

Other SEED funds for "currency stabilization" and so forth are tied these nations' enacting the same sort of IMF austerity conditions that have nearly toppled the Solidarnosc government of Poland, since it raised prices for food 50-100%, home electricity 400%, and so forth: all to ensure debt service payments to Western banks that now want to exploit cheap Eastern labor.

Narcontra democracy

SEED, too, has provisions for "supporting democratic institutions," by hiking funds to the National Endowment for Democracy (NED), which is the agency that Iran-Contra investigators helped expose as the brain center of the Project Democracy, secret government octopus. Anyone who could call support for the narcotic-smuggling Contras a democratic project, clearly has no idea what President James Monroe had meant by a concert of sovereign nations, each pursuing the American System of republican economics for the prosperity of its citizens. It was Deputy Secretary of State Lawrence Eagleburger who co-drafted President Reagan's origi-

nal "Project Democracy" speech, that launched the lunacy behind the Iran-Contra scandal.

Pig at the trough

Even while Fat Larry barges his way through Eastern Europe, investigative journalists have caught him once again at the trough trying to make money on this Eastern European swindle. Fat Larry's former protégé at the State Department, Mark Palmer, got himself appointed chief executive officer of the Central European Development Corporation, which bought 50% of a Budapest bank on Jan. 26 for \$10 million, while Palmer was still U.S. ambassador to Hungary.

According to the *New York Times* of Jan. 26, the consortium will invest in banking, real estate speculation, tourism, and other oligarchic pastimes. The consortium's chairman is Ronald Lauder, the ex-U.S. ambassador to Austria, who now works at the family cosmetics firm, Estée Lauder.

Big money for the consortium comes from Andrew Sarlos, a Hungarian emigré who has an investment firm in Toronto; Melvin Simon, whose family firm, Melvin and Associates, is the world's largest mall development corporation; and Hungarian emigré Albert Reichmann of the \$25 billion real estate firm, Olympia and York Development, Ltd., allegedly a front for the Bronfman family's old bootlegging and prostitution fortune in Canada.

Of course, Palmer discussed all this with his boss, Fat Larry, before agreeing to join the firm. Informed sources report Kissinger Associates, Inc. is in on the deal. Palmer, still employed by the U.S. State Department, is trying to duck conflict-of-interest charges from a cubbyhole office at Georgetown University's School of Foreign Service before taking up his job in Eastern Europe.

Medicare cuts threaten more hospitals

Bush's plan to cut \$4.4 billion from Medicare will accelerate the collapse of our health care system.

The Bush administration's latest budget proposal to cut another \$4.4 billion from projected Medicare outlays in Fiscal Year 1991 will accelerate the rate of collapse of the nation's health care infrastructure, which worsened in 1984, when the change in the Medicare payment system was first implemented. Current policy is dooming 44% of the nation's currently existing hospitals to potential bankruptcy.

Chiseling cost adjustments for inflation for Medicare is essentially how the \$4.4 billion "savings" is going to be squeezed from the FY91 budget, according to the Bush plan.

For doctors, hospitals, and groups attempting to keep their heads above water by consolidating their operations through mergers, the Federal Trade Commission and Department of Justice are poised to pounce with heavy-handed anti-trust legal actions.

The real victims are those Americans who are in the greatest need for care and least capable of paying for it themselves. The American Hospital Association (AHA) is not willing to try to put a figure on the needlessly lost lives, or lives cut short as a result of these policies, but the staggering drop in the length of the average hospital stay is an indicator that the general level of care has nosedived during the past decade.

Hospital closings jumped from 23 in 1982, to 88 for 1988. Between 1984 and 1986, fifty hospital mergers occurred. Estimates are that by the year 2000, approximately 20% of the current acute care bed capacity in the U.S. will be closed.

Inpatient admissions dropped only 0.5% in 1983, but fell by 4% in 1984 when the new Medicare policy was first put into effect, and fell a staggering 4.6% further in 1985. The drop in admissions was 2.1% in 1986, and has continued each year since. Length of stay has also declined. In total, over 4 million fewer people were admitted to hospitals in 1988 than 1982.

The trend has also led to a steady decline in hospital revenue margins. Since 1984, total net revenue margins have declined 24%, and net patient revenue margins have declined 95%. In 1987, the average hospital earned just \$1 of surplus on each \$1,000 of patient revenue. In 1988, aggregate patient revenue margins fell to zero. The change in the Medicare reimbursement policy that began in 1984 is responsible for these harrowing trends, as Medicare accounts for approximately 35-40% of the average hospital's patient revenue.

In 1984, the Medicare system ceased reimbursing hospitals according to what they spent on patient care, within certain limits, and instituted the "prospective payment" system, which pays hospitals a predetermined sum for operating costs for each Medicare patient based on what the diagnosis is supposed to cost.

Under this system, if it costs more to treat the patient than the predetermined sum allows, the hospital, or doctor, must make up the difference. This has led to the introduction of "cost-benefit" considerations into the quality of care provided, and driven hospitals toward early release of patients and outpatient instead of inpa-

tient care.

In recent years, even more stringent "utilization standards" have been added by Medicare, such that it now refuses to reimburse hospitals for certain services if they are done on an inpatient instead of an outpatient basis. Since 1984, growth in the Medicare budget has chronically lagged behind the national inflation rate, and the federal government has stated that it does not intend to make up the gap.

Medicare officials openly acknowledge that the effect of this policy will be to reduce hospital profit margins to zero. "We could do fine with fewer hospitals. The question is whether the right hospitals will go out of business," one official said.

According to the *New York Times*, a survey of 1,419 hospital officials found that 48% believe that their institutions are vulnerable to financial failure within five years. For hospitals with fewer than 100 beds, 63% said they are at risk of closing.

Yet, when hospitals react to these conditions by trying to merge in order to consolidate operations, reduce redundancy, and lower operating costs, they are subject to a crusade by the FTC and DoJ using anti-trust guidelines which were drawn up to apply to commercial enterprises, not hospitals.

No fewer than 84% of the communities in the U.S. with more than one hospital have too few "competing" hospitals to avoid triggering a federal agency "market concentration presumption" that a merger is likely to violate anti-trust laws. By the criteria now used, a community must have at least six hospitals in order for a merger of any two, in order to remain below the threshold. According to estimates, 44% of all hospitals in the U.S. would be subject to federal anti-trust action if they sought to survive through merger.

National News

U.S. Army prepared for dictatorship duties

U.S. Army officials told the Feb. 14 *Los Angeles Times* they had concluded from the Panama invasion that they must increase the number of active-duty troops specializing in "civil affairs" functions such as public works and government administration. A special unit of Army analysts had submitted these conclusions to the Army brass Feb. 4.

They also advised more intensive training of troops for police functions and urban warfare to improve Army performance "in future military operations." The Feb. 19 *International Herald Tribune* reported that the U.S. 82nd Airborne Division has been holding exercises in urban warfare. West Point Prof. Augustus Richard Norton was quoted saying, "Given the population trends throughout the Third World, the prospect for urban warfare has actually increased in the past several decades."

Crowe confirms Pentagon opposed SDI

Retired Joint Chiefs of Staff chairman Adm. William Crowe confirmed that he and much of the Pentagon opposed the Strategic Defense Initiative, in an interview in the Feb. 18 *Washington Post*. EIR had maintained that due to parochial interests and lack of understanding of the economic benefits, much of the Pentagon opposed the SDI.

Crowe said the Pentagon only accepted Reagan's 1983 proposal to "see if the technologies have anything to offer," and because "we thought the Soviets were driving hard" on their own program. "There is evidence that the Soviets have not been doing as much as we thought. There's been a lot of hoopla about this stuff which has been misleading," he said.

The Feb. 18 *Washington Post* gloated that the "politically beleaguered SDI program may be facing 'last hurrah.'" The Pentagon is desperately renewing an SDI push, but only for "brilliant pebbles" and related kinetic energy weapons, while there

are no plans, even from purported SDI supporters, to push "exotic laser or particle beam weapons."

NDPC lobbies Congress on LaRouche, economy

A 60-person strong National Democratic Policy Committee delegation, a political action committee representing the LaRouche wing of the Democratic Party, lobbied Congress on Feb. 21 to reverse the political frameups of Lyndon LaRouche and Michael Billington, and the looming financial crash. Six Congressmen were briefed directly, as were aides in about 30 more offices.

The NDPC delegation demanded that Congress intervene to force President Bush to release the exculpatory documents in the LaRouche case. Several congressmen indicated that they have been following his case with interest and curiosity, while others were genuinely shocked at the barbaric prison treatment of Billington.

The delegation also emphasized the need for emergency economic measures to restart the physical economy as the financial blowout nears.

Bennett swipes at DoJ in BCCI plea bargain

White House Director of National Drug Control Policy William Bennett stated on NBC's Meet The Press broadcast on Feb. 18 that the plea bargain deal struck between the Department of Justice and Bank of Credit and Commerce International (BCCI) had been done without consultation with his office, and that he had personally protested the plea bargain at a cabinet meeting attended by President Bush.

Bennett's attack on Attorney General Richard Thornburgh came in the context of his calling for harsh punishments of dope bankers, which paralleled his call for capital punishment for drug kingpins.

Interviewer Brian Ross pointed out that the bank was the eighth largest private bank in the world, and that such prominent Dem-

ocratic Party establishment figures as Clark Clifford had been associated with BCCI. "The decision to plea bargain on the eve of trial did not come from the U.S. Attorney prosecuting the case," Ross said. "The decision came from Washington, after Clark Clifford personally lobbied to save BCCI."

UMW votes to approve Pittston coal contract

Members of the United Mine Workers voted two-to-one on Feb. 20 to ratify an agreement ending their bitter ten-month old strike against Pittston Coal Co. in Virginia, West Virginia, and Kentucky.

UMW President Richard Trumka declared the strike "officially over." The union compromised on sweeping work rule changes, including unprecedented rotating shifts. In return, Pittston compromised on one of the key issues in the strike, health care benefits.

Trumka blasted "federal labor laws that he said are destroying the ability of labor and management to reach a 'peaceful resolution of disputes,'" Virginia's *Richmond Times-Dispatch* reported Feb. 19. Trumka also told union members that the union would continue to contest the \$64 million in fines, "unprecedented in the United States," imposed by Judge McGlothlin.

Senior U.S. District Court Judge Glen M. Williams, after cutting by two-thirds the fines he had levied against the UMW, said "I didn't feel fining was effective in getting the orders complied with." Williams indicated his belief that the "cease and desist" order against the UMW, which would include significant fines if disobeyed, gave him grounds for reducing the fines, the Feb. 15 *Times-Dispatch* reported.

Book on occult shows control of Reagans

Nancy Reagan's astrologer Joan Quigley's new book, *What Does Joan Say?* was reviewed by New York *Daily News* columnist

Liz Smith on Feb. 20 as the most frightening reading of the year because of the extensive occult control over the Reagans while they were in the White House.

According to Smith, the preface states, "Through Nancy, I had a direct line to the President. . . . I was responsible for timing all press conferences, most speeches, the State of the Union addresses, the take-offs and landings of Air Force One. I picked the time of Ronald Reagan's debate with Carter and the two debates with Walter Mondale. I timed congressional arm-twisting, the second oath of office, the announcement of Anthony Kennedy's Supreme Court nomination. I delayed the President's first operation for cancer . . . and chose the time for Nancy's mastectomy. I re-created Nancy's image, defused Bitburg. . . ."

Liz Smith asks her readers if the Reagans will respond to Quigley's claims, and if they're true, will anyone apologize to Don Regan. The book is scheduled for release March 19 by Birch Lane Press.

Minneapolis jury critiques prosecutor

A jury in Minneapolis has written a critique of prosecutorial methods which should serve as an example for what is necessary to change the climate of legal fascism spreading in the United States.

The case involved an American Indian woman who was arrested and held in jail on a charge of having stabbed her boyfriend. After hearing the evidence presented, the jury spent one minute in the jury room and voted acquittal. They then composed a letter which was sent to the mayor, the police chief, the county attorney, and other state officials, which delivered a scathing criticism of the conduct of the police and prosecutor in the case.

The jury said the only evidence against the woman was a confession which they believed had been coerced; that police conducted a "sloppy" and "unprofessional" investigation, ignoring evidence that someone else had stabbed the victim; and they deplored the fact that the woman had been held four months because she could not meet the high bail set by the court.

The jurors demanded that the real assailant be "picked up," and they offered suggestions on how the police should conduct investigations and interrogations, including the modest proposal that evidence should be "compelling" before a charge is pressed.

The police had constructed the charge without the testimony of the victim, who was unable to communicate during his recovery. At trial, he testified that the woman accused had not been his assailant. The police blamed the prosecutor's office for the fiasco, saying that the prosecutor's concerns about the future political repercussions of a failure to convict in the case motivated the rush to prosecution.

The big question the jury asked the judge was, "Why didn't you stop this?" The judge said he felt it was up to the jury to decide the matter—so they did.

Bush friend tied to child abuse scandal

Sources close to the sex crimes investigation of Franciscan Father Bruce Ritter have revealed that his New York-based Covenant House has been used to transship children from Central America to wealthy American society pederasts, according to the *Village Voice* of the week of Feb. 17. Several weeks ago, Ritter was publicly accused of having had numerous "affairs" with several of the runaway center's children.

Covenant House, one of the world's largest child care organizations, was created in 1977 by Ritter and Robert MacCauley, who is the president of Americares, the CIA-linked, Knights of Malta charity which supervised the shipment of thousands of tons of "medicine" to the Contras throughout the 1980s. Ritter is Americares vice president. MacCauley is an intimate friend of George Bush and was his classmate from kindergarten to Yale University.

Americares' other board members are: Prescott Bush, Jr.; former Treasury Secretary William E. Simon; former AIFLD director J. Peter Grace; Inter-American Dialogue leader Sol Linowitz; and former Pentagon intelligence chief Gen. Richard Stilwell.

Briefly

● **DETROIT MAYOR** Coleman Young associate, former Detroit deputy police chief Kenneth Weiner, was indicted Feb. 15 by a federal grand jury on charges he allegedly lured investors with his connections to Detroit city officials and defrauded investors of millions.

● **THE BUSH** administration joined with former President Reagan Feb. 15 in efforts to shield Reagan's diaries from subpoena by former National Security Adviser Adm. John Poindexter, claiming that releasing the diaries would undermine "executive privilege."

● **VICE PRESIDENT** Dan Quayle, the supposed Gorbachov doubter in the Bush administration, called for a smaller U.S. Armed Forces in the Feb. 16 *Washington Times*. The "cold war is not over," Quayle said, but added he hopes to be "able to attend its funeral."

● **CLARK CLIFFORD**, adviser to Democratic Presidents since the 1940s, admitted, "There was a steady, long, praiseworthy rise to eminence in the world almost unequaled since Rome ruled and Greece had its turn . . . and now we are in decline. . . . We have frittered it away" through economic policies that "reduced this economic Gibraltar to the largest debtor nation in the world."

● **A RESOLUTION** which would have rotated the chair of the Selma, Alabama School Board from white to black each year, aimed at peacefully resolving the school crisis that has sparked racial confrontation over the past month, was defeated by the white majority on the board. The four black council members walked out.

● **THE CAPITAL GAINS** tax cut proposed by President Bush would yield only 0.4% of its benefits to taxpayers earning under \$20,000, a report from congressional Joint Committee on Taxation said. Over 66% of the benefits would go to those making over \$200,000.

Editorial

Mrs. Thatcher should be stopped

Britain's Prime Minister Margaret Thatcher has taken upon herself the task of doing everything in her power to sabotage the reunification of Germany. Despite her worst efforts, it is urgent that the monetary and economic integration of the economy of East Germany with that of the Federal Republic be rapidly accomplished. To delay would mean a catastrophe for all concerned.

Even the Soviets appear to be persuaded that without the readiness of the Federal Republic to assume the burden of the contribution to the Soviet economy normally made by the German Democratic Republic (G.D.R.), their own economy would be in jeopardy. We know that the Soviets depend critically upon the contributions from the G.D.R. and Czechoslovakia, and that without those two Eastern European nations, the Soviet economy would collapse even more rapidly than it is at present.

Lyndon LaRouche has called his proposal for a high-technology triangle, focused upon the potentials of a reunified Germany, including France and Austria, and Czechoslovakia, a "golden goose"—a goose which would be laying golden eggs each day for the Soviet economy, as in the well-known fable. This is something which wiser heads in Moscow have come to realize since Chancellor Kohl's recent visit there.

Although the Soviets have the military force to crush Germany, if they do so—just like the greedy farmer who killed his fabulously productive goose in the fable, in the hopes of getting everything at once—then there will be no golden eggs, and the Soviet economy will collapse as a result. Mrs. Thatcher apparently does not understand any of this. But intelligent people everywhere do.

All Americans should support this process of unification and the early step of monetary union for much the same reason as the Soviets. The U.S. economy is in such bad shape that it too needs to be the beneficiary of some golden eggs, to get it moving.

Furthermore, because the ongoing rate of collapse in the Soviet economy will be increased if the Federal

Republic is prevented from helping to restart the economy of East Germany, political destabilization will follow, with a heightened danger of war, as the Soviets are driven with their backs to the wall.

If Chancellor Kohl offers to make his country a golden goose, then we must say that the kindest thing that we can call Mrs. Thatcher is a silly goose. Another image for the insanity of her present policies is taken from ancient English history—the famous case of King Canute, who proved unequal to the task of stopping the advance of his adversaries. This poor man went out on the beach and screamed imprecations against the wind and the waves which were bearing the forces of his enemy to the shores of England.

That image reminds us today of Britain's Prime Minister Margaret Thatcher, who is cackling like a silly goose in all directions. One need only imagine that she is a King Canute in feathers—or in contemporary lingo, a King Canute in drag—to have the picture.

Mrs. Thatcher on economics has been quite loony from the outset. Her head has been stuffed with Friedmanite ideology since she was designated prime minister. While at the outset, she appeared to be determined to be part of the stalwart resistance to the Soviet empire, since December 1984, she has been conducting a veritable romance with Mikhail S. Gorbachov.

Since then Mrs. Thatcher has been an absolute disaster, in her influence in the United States and in Britain as well. Now she appears to be intent to extend her pernicious influence by trying to sabotage the reunification process in Germany. Fortunately, like the efforts of King Canute, Mrs. Thatcher's efforts appear to no more effective than straws in the wind.

The only way to stop the global new Dark Age, which threatened us before the events of this past November, is to apply the kind of conceptions laid out in the triangle project as defined by LaRouche, for massive high-technology infrastructure investment radiating out from a reunited Germany. These are presently the policies of Chancellor Kohl. Mrs. Thatcher must not be permitted to interfere.

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U.S.A. vs.
Lyndon LaRouche, et al.



"I SHOULD GET A CIGAR. . ." bragged the judge after railroading through the frameup and conviction of presidential candidate Lyndon LaRouche.

Judge Albert V. Bryan was the judge who finally accomplished what a federal government "Get LaRouche" Strike Force had been attempting to do since 1983. That task force swung into motion using the resources of the FBI, CIA, IRS, and private agencies, at the instigation of Henry Kissinger, who bragged in the summer of 1984 that "we'll take care of LaRouche after the elections."

The first federal case against LaRouche and his associates, held in Boston before Federal Judge Robert Keeton, backfired on the government. A mistrial was declared, and the jury said they would have acquitted everyone on *all* charges.

But in Alexandria federal court, the "rocket docket" did the job. Judge Bryan hand-picked the jury in less than two hours, excluded all evidence of government harassment, and rushed the defense so rapidly that convictions were brought in on all counts in less than two months from the indictment.

LaRouche was sent to jail for 15 years, on January 27, 1989, a political prisoner. The conviction and imprisonment have provoked protests of outrage from around the world. In this book, you'll see why.

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