

# EIR

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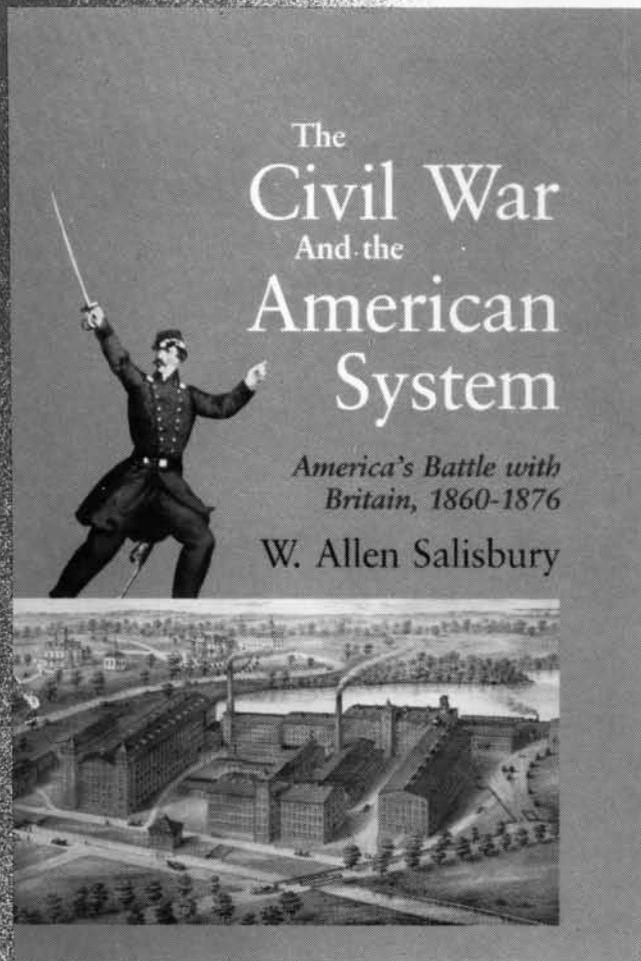
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**In Denmark:** EIR, Post Box 2613, 2100 Copenhagen ØE, Tel. 35-43 60 40

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## From the Associate Editor

This issue is dated Oct. 6, the ninth anniversary of the 400-man raid by federal, state, and local “law enforcement” agencies against publishing companies associated with Lyndon LaRouche in Leesburg, Virginia. The “Get LaRouche” task force which perpetrated that 1986 armed raid, officially headed by U.S. Attorney Henry Hudson, fully intended for it to end in a bloodbath, like the later Waco and Ruby Ridge massacres. Instead, the raid led to indictments against LaRouche and many of his associates, and then to the political railroad trials and jailings with which readers of *EIR* are familiar.

It is most fitting that we are publishing, on this anniversary, a *Feature* on the recent deliberations of the independent panel investigating the misconduct of the U.S. Department of Justice. The group heard two days of testimony on the harassment of black elected officials, the vendetta against LaRouche, the attempted murder of John Demjanjuk by the Office of Special Investigations, and the OSI’s campaign against former Austrian President Kurt Waldheim. Each of these panels gave a different dimension, providing a total picture of DOJ corruption which is greater than the sum of its parts. Many of those present were stunned to realize that the dirty operations to which they themselves have been subjected were only part of the story. As one panelist asked Odin Anderson, Mr. LaRouche’s lawyer: “Mr. LaRouche isn’t an African-American. Why did they go after him? I can see the government going after us. But why Mr. LaRouche?”

The individuals testifying before the panel are courageous people who did not run from the evil that confronted them, but who fought for justice. Among the witnesses and panelists are international leaders — from Israel, Austria, Germany, Ghana, the Dominican Republic, Canada, and Slovakia — who came in order to help shift the political balance in the United States, against the dictatorship of the DOJ’s permanent bureaucracy.

The coverup is now going to end. The word is going to get out far and wide, through the international organizing efforts of the participants in the independent panel, and with the support of *EIR*’s readership.

*Susan Welsh*

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**Photo and graphic credits:** Cover, pages 25, 26, 29, 34, 51, EIRNS/Stuart Lewis. Page 8, EIRNS/John Sigerson. Page 15, TVA. Page 18, EIRNS/Ian Levit. Page 48, P.K. Kapoor.

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**Correction:** Due to an editing lapse, the volume number in the last issue of *EIR* was mistakenly printed as Vol. 29, No. 39. We are, of course, still in Vol. 22. For a correction on a graph printed in issue No. 37, please see page 8.

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## Feature



Independent hearings on Justice Department corruption, in session on Aug. 31. Panel members (left to right): Msgr. Elias el Hayek; Toby Fitch, North Carolina House of Representatives; J.L. Chestnut, co-chairman, civil rights attorney, Alabama; Ulysses Jones, Jr., Tennessee House of Representatives; James Mann, co-chairman, former member U.S. House of Representatives, South Carolina; Percy Watson, Mississippi House of Representatives; Maggie Wallace Glover, South Carolina Senate; John Hilliard, Alabama House of Representatives; William Clark, Alabama House of Representatives. Also: Howard Hunter, North Carolina House of Representatives (not shown).

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We present the transcript of a new videotape based on a series of extraordinary public hearings convened on Aug. 31 and Sept. 1 in Vienna, Virginia, to investigate allegations of gross misconduct by the United States Department of Justice. The hearings were chaired by former U.S. congressman from South Carolina James Mann and Alabama civil rights attorney J.L. Chestnut. Testimony was heard on four principal case areas of U.S. Department of Justice abuse: the systematic hounding from office of African-American officials; the judicial persecution of Lyndon H. LaRouche, Jr. and his associates; the frameup of John Demjanjuk by the Office of Special Investigations; and the OSI's campaign to smear former Austrian President Kurt Waldheim as a Nazi war criminal.

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## Hoarders move for profits as fall crop estimates decline

by Marcia Merry Baker

The crop reports now coming in weekly from various agencies on the condition of the 1995 harvests, serve as the occasion for Wall Street commodities commentators to “explain” movements in exchange prices for grains and other farm products, by pointing to this or that weather occurrence; for example, “Early frost in Iowa? Soybean prices go up.” On Sept. 21, wheat prices on the Chicago exchange hit \$5 a bushel, which, while below a parity—or fair—price to the farmer, is the highest exchange price in 15 years. But reality lies elsewhere. These price rises are nothing compared to what lies ahead.

Unfortunately, while weather adversities have taken their toll this crop season in North America and elsewhere, the severe shortages of basic food staples now faced on a world scale (falling per capita ratios of grains, meats, dairy, fruits, vegetables, oils, and all dietary requirements), come not from just one year’s “bad weather,” but from decades of non-development of needed economic infrastructure of all kinds (water improvements, transportation, energy, and mechanization), and from lack of maintenance of the family farm sector.

### A stealth operation

Amid these shortages, a stealth operation is under way consisting of huge investments by “big money” circles, and maneuvers by related commodities cartel companies, to take control of scarce physical food stocks, and key links in the food chain, such as processing, storage, and distribution. Driving this process of hoarding is the view of these financial interests, that their grip on commodities will allow them to survive the global financial collapse.

Therefore, for every citizen of every nation in the world, the issue of restoring the food supply means facing the need

for emergency measures to deal with the financial blowout and restoring economic functions. By itself, the world food emergency should make this clear to anyone.

What about this fall’s harvests? In the United States, they are relatively low. The harvests in Russia are drastically low, and there are low stocks elsewhere. The U.N. Food and Agriculture Organization (FAO) projects world harvests overall (grains of all types) to be down 3.2% compared to 1994. The London-based International Grains Council has cut its already-low estimates of 1995 wheat and corn production, citing droughts in the wheatlands of Russia, Ukraine, Kazakhstan, and Argentina, along with reports of possible frost damage to corn in the U.S. Midwest.

The U.S. Department of Agriculture’s World Agriculture Supply and Demand Estimates presents the same picture in its monthly estimates. The USDA Sept. 12 report (to be updated in early October) estimates world grains output overall for 1995-96 (figured as the aggregate of most nations’ marketing years) to be 1,690 million metric tons—the lowest since the 1989-90 crop year of 1,685 million metric tons.

Worse, these USDA world crop estimates were made before the U.S. grain belt experienced crop-damaging frosts in late September. On Sept. 22, a four-hour early-morning freeze damaged up to 10% of the Nebraska, western Iowa, southern Minnesota, Dakotas, and Kansas corn crop. Grain sorghum damage in these areas may run at 15%, and soybeans 20% or more.

Early frosts are not unusual in the central region of the continental land mass. However, news media are portraying the frosts as the “cause” of expected food price hikes and shortages, as opposed to the years of take-down of the agriculture sector worldwide. Only in some selected crops will this have any truth. For example, the “white wheat” crop of

the Dakotas, a spring-planted wheat essential for good pasta, was extensively damaged by the frost.

This year's corn (and other crops) have been plagued by a wet spring, and an arid high-summer. Therefore, damage from an early frost is predictable. The Sept. 18 USDA "Crop Progress" report estimated the maturation of the corn crop was behind average schedule. As of Sept. 17, corn was only 40% mature, in contrast to 55% mature at the same time in 1994 (an unusually good year for crops) in the 17 states producing 91% of the corn crop.

The significance of these low crop yield statistics lies in the fact that, not only for 1995, but for many of the years in the past two decades, annual grains utilization (for feed, seed, waste, industrial purposes, and direct consumption — at even nutritionally inadequate levels) has *exceeded* annual production of grains, to the point that the per capita daily caloric consumption has fallen for millions of people. The only carryover of reserve stocks from one year to the next is in the hands of the cartel of commodities companies that has control over who eats and who does not.

World wheat carryover stocks, which were running at over 140 million tons a year, are estimated to be below 99 million tons this year, and falling. World rice stocks, once running at over 60 million tons, are now expected to drop under 43 million tons this year. World coarse grains (corn and others) stocks, once running at over 122 million tons, are now expected to drop to 90 million tons at end of crop year.

### **Nations form bread lines**

In the face of this crisis, nations are lining up to bid for scarce food. In the last week in September, a delegation from Moscow came to Washington to request grain imports. The Russian grains harvest (wheat, rye, corn, oats, and others) this year may end up at only about 50 millions tons, down from over 80 millions tons last year and close to 100 millions tons ten years ago.

The Russian grains harvest debacle is the most dramatic example in which freak weather is not the cause, but the absence of physical inputs and infrastructure. The ratio of tractors and harvesters per hectare has plunged, because of lack of spare parts and new machinery. Fuel, fertilizer, and farm chemical shortages are acute.

African nations are lining up for grain exports from the European Union, the traditional supplier for many locations. In the rush following the Sept. 12 USDA world crop report, Morocco put in a bid for French wheat; on Sept. 14, Egypt bid for 250,000 tons of wheat from France. Egypt is dependent on foreign sources for half its grain requirements, and has imported up to 6 million tons of wheat a year in recent times.

In September, Pakistan sought 200,000 tons of wheat from the United States, and Turkey tendered a bid for 100,000 tons.

The need for food could not be more clear than in the

situation in Iraq. Because of malnutrition, an entire generation of children is suffering from irreparable physical damage, and overall, 4 million people (one-fifth of Iraq's population) are at nutritional risk. This was documented in a report issued on Sept. 26 by the U.N. World Food Program in Geneva. Its director, Dieter Hannusch, said that the conditions that he saw in Iraq at present were worse than anything he had seen in 24 years. The harvest this year was bad, maybe 16% lower than last year, according to the U.N. Crop and Nutrition Status Assessment mission this summer, but the chief problem is that in recent decades, Iraq came to be dependent on foreign sources for up to 70% of its food needs, and, with the embargo, food flows all but stopped.

Even without embargoes, other nations which similarly became food dependent over the past 25-30 years, are at risk of being unable to import food. Government spokesmen in Senegal and Ivory Coast said in September, that any break in basic grains supplies to their countries could be catastrophic. A country such as Haiti, which in 1970 was nearly self-sufficient in grains, is now almost totally dependent on outside sources.

### **Factor in the cartels**

Already, as of the early 1990s, only about six companies controlled over 90% of world grain traded commercially, and the same cartel handled the government-contracted food aid. The names include: Cargill, Inc., Archer Daniels Midland (ADM)/Töpfel, Continental, Louis Dreyfus, Bunge, Con-Agra, Pillsbury (owned by the London-based Grand Metropolitan), and André. There are related companies and divisions in the other food groups. For example, in world dairy trade: Unilever, Nestlé's, and Grand Metropolitan. Whatever the product, most of the control is centered, directly or indirectly, in Anglo-Dutch financial circles.

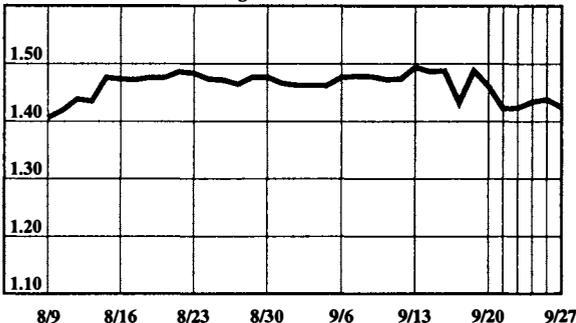
These companies are becoming still more powerful, as food aid donations were slashed this year. Because of short grains stocks, the United States, the European Union, and Canada this year cut back their pledges of grains for food aid by millions of tons. With an estimated 800 million people going hungry worldwide, the effects of any cut in food aid is immediately measurable in lives lost.

Therefore, "we ain't seen nothing yet," in terms of rises in food prices to come. In late August, General Mills (one of the top ten cartel milling companies in the United States) announced a price hike of 5% in its flour, and 3.6% in "Wheaties" and "Cheerios," but the other grain-processing companies are denying they will raise prices. They lie. As one industry representative put it, the companies are talking "low prices," while they are involved in a stealth operation of "ingathering inventory" for a future killing. "Reminiscent of the 1970s Russian grain sales," is how the Iowa Farm Bureau paper *The Spokesman* described the September rush to move northern Iowa grain to storage and port facilities — logistics all controlled by the cartel grain companies.

# Currency Rates

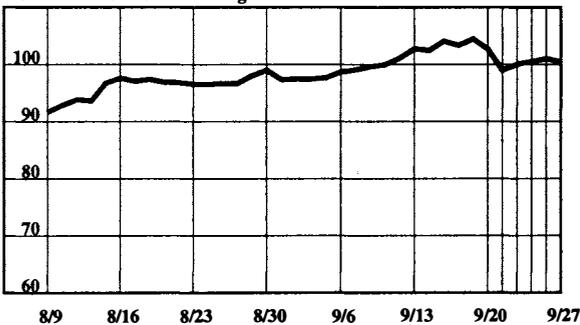
## The dollar in deutschemarks

New York late afternoon fixing



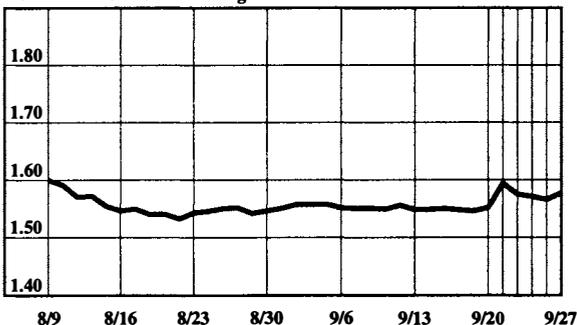
## The dollar in yen

New York late afternoon fixing



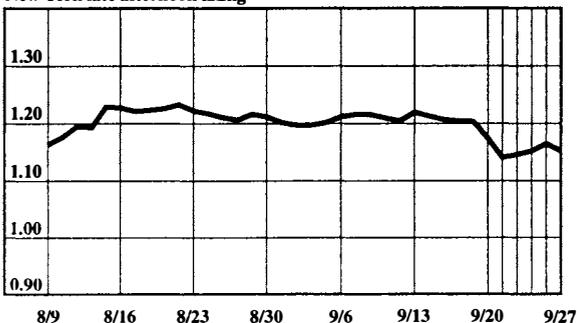
## The British pound in dollars

New York late afternoon fixing



## The dollar in Swiss francs

New York late afternoon fixing



# Maastricht

## Single currency dream becomes a nightmare

by William Engdahl

The Mallorca, Spain summit of the 15 European Union (EU) heads of State concluded on Sept. 23 with a declaration that their goal of creating a single monetary union and single currency of the member-states by the deadline of 1999 was intact. But behind the façade of unity, the four-year-old scheme to merge national currencies for economies as diverse as Germany and Italy, into one, began visibly to come unravelled.

For the first time since the signing of the Maastricht Treaty to create a European Monetary Union (EMU) in 1991, an EU head of state has declared that the deadline may have to be extended. Italy's Prime Minister Lamberto Dini told press after the talks, "We can't exclude the possibility of delaying the union by two or three years." According to EU bureaucrats in Brussels and others familiar with the situation, this would "open a Pandora's box" to amending the strict terms of the Maastricht Treaty, and end the prospect of a single Europe, along with a single currency, whatever its name.

It has been the German government, long thought the firmest advocate of Maastricht and a single currency, which has torpedoed the plan. On Sept. 26, Bundesbank President Hans Tietmeyer announced that the Bundesbank, known as a hard-liner on inflation and government deficit spending, would declare which EU governments it felt had met the criteria to form the new currency. In recent months, there has been enormous, if little-publicized anti-Maastricht sentiment among German businessmen and voters. The head of the Bavarian Christian Social Union, part of the Bonn coalition of Chancellor Helmut Kohl, has threatened to split from the coalition and form a new "Deutschemark Party" if the government does not back down from the Maastricht terms, which, it is felt, would destroy the mark and wipe out German savings.

The recent statements by Tietmeyer and other German officials have produced anger, not least in France, where Prime Minister Alain Juppé told press, "If you do not want to have monetary union, all you would have to do is harden the tone." That is precisely what the Kohl government is doing.

The timetable to realize a single currency was agreed to in a treaty outlined at the meeting of EU heads of State on Dec. 10, 1991 in Maastricht, Holland. At that time, the leaders agreed on a series of steps, so-called "convergence criteria," to be met in the run-up to 1997, when the so-called "third phase" of the EMU would be created, with a single

central bank and a single currency. If by 1997 convergence had not been reached, the final, "irrevocable" date set by the treaty to introduce the single currency and central bank would be 1999.

The driving force pushing the single-currency Monetary Union was a desire by many European leaders to replace the U.S. dollar as the leading reserve currency. Today, worldwide central bank reserves are still held 61% in dollars. Only by pooling all European member currencies and reserves, including gold, would an alternative to the dollar be possible. The terms of Maastricht, however, were largely the creation of former French President François Mitterrand, and his ally in Brussels, EU Commission President Jacques Delors. The French sought to use Maastricht as a "straitjacket" to bind newly unified Germany into a European structure, and to prevent further domination of Germany over Europe, especially eastern Europe. The problem came with what criteria would be necessary to form one currency out of the many.

Two of the four convergence criteria are the focus of the present controversy, as member States begin to realize the political impossibility of reaching the targets. First, to qualify to join the new currency group, a State must have cut its public deficit (national, local, and public pension fund) to no more than 3% of Gross Domestic Product annually. Second, it must reduce the total public debt to no more than 60% of GDP. Other requirements include convergence of interest rates and inflation. The problem, according to Patrick Child, spokesman of the EU Commission in Brussels responsible for EMU affairs, is that "as of today only two of the 15 states qualify — Luxembourg and Germany." And Germany qualifies only due to a political exemption given to it because of the high debt costs for its unification.

Instead of converging since the treaty was signed, the EU economies have diverged. The fiscal position of the combined EU countries went from 5% deficit in 1992, to just under 6% by 1994, the highest since the European Community was created in 1958. Gross public debt rose to 69% of GDP by the end of last year, up from 61% only two years before. But many members grossly exceed these convergence limits. Italy today has gross debt of 125% of GDP; Belgium, 134%; Greece, 115%.

### The French factor

"The recent election of [President Jacques] Chirac in France has changed the entire prospect for the EMU," Dr. Bruno Bandulet, a German economist and Maastricht critic, told *EIR*. "Under President Mitterrand, it was clear that France was committed to Maastricht. But step by step, Chirac has signalled he is focussed on internal French problems, less on any 'Grand Europe' scheme. High unemployment remains his most pressing problem, and so long as the Bank of France keeps its interest rate high to maintain the parity of the franc with the German mark — a part of the Maastricht process — France's economy will continue to deteriorate."

To create a single currency, experts agree, the participation of France along with Germany, the two strongest industrial economies in the EU, is essential. Without France, Maastricht becomes a farce.

France today has 11.4% unemployment, and trade union protests have become common. The government must cut FF 130 billion from the budget, 2% of GDP, FF 32 billion in 1996 alone, from the present FF 322 billion (\$63 billion) level, to be on Maastricht target by 1997.

But to do this, with the economy still weak, the government must increase taxes and slash spending. France already has one of the highest per capita tax burdens in Europe. And more aggressive privatization of the country's State-sector industries will only guarantee increases in unemployment, as firms "downsize" to be attractive for sale. On top of this, with an aging population, France's State pension system is currently running a FF 60 billion deficit, which must be halved to meet the overall target.

When the author questioned Bank of France Gov. Jean-Claude Trichet recently, on France's problems meeting Maastricht goals, he replied, "We *must* meet the criteria of convergence, in the interests of all. They have to be fully met for the Monetary Union to take place."

But Trichet declined to say how. The recent decision to make the Bank of France independent from the Finance Ministry as part of the Maastricht preparation, has created an added



## LaRouche Campaign Is On the Internet!

Lyndon LaRouche's Democratic presidential primary campaign has established a World Wide Web site on the Internet. The "home page" brings you recent policy statements by the candidate as well as a brief biographical resumé.

**TO REACH** the LaRouche page on the Internet:

<http://www.clark.net/larouche/welcome.html>

**TO REACH** the campaign by electronic mail:

[larouche@clark.net](mailto:larouche@clark.net)

Paid for by Committee to Reverse the Accelerating Global Economic and Strategic Crisis: A LaRouche Exploratory Committee.

political storm inside France. Many say the central bank is more concerned with tracking the mark to prepare for Maastricht entry, than with future growth of the French economy. Many blame the high interest rates of the Bank of France, designed to keep the franc stable, for the alarming weakness of the French economy in the past several years. That economic weakness, in turn, increases the public deficit.

If France continues to press for convergence, it risks "civil war," one French banker said, because unemployment would be forced even higher with government budget cuts and privatizations, in order to meet the 1997 deadline. Public employee unions have already planned strikes for late October to protest planned government wage austerity, designed to cut the deficit.

S.J. Lewis, a City of London economist familiar with the French situation, stated, "The government's budget projections rest on wildly optimistic forecasts about French economic growth. The opposite, I feel, is more likely. The French situation puts the entire Maastricht scheme into grave doubt at this point." Lewis's doubts on French eligibility were echoed recently by a member of the Bundesbank board, Reimut Jochimsen, and reportedly also by German Finance Minister Theo Waigel.

### Debate intensifies

Realization that not even France may be able to meet the targets, is creating a new anti-Maastricht backlash across Europe. In Sweden, which joined the EU only this year, voters recently firmly rejected the pro-Maastricht political parties in elections for European Parliament, and Sweden is now asking to be left out of the new currency bloc indefinitely. Already, Britain and Denmark have such an "opt-out" right granted to them, a concession to try to keep the overall Maastricht goal intact.

Italy, which just signalled that it wanted to rejoin the EMU, was singled out in unprecedented remarks by Waigel on Sept. 19. Waigel told a Parliament committee that when the first countries form the EMU and single currency, "Italy will not be among them, and they know it." The reaction of financial markets to Waigel's remarks was to dump liras and buy marks, throwing the entire Maastricht debate wide open. Public statements of harmony issued in Mallorca are not being taken seriously by financial traders.

To further guarantee adherence to the Maastricht goals, Waigel has also demanded a separate treaty be signed, which would bind members of the EMU to hold to the 3% deficit and 60% debt levels, after entering the EMU. The Germans worry that many of its neighbors plan to "cheat" once they are in the EMU, and to again increase budget deficits, and wants binding sanctions for such cheating. Tietmeyer has come out supporting Waigel's call for strict adherence criteria.

The Germans are concerned that they would have to pay for the excesses of high-deficit countries such as Italy, or even France, if the new single currency is to be stable. The

president of Germany's Savings Banks Association, Horst Koehler, underscored the problem when he stated recently, "The ambitious goal of a European Economic and Monetary Union can only be reached if the single European currency is also a stable currency. For this reason there must be no foul compromises made. Convergence criteria cannot be reached by citing a 'tendency' to converge. The criteria must be stringent and permanent. If the currency is not begun with confidence in its continuing stability, this could lead to enormous internal frictions with negative consequences for economic activity, as well as the European integration process." Until recently, Koehler was the leading civil servant in the Finance Ministry dealing with such issues as the EMU.

"The need for a strong alternative to the dollar is what has been driving the push to EMU and a single European currency," said one French banker. "But the problem is that the central banks' accounting approach to achieve it makes no allowance for effects on the real economy. The force behind the EMU today are the large European banks and insurance companies, who want a bigger playing field, but industry is more and more skeptical."

Today, the dream of many European States, of creating a single currency to rival the dollar, is turning into a nightmare. Heads of state of the EU member countries must meet before the end of 1996, to decide the final timetable to implement the EMU and single currency. Short of an economic miracle, the effort looks precarious.

### Correction:

There were two typographical errors in Figure 4 of "The End of an Era: It's Time for LaRouche's Remedies," by Chris White, in the Sept. 15 issue of *EIR*, page 7. Below is the corrected chart.

FIGURE 4  
**Input-output matrix for 1967**  
(percentage of total)

End-use	Inputs				Total
	Final	Inter-mediate	Raw material	Infra-structure	
Producers' goods	2%	12%	3%	8%	25%
Producers' overhead	4%	4%	1%	6%	14%
Household goods	6%	7%	2%	8%	23%
Household overhead	10%	11%	3%	14%	38%
<b>Total</b>	<b>23%</b>	<b>33%</b>	<b>8%</b>	<b>36%</b>	<b>100%</b>

# British Empire moves to take back Americas

by Valerie Rush

The Sept. 27 signing of an agreement between Great Britain and Argentina, opening up the waters around the contested Malvinas Islands for oil exploration, is but the latest move in what constitutes a wholesale invasion by British companies of the Ibero-American continent. As the world financial system teeters on the brink of collapse, it is the elite British firms, and their Canadian, U.S., and other allied companies in, especially, the area of raw materials and food processing, which are moving rapidly out of volatile stocks and bonds and into hard commodities. Just as the British Empire once owned this region directly, a century ago, so it would again.

The initialing of the Malvinas oil deal in New York by Britain's Foreign Secretary Malcolm Rifkind and his Argentine counterpart Guido Di Tella is being heralded by the Argentines as the beginning of a new era of relations with Great Britain. Indeed, in recent years, Argentina has been invaded by countless British firms and interests, seeking to buy Argentine companies and land.

For example, mining sources have told *EIR* that of 60 mining companies which set up operations in Argentina between 1992 and 1995, some 42 of them belong to the British Commonwealth, including such well-known entities as Rio Tinto Zinc and Barrick Gold. These sources say that foreign mining firms control approximately 17 million hectares of Argentine territory. The Mining Ministry has assured these companies that there "is no precedent for expropriation" in Argentina, and that they need not worry about obstacles to their operations.

## Sir Henry, the enforcer

In case there is any balking at this latter-day "recolonization" effort, British interests have their enforcer in the form of self-confessed British agent Sir Henry Kissinger, who just traveled to both Argentina and Brazil to make sure that the "privatization" of Ibero-America goes according to plan. In Argentina, Kissinger lobbied heavily against any retreat on privatizing, and was asked by Foreign Minister Guido Di Tella to give his personal imprimatur on the Malvinas oil deal with the British. Sir Henry, not unexpectedly, gave his blessing.

In Brazil, Kissinger virtually took out his brass knuckles and waved them in front of the television cameras—which have been following him rather too closely of late. According

to the daily *Tribuna da Imprensa* of Sept. 19, Sir Henry explicitly warned Brazilian President Fernando Henrique Cardoso that he had to dramatically escalate the pace of privatizations if he wanted a chance at reelection. "If you deal quickly with the issue of privatization, there will be no problem with your reelection. But the two things have to go together," he said. Kissinger also reportedly indicated just which foreign companies were to buy what. "For example, Citibank wants to buy [Brazil's state-owned utility company] Light. If they don't get control of that company, it is possible they won't work for your reelection"!

According to *Tribuna*, Kissinger also said threateningly, "We're going to deal with the Congress," referring to its slowness in approving the privatization of public-sector companies Petrobras, Vale do Rio Doce, and energy and telecommunications firms.

Kissinger went on to the industrial center of São Paulo, where he ordered Gov. Mario Covas—who is also a likely presidential candidate in the next elections—to sell off public sector companies CESP and Electropaulo, informing him precisely which foreign companies to sell them to. While Covas was reportedly left speechless by Kissinger's arrogance, Cardoso knew precisely whose orders were being transmitted. In statements to the press on Sept. 22, the Brazilian President publicly renounced his country's longstanding foreign policy of non-alignment, saying, "Brazil has given up rowing against the tide of history." His foreign minister, Luis Felipe Lampreia, followed up with a pledge before the United Nations that Brazil would not put "a new strain on international relations" by using the "pretext" of unemployment to create "new forms of disguised protectionism."

In Peru, where "the sale of the century" is being touted in all the financial media, British companies have been arriving in droves to stake out claims. Environment Minister John Gummer and a delegation of 24 British businessmen arrived on Sept. 14 in Lima, fresh from Argentina, where Gummer announced that Britain had the third highest foreign investment levels in the country. That same week, directors of the world's top mining companies gathered at an international convention in Arequipa to discuss Peru's "mining boom," and especially its "gold boom," and to praise the Fujimori government for having willingly "de-bureaucratized" regulations so that takeovers can move at lightning speed.

Cuba is another British target, with non-stop delegations, official and unofficial, descending on the island to facilitate its "return to a market economy." The Sept. 27 issue of the London *Financial Times* has a four-page feature on Cuba, and advertises an upcoming business roundtable discussion, to be led by the London financial elites' preferred magazine the *Economist*, and entitled, "Cuba: A Caribbean Tiger in the Making?" The event is, not surprisingly, sponsored by Sherritt, Inc., a "diversified" Canada-based company heavily involved in such minerals as nickel and cobalt. Cuba has one of the largest nickel reserves in the world.

# Armenia's energy system is in crisis

by Vigen Akopyan

*In his last article (see EIR, June 23, p. 14), Vigen Akopyan demonstrated that, contrary to the claims of Armenian President Levon Ter-Petrossian that "in 1994 the growth of wages surpassed the growth of consumer prices," the standard of living of Armenians has fallen substantially. Here, he analyzes the production of energy in Armenia.*

The current situation in Armenia's fuel and energy system is largely defined by the fact that the country is importing much of its fuel and energy sources into the country. The only source within the country for generating electric power is water (of course, not taking into account potential undiscovered natural resources).

Before 1989, Armenia's fuel and energy system was comprised of three parts: hydroelectric power, thermoelectric power, and nuclear energy. It is of no small importance, that the Armenian fuel and energy system was a component part of the unified fuel and energy system of the Transcaucasus.

It should be noted at once, that non-traditional energy sources, such as solar power and wind power, practically are not being used. For the optimal use of water resources, the republics, starting in 1960, concentrated on building a large number of low-power hydroelectric stations (GES). In 1988, the GES in Armenia were generating 1.5 billion kilowatt-hours (kwh) of electricity.

However, water resources are not inexhaustible. Evidence of this is the lowering by a whole 19 meters of the level of Lake Sevan, the pearl of Armenia.

Because of this, special attention has also been given to the development of thermal power engineering, which, however, depends completely on the ability to import fuels from abroad.

Thermal power engineering, which was practically nonexistent before 1965, by the beginning of the 1980s, provided the country 1,900 megawatts of electric energy capacity, and in 1988 these stations generated nearly 8 billion kwh of electric energy.

The Armenian nuclear station, which began to be operated at the beginning of the 1970s, until its closing (due to the catastrophic Spitak earthquake) in 1989, had an electrical

energy-generating capacity of 800 MW. In Armenia in 1980, some 10.9 billion kwh of electrical energy was generated; in 1985, some 12 billion kwh; in 1988, the best year, 15.3 billion kwh of electrical energy was generated.

## Decline in production

Beginning in 1989, the production of electrical energy began to fall. In 1994, only 37% of the amount of electrical energy produced in 1988 was generated. At the end of five years, in this area of the economy, Armenia has been thrown back 40 years, sinking to the level of the beginning of the 1960s.

The significantly higher level of production of energy by the hydroelectric stations in 1992-94 was due merely to the fact that in former years, they worked at full power only during the irrigation season. Also, now, for political reasons (blockades, explosions of gas mains), the main load has shifted to the hydroelectric stations and has significantly increased their role.

So-called "losses of electrical energy," i.e., natural technological losses as well as non-payment by consumers for consumption of electrical energy, have reached catastrophic proportions. Of course, there were losses of electrical energy in the country's best economic years (in 1988, about 11%), but such losses never approached the current situation (in 1992, about 40%). Here it is important to note, that these are the fruits of the current government of Armenia's economic policy of the total liberalization of everything, in which it has obediently executed all the recommendations of the bosses from the International Monetary Fund (IMF).

## The effects of decontrol

As a result of the decontrol of prices on electricity (the cost for 1 kilowatt of electrical energy has risen tenfold since Dec. 1, 1994), practically the entire population of Armenia has become unable to afford electricity. If we add to this the virtual economic bankruptcy of enterprises, then it becomes clear that the situation, with the "losses" of energy, will be unlikely to improve in the near term.

On the other hand, it is difficult not to agree, as well, with the statements of several political opposition leaders, that 40% losses are just not possible, and that the whole secret is that that amount of fuel is being illegally sold abroad, instead of being imported into the republic. The government has not denied such allegations.

The most important parameter of the economic condition of any country is the index of its production of energy per capita. Even under current difficult conditions, this index is four times higher in Armenia than in India, and 2.6 times higher than in China, whatever you might say about the economic situation as a whole in those countries. Thus, even the current condition of the fuel and energy system, with appropriate structural and programmatic changes, could be the basis for a significant turnaround in this sector.

## A truth crazier than fiction

*The FDIC has announced that it will begin refunding deposit insurance payments.*

**W**hom the Gods would destroy, they first make mad, is a phrase which frequently comes to mind when watching the reactions of the financial and political establishments, to the ongoing economic collapse. The worse things get, the more determined they are, to pretend that all is well.

That point was driven home yet again on Sept. 5, when the Federal Deposit Insurance Corp. (FDIC) issued a statement proclaiming that its Bank Insurance Fund (BIF) had so much money, it would start refunding insurance premiums.

According to the FDIC, the BIF, which contains the funds the FDIC would use for paying off depositors of failed banks, had a balance of \$24.7 billion on June 30. That represents \$1.29 in reserves for every \$100 in insured deposits. As of June 30, U.S. commercial banks held \$2.5 trillion in deposits, of which \$1.9 trillion were covered by deposit insurance.

"The FDIC has determined that the Bank Insurance Fund was fully recapitalized at the end of May 1995 and that the fund balance reached \$24.7 billion at mid-year," the agency said in its Sept. 5 press release. "As a result, the agency will begin making refunds to banks in amounts equal to insurance overpayments for the months June through September. The FDIC expects the aggregate BIF assessment refund to total \$1.49 billion, plus \$19.9 million in interest."

The FDIC will also dramatically cut the deposit insurance premiums it charges banks. On Aug. 8, the FDIC board voted to cut the premiums paid

by most banks to 4.4¢ per \$100 of insured deposits, from the current rate of 23¢.

Under the FDIC's so-called risk-based premium schedule adopted in 1992, the amount of money paid by banks varies between 23¢ and 31¢ per \$100 in insured deposits, according to their financial ratings.

That the government would begin drawing down the bank deposit insurance fund on the eve of the greatest banking crash in 650 years, is an instructive example of the insanity which pervades officialdom. The amount of money involved is insignificant; the \$1.5 billion won't make a bit of difference when the system disintegrates. What is important is what it shows about the mindset of regulators, their determination to adhere to the policies which brought us to the precipice.

Faced with choosing reality, and abandoning the axioms which have failed so utterly, the policymakers have chosen to stick to the temporary comfort of their delusions, no matter what the consequences for humanity.

To bolster their delusions, the banks and their regulators have created a universe of phony statistics, a set of seemingly hard facts which pretends to prove the solvency of the system.

With \$12 billion in profits for the second quarter, the U.S. banking system "has never been stronger," FDIC Chairman Ricki Helfer said in a Sept. 12 press release announcing the release of the agency's latest *Quarterly Banking Profile*.

That \$12 billion is a record for a quarter, beating the previous high of \$11.8 billion in profits for the third quarter of 1994; combined with the \$11.1 billion in profits for the first quarter of 1995, it gives the banks a record \$23.2 billion in profits for the first six months of the year.

The banks have now claimed profits in excess of \$10 billion for each of the last ten quarters, dating back to the beginning of 1993.

"In large part, of course, these record earnings were the result of continuing extraordinarily favorable conditions — a strong economy, high loan demand, and relatively few problems in asset quality," Helfer said.

What is extraordinary, however, are the delusions under which Helfer and her cohorts are operating.

Take asset quality, for example. Assets have not improved, they've actually declined; it is the accounting tricks which have improved. It started with the virtual no-such-thing-as-a-bad-loan policy imposed upon federal bank examiners by the Bush administration in 1992, under which examiners were told their job was to "promote economic growth" by giving banks "the benefit of the doubt" about bad loans. By redefining bad loans as good, the banks were able to roll them over at the lower interest rates the Fed provided as part of its bailout of the banking system. The result: no bad loans, and no bad banks. Bank failures dried up, and profits soared.

Through such tricks, and through the rise of the derivatives bubble, the banks have kept their doors open, but the day is coming soon when they will have to pay the piper. The merger of Chemical Banking and Chase Manhattan Corp. will create a bank with \$300 billion in assets, and \$5.2 trillion in derivatives. That's 25% more than the \$4.2 trillion of assets in the entire U.S. banking system.

# Business Briefs

## Italy

### Industrialists contrast LaRouche to Novak

*Denaro (Money)*, the weekly magazine of the Southern Italian Industrialists Association, reviewed U.S. physical economist Lyndon LaRouche's book *La scienza dell'economia cristiana (The Science of Christian Economy)*, in its issue for the week of Sept. 18. LaRouche's view is "diametrically opposite to that of Michael Novak," who claims in *Catholic Ethics and the Spirit of Capitalism* that "there are links between the economic thought of Adam Smith and Catholicism," the reviewer said.

LaRouche has repeatedly warned against the corrupting influence which Novak's free trade outlook has among elements of the Catholic Church.

"Lyndon LaRouche, American economist," the weekly wrote, "is one of the protagonists of American politics, and also very active in terms of revolutionary economic reforms, as well as being controversial." It quotes from LaRouche on the counterposition between the American System and the British System of economics, Leibniz, the Book of Genesis, and Leo XIII's encyclical *Rerum Novarum*. "LaRouche dictated this book by phone from jail. Now he is free on parole, and waits for the full recognition of his innocence."

Last March, *Il Corriere di Roma* and the press agency ARI also published reviews of this book.

## Biological Holocaust

### Scientists warn about resistance to antibiotics

Soon, scientists warn, infectious diseases such as tuberculosis and pneumonia will no longer be treatable, because more and more bacteria are becoming resistant to even the strongest antibiotics, the German daily *Die Welt* reported on Sept. 14.

The latest bad news comes from the health department of New Jersey, where more than half of the hospitals in that state have found that their patients were carrying enterococci

bacteria which is resistant to the antibiotic Vancomycin, the last drug that was able to destroy them. Enterococci are the main cause of blood infections in hospitals.

A study by the Atlanta, Georgia Centers for Disease Control showed that 8% of all enterococci isolated in U.S. hospitals are resistant to Vancomycin — 20 times more than six years ago.

London-based microbiologist Dr. William Noble has proven in his laboratory that enterococci can transfer their immune characteristics to other forms of bacteria, such as staphylococci. "If this happens in a hospital, it could result in epidemics," said Dr. Mitchell Cohen from Atlanta.

The spread of TB, which is related to the AIDS epidemic, is also increasing. Doctors have isolated TB bacteria strains that are nearly immune to every antibiotic drug. A similar situation is found in pneumococci bacteria, which cause pneumonia and meningitis.

Tufts University professor Dr. Stuart Levy warns: "It will not be enough to simply change old antibiotics. We will not have a totally new sort of antibiotics available in this decade. Before it will get better, it will become very bad."

## Energy

### Mediterranean nations agree on joint projects

An agreement for the joint development of energy infrastructure in the western Mediterranean region was signed in Algiers, Algeria by six governments — Spain, France, Morocco, Algeria, Libya, and Tunisia — on Sept. 20, European dailies reported.

The agreement includes establishing links between the coasts of southern Europe and northern Africa. On a bilateral level, a power line, which is already under construction, will be built between Morocco and Spain. There is also a plan to build new gas pipelines and promote electrification of the coastal areas, especially in northern Africa.

The agreement is part of a broader initiative for the joint European Union-African-Middle East conference in Barcelona, Spain on "Mediterranean Economic Development," scheduled for late November.

## Central Asia

### Divert Siberian rivers, Uzbekistan leader urges

Uzbekistan President Islam Karimov called for diverting Siberian rivers to provide water for arid Central Asia, following a U.N.-sponsored summit in Uzbekistan where plans were discussed to save the Aral Sea, according to Sept. 22 wire reports. The project would require "huge investment from the World Bank and the European Bank for Reconstruction and Development, but I believe they will contribute to the implementation of this project," he said.

The plan, which was called "the project of the century" and was backed by former Soviet leader Leonid Brezhnev, was cancelled in 1986, for cost and environmental reasons. The failure to provide adequate water has contributed to health and ecological problems in the region.

A World Bank-drafted program released at the end of the meeting contained no plans to divert north-flowing Siberian rivers south toward the Aral, and the leaders of Uzbekistan, Kazakhstan, Kyrgyzstan, and Tajikistan signed a declaration which created the framework for "sustainable development" in the Aral basin.

## Transportation

### Kazakhstan, China discuss rail link

Kazakhstan President Nursultan Nazarbayev discussed "modern railways" linking Central Asia to China and the Pacific, during a visit to Beijing, the Sept. 13 English-language *China Daily* reported.

On Sept. 12, Nazarbayev said that his country hopes to see broader cooperation with China, including on "big and large-scale projects." Kazakhstan is considering a plan to open up "grand oil pipelines, extending from this former Soviet Union republic to the Pacific coast. If the blueprint can combine with China's design to build oil pipelines from its western areas to the eastern area, this will be a mammoth project. Japan and other Southeast

## Briefly

Asian nations also are showing interest in co-operation in this project," he said.

Nazarbayev expressed optimism "that with modern railways linking the heart of Asia to the Pacific coast, there will be increased co-operation among central Asian nations and China in the 21st century."

### Niger

#### Labor federation vows to defeat IMF deal

The Labor Federation of Niger has vowed to defeat International Monetary Fund plans to impose more austerity on the West African nation. "We will make it impossible for the government to implement the conditionalities of the [IMF's] Structural Adjustment Program which it hopes to sign, if it does not drop plans for retrenchment or liquidation of state-owned companies," Labor Federation chief Ibrahim Mayaki told the government-owned daily *Sahel-Dimanche* on Sept. 22.

Mayaki made the remarks while an IMF-World Bank mission in the country praised the country's efforts to clinch the deal but said it needed the support of trade unions for further cutbacks.

Mayaki insisted that no other labor unions in Africa or Europe would accept the conditions demanded for the IMF loan of \$102 million. He described "restructuring of state corporations" as a smokescreen for massive layoffs.

### Infrastructure

#### Australian urges use of pension funds

Superannuation (pension) funds should be used to finance "investment in public infrastructure and major Australian projects," said Neil O'Keefe, a senior member of the Australian Labor government, the Sept. 16-17 *Weekend Australian* reported.

O'Keefe's call is not in line with the policy of the government of Prime Minister Paul Keating. Although he did not propose specific

projects, and the amounts fall far short of the amount of government-generated credit needed to finance such projects, since 1990, the idea of vast investments in "great projects" and expanded infrastructure has almost uniquely been circulated by the LaRouche movement in Australia, the Citizens Electoral Councils, in their "Sovereign Australia I" and "Sovereign Australia II" pamphlets.

O'Keefe also called for the use of superannuation funds to "buy back the farm." This slogan goes back to the early 1970s, when the then-Labor government of Prime Minister Gough Whitlam tried to bypass the traditional lending sources of Wall Street and City of London, with long-term, low-interest loans from the Arabs, to buy back the immense mineral deposits which had been taken over by Rio Tinto Zinc, the Anglo American Corp., and other firms tied to the British monarchy. Whitlam's government was sacked by the governor general, the British queen's representative in Australia. This case is featured in the July issue of the *New Citizen* newspaper.

### Economic Policy

#### Ukraine will support production, says Marchuk

Ukrainian Prime Minister Yevhen Marchuk indicated that Ukraine will shift policy toward protectionism and support for production, in an address to economists on Sept. 15, wire services reported. "The government sees support and stimulation of home-produced goods as its priority task," he said. "This means credits to enterprises, tax and other breaks, and customs barriers on goods entering Ukraine."

"The government sees such protectionist measures as temporary," he said. "The so-called market blitzkrieg has turned out to be premature. Ukraine has ended up with an uncontrolled system of production. The cabinet intends to overcome these shortcomings and ensure they do not recur."

President Leonid Kuchma said that Ukraine had to halt a prolonged slump in production, and "cannot accept a weakening of the regulatory function of the government." However, he also reportedly called for faster privatization.

● **BELL LABS** will be split in two, as a result of the breakup of AT&T, *What's New*, the personal newsletter of Robert L. Park, president of the American Physical Society, reported in its Sept. 22 issue. Among the world's top 20 corporations investing in R&D, only seven are now American, compared with twice that number only five years ago, it said.

● **ROLAND LEUSCHEL** of Banque Bruxelles Lambert repeated his warning about the financial "bubble bursting," in an article in the Sept. 22 German daily *Süddeutsche Zeitung*. He characterized the mountain of debt in Europe, and in Germany in particular, as a "time bomb."

● **THE RUSSIANS** are fast approaching the point at which they will rudely stop selling off their raw materials and other resources at dirt-cheap prices, to those in the West seeking to loot Russia, a researcher at Moscow's USA-Canada Institute told *EIR* on Sept. 18.

● **BURMA** is on the brink of an epidemic of AIDS and HIV infection, due in part to the continuing financial and political isolation of the military government, health experts at the Third International Conference on AIDS in Asia and the Pacific in Chiang Mai, Thailand warned, Reuters reported on Sept. 19.

● **CRUDE OIL** produced from the Azeri offshore fields in the Caspian Sea will more likely be shipped through Chechnya to the Russian port on the Black Sea, Novorossisk, rather than through Georgia, as Turkey has hoped, the weekly *Argus Petroleum* reported on Sept. 21.

● **'JAPAN** prefers direct financial aid to the Palestinians without the involvement of the World Bank or any other international organization," officials with Japanese Trade Minister Tomishi Hashimoto said during his visit to the Gaza Strip on Sept. 20, *Al Hayat* reported. Japan promised \$200 million in "direct aid" to the Palestinian Authority.

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## Deregulating U.S. electric utilities: the 'kill factor'

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*Federal and state proposals to deregulate the electric utility industry could make power unreliable and more expensive, further crippling the economy. Marsha Freeman reports.*

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Last July, over 580 people died in the city of Chicago due to a record-setting heat wave. Investigators from the city and the national Centers for Disease Control concluded that the only thing that could have saved these people's lives was air conditioning. But nearly all of these heat-death victims were too poor to afford air conditioning, and those who had the equipment, had not turned it on for fear of not being able to pay the resulting electric bill. It is possible that in the future, not only will electricity be priced out of the range of even economically secure senior citizens, but it may not even be available when they, or you, most need it. There will be a "kill factor" that, along with cost and environmental factors, must be taken into account when any changes are proposed.

Since the 1930s, investor-owned electric utilities have been regulated by law. In what is described as a "regulatory compact," they have been given a monopoly to provide local services, and a guaranteed fair rate of return on investment by state utility commissions, in exchange for their mandate to provide universally available, economical electric power. If the industry were completely deregulated, utilities would have no legal mandate to serve. Their local service areas would not be protected—anyone could produce power and sell it to anyone else, anywhere. Supplying reliable, affordable power would not be the organizing principle of the industry, but rather, making a profit.

A comprehensive study released in July by the staff of the Public Service Commission of Wisconsin concludes that total deregulation of the electric utility industry could leave low-income customers in that state without electricity in the winter, and that those who could "see their bill for electricity dramatically increase . . . include the elderly, the sick, and hospitals."<sup>1</sup>

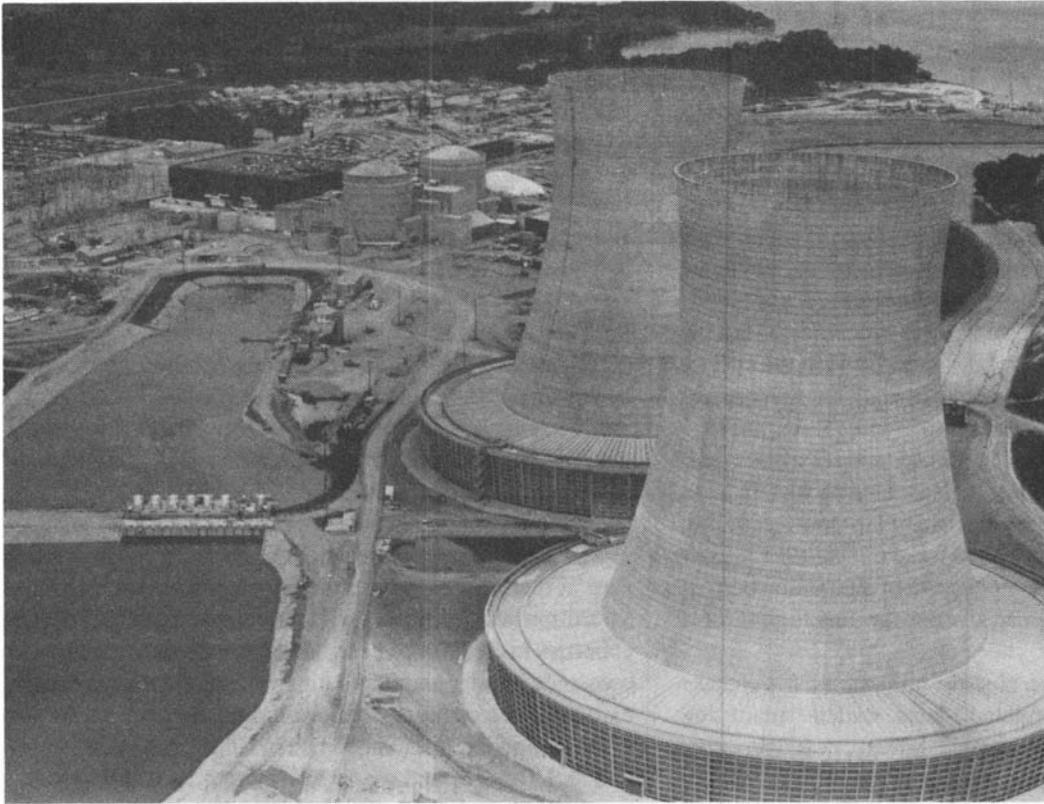
The claim by proponents of deregulation, that competi-

tion will increase efficiency and lower prices, takes no account of present economic realities. Over the past 20 years, increases in electricity rates have been the result, not of electrical industry "mismanagement" (as proponents of dereg would have you believe), but of huge costs foisted upon electric utilities by the environmentalist anti-growth movement, and "small-is-beautiful" privateers, who now complain that electricity rates are too high.

Capital-intensive nuclear generating capacity will become "uneconomical" in a deregulated industry, where such facilities must compete for customers with lower-cost hydroelectric and baseload coal facilities. Such "noncompetitive" utilities could be pushed into bankruptcy, leaving the industry in physical and financial chaos.

Deregulating the electric utilities—the most capital-intensive industry in the economy—will hand this \$200 billion per year plum to a financial system which, after looting the savings and loans, and making a killing destroying productive companies through leveraged buyouts and derivatives, is now, like Dracula, looking for its next victim. Electricity will become the latest commodity to be used as an object of financial speculation.

Proponents of electric utility deregulation point to the deregulation of the airline and telephone industries as successful precedents. Leaving aside for the moment the bankruptcies and fierce wage cuts in the airline industry that made surviving companies "competitive," these industries cannot be compared to electricity. Without reliable, affordable electric power, there is no possibility of a modern standard of living, standard of health, productive employment, or improved life expectancy. The quickest way to turn the United States into a Third World country, would be to destroy the highly reliable and affordable electricity provided by the pub-



*The Tennessee Valley Authority's Sequoyah nuclear power plant. Utility deregulation could lead to the shutdown of up to ten nuclear plants, which are deemed not to be "cost effective" by the budget-cutters.*

lic and private, regulated utility industry. That has been the actual, unhidden agenda of some of the groups pushing "competition."

Those who regulated this industry — and also established the federal power marketing administrations, the rural electrification system, and the Tennessee Valley Authority (TVA) — recognized that water development and electricity were two necessary ingredients for economic growth. As with bridges, tunnels, canals, water systems, and highways, the federal government, through legislation, ensured that such infrastructure would be provided, for the general good.

If it had not been for this federal intervention, there would not have been the rural electrification of this nation. Before regulation, utilities interested in making a profit refused to provide electric power to low-population-density rural areas. Without initiatives such as the TVA, particularly the southern states would have remained forever a backwater, without industrial or agricultural development.

That system, which has provided this nation with universally available, reliable, affordable electric power since the last Depression, is now at risk, as its customers will be, if the industry is deregulated.

### **Who promotes deregulation?**

The deregulation of the electric utility industry has not been promoted for the purpose of lowering the cost of delivered electric power for the average consumer. That is just the

public propaganda used to sell it to the mickeys.

The first push for deregulation, in the mid-1970s, had nothing to do with lowering prices; actually, it did just the opposite. The Public Utility Regulatory Policies Act (PURPA), signed into law by President Jimmy Carter, mandated that the utilities carry out the administration's agenda to force the introduction of small-scale "renewable" energy sources, such as solar, wind, and biomass, to "compete" with fossil-fuel- and nuclear-based electric utility generation. This was sold to the public as a necessary response to the purported "energy crisis," resulting from the 1973-74 Middle East "oil" war.

Zero-growth ideologues, such as Amory Lovins, readily admitted, however, that the major reason for forcing electricity production by uneconomical, small, decentralized, "renewable" producers was not to introduce competition to lower the cost, but to *force up* the price of electric power, to get people to conserve, as the way to reduce the nation's dependence on imported oil. Actually, in order to "compete" with utility-produced power, these alternative energy schemes had to be heavily subsidized by the government!

Such anti-energy programs were bolstered by studies published by the Club of Rome and other Malthusian think-tanks that "proved" that the world was quickly running out of fossil fuels. A January 1995 report by the U.S. Department of Energy, assessing the impact of current deregulation proposals, states plainly that the 1978 law "in part was

intended to decrease the intensity of energy use in the United States."<sup>2</sup>

As expected, through these energy conservation and other post-industrial-society economic and social policies, the energy-intensity of the U.S. economy has declined. By the 1980s, growth in overall energy use had been decoupled from what is put forward as economic growth, in the form of the Gross National Product (GNP). But the electricity-intensity of the economy continued to increase, as heavy industry was replaced by commercial service industries and, increasingly, electronics-based cottage industries. Over the past 20 years, for example, as GNP grew by 51%, electricity demand increased by 54%, while overall energy use remained stagnant.

Ironically, the information highway and all of its attendant electronic equipment will be least able to sustain even the slightest disruption in the electricity system. According to an article in the November 1993 issue of *Scientific American*, the loss of power for a single cycle of alternating current (one-sixtieth of a second) can disrupt the functioning of a computer.

PURPA stated that the electric utilities must purchase power from new, non-regulated plants, called "qualifying facilities," which used renewable energy, whether they needed the electricity or not. The price the utilities would have to pay for this power was calculated by projecting the so-called "avoided cost" of the utility. The non-utility producers could force the utility to buy the electricity over a long-term contract, for what it was projected that the utility's power would cost a decade later—costs that would supposedly be "avoided" if the utility bought this power, instead of producing it.

What was this "avoided cost?" At the time PURPA was passed, there were projections from James Schlesinger's Department of Energy that oil would skyrocket to \$100 per barrel over the decade of the 1980s, so the cost of new utility baseload capacity was expected to be very high. When the 1990s rolled around, however, and oil was one-fifth the price of what had been projected, utilities found themselves bound to long-term contracts forcing them to buy electric power *that they did not need* at double or triple the cost of what it would cost them to generate it themselves. This was very effective in driving up electric rates.

Realizing that their legal mandate to provide electrical power at the most economical rate was being thrown out the window, the electric utilities tried to fight PURPA. But in the mid-1980s, the law was upheld by the U.S. Supreme Court.

In April of this year, Sen. Don Nickles (R-Okla.) introduced S. 708, the Electric Utility Ratepayer Act, to repeal the section of the 1978 Public Utility Regulatory Policies Act that requires utilities to buy non-utility power, and which sets the price of this electricity at the inflated "avoided cost" used by regulators. But more than that needs to be repealed.

In the early 1990s, under "environmental President" George Bush, the renewed push for deregulation, combined with more stringent 1990 amendments to the Clean Air Act, placed added stress on the electric utility industry.

The National Energy Policy Act of 1992 (NEPA) continued subsidizing already-discredited "alternative energy" sources, by providing a 10% investment tax credit for solar and geothermal power systems. A 1.5¢ per kilowatt-hour incentive for wind turbines was included (recently found to kill all kinds of birds, including endangered species), and for biomass and solar energy.

The 1992 NEPA, to further undermine the financial health of the U.S. industry, made it easier for unregulated utilities, which include subsidiaries of regulated private utilities, to invest abroad. Perhaps hopeful that other nations' electrical industries would be more stable for long-term investment than their own, U.S. companies were involved in 453 international projects, as of 1993. The *Washington Post* at that time reported industry estimates that more than \$1 trillion will be spent by U.S. companies in developing countries in the next 20 years to build, and, in some cases, to own and operate, about 290 gigawatts of electric generating capacity. For example, the Southern Company of Atlanta has acquired interests in utilities in Chile, Argentina, Trinidad and Tobago, and the Bahamas, and is planning to buy South Western Electric PLC of England.

Domestically, the 1992 Act created yet another class of nonregulated electricity producers, known as exempt wholesale generators, and broadened the authority of the Federal Energy Regulatory Commission (FERC) to order the utilities to provide transmission services. This meant that virtually any business could generate electricity and sell it wholesale, with guaranteed access to the highly complex transmission grid. While regulated investor-owned utility companies, which have a legal mandate to serve, were increasingly being encroached upon by independent power producers who have no such mandate, industries being driven out of business by the industrial collapse put the squeeze on the utilities.

Recently, one of the biggest promoters of increased deregulation, has been the declining aerospace/defense sector, trying anything and everything to cut costs. One example is the Raytheon company, which employs over 18,000 people in Massachusetts. This major defense contractor is in the midst of a massive effort to cut \$600 million a year in expenses: 55% through plant closings and business restructuring, 35% from wage concessions, and it is looking for 10% reductions from the state in the form of tax and utility rate relief. The Sept. 18 issue of *Aviation Week* magazine reports that Raytheon has negotiated a three-year wage freeze and other concessions with 4,800 unionized workers as part of an effort to "slash expenses and compete with Hughes Aircraft's low-cost missile production operations in Arizona."

Raytheon has been threatening the state that if it does not lower electricity prices, it will move its manufacturing plants to Tennessee, where the rates are lower. As a result, in March, Boston Edison got regulatory approval to cut rates up to 20% for big industrial users that can show (that is, threaten) that they would move out of the state. Twenty states now allow lower rates to large industrial customers that might otherwise seek to generate power for themselves, even while admitting that this would raise prices for residential customers.

Another way of lowering bulk power prices, is to allow such large purchasers to choose their generation company (and price) from any utility system. In a major move, the Federal Energy Regulatory Commission released a Notice of Proposed Rulemaking on March 29, which would mandate open access by any producer to the transmission network. This essentially allows the wholesale wheeling of electric power, or transfer through multiple utility transmission systems, by non-utility generators. Every user would simply pay an agreed-upon transmission charge. Not only could a non-utility producer sell its power to the local utility, it could also find a customer half-way across the country, and use the utilities' transmission system to transfer it along the power lines.

Cutthroat competition would be the result, with power producers "cherry picking" the biggest customers, leaving local utilities that used to serve them with falling sales, and no way to recover their costs.

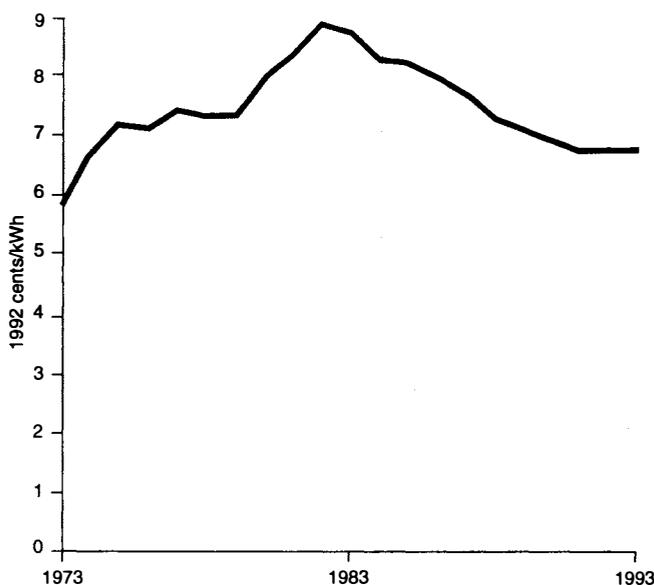
There is agreement among many economic analysts that the result of lowering electricity prices to industrial purchasers, by allowing utilities to compete for their business, will be to increase rates for residential customers. The only alternative, if all rates were to be lowered, would be to allow a period of "shake-out" in the industry, where dozens of utilities that are not "competitive" could go bankrupt, while electricity becomes increasingly unreliable and expensive.

### The real 'externalities'

From the propaganda put out by those promoting deregulation, including large corporations, one might assume that charges for electricity typically constitute a huge share of the company's cost. Actually, less than 8% is typical, except for very energy-intensive industries, such as paper or aluminum. Only in a situation of severe economic decline could shaving a few percentage points off an operating cost that makes up only a small percent of a company's total cost, make any difference.

Another popular myth is that due to mismanagement in the electric utility industry, and the lack of competition, electricity prices continuously rise. Actually, according to a 1994 report by the Department of Energy,<sup>3</sup> the real price of electricity in 1992 was 23% less than in 1982, largely because fossil fuel prices declined by 60% during the past decade. According to an analysis by Mills McCarthy and Associates,

FIGURE 1  
Historic cost of U.S. electricity



Source: Mills McCarthy and Associates.

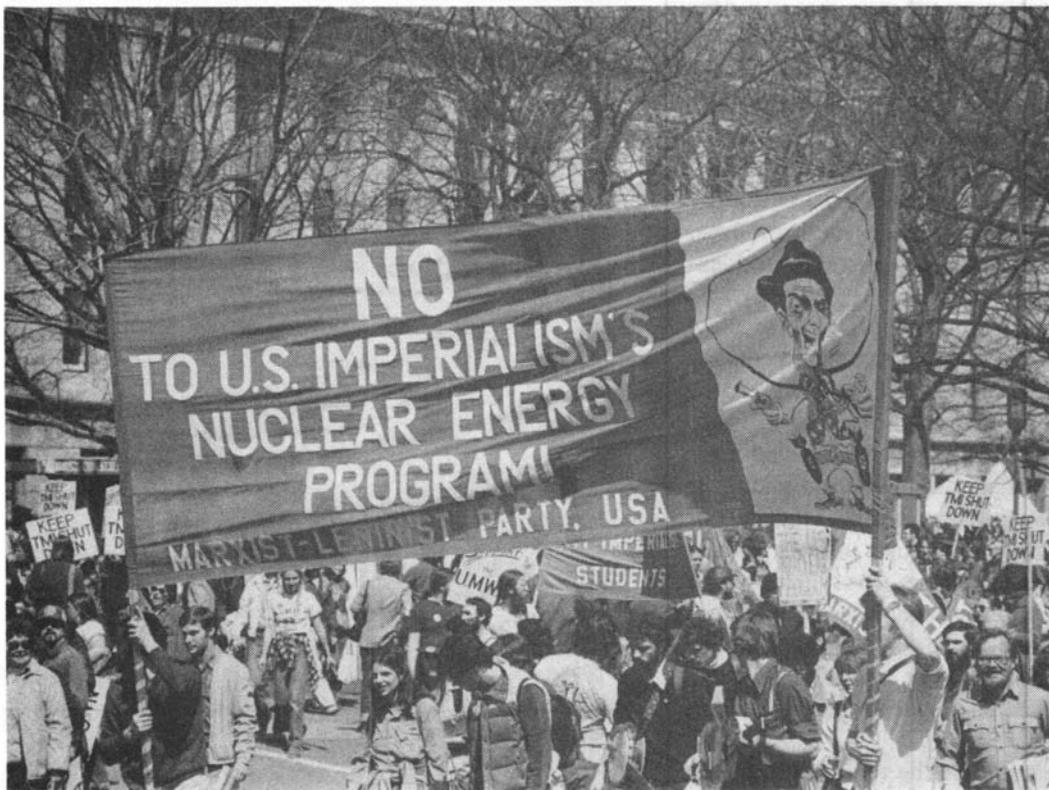
Inc.,<sup>4</sup> the inflation-adjusted price of electricity today is about what it was 20 years ago, as seen in **Figure 1**.

But electric rates did substantially rise during the 1970s, interrupting the decline in costs and prices since the turn of the century, which had been largely due to economies of scale and improvements in technology. *But none of the causes of the increase in electricity cost had anything to do with the electric power industry.*

The quadrupling of fossil energy fuel prices after the Middle East war in 1973-74 started the upward climb of electric rates. Utilities that had been petroleum-dependent, especially in New York and California, scrambled to replace oil capacity with less expensive capacity, including nuclear power plants. Then, over the Columbus Day weekend in 1979, Federal Reserve Chairman Paul Volcker tripled interest rates. The prime rate went from a low of 5.25% in 1972 to 18.87% in 1981. Interest payments on debt in the most capital-intensive industry in the country doubled.

Although the industry had accumulated substantial debt over the 1970s, while it embarked on nuclear power plant construction programs to replace expensive oil capacity and to meet growing demand, it was well placed to continue to bring down the cost of delivered electric power, as long as demand, and, therefore, sales, kept increasing.

But in the early 1980s, partly as a result of Volcker's measures at the Federal Reserve, industrial production collapsed. For the first (and only) time in 100 years, the demand for electric power actually *fell* in 1982. The average annual rate of growth of near 7% in the 1960s fell to less than 3%



*A demonstration in Harrisburg, Pennsylvania in 1981, against the Three Mile Island nuclear plant. Now, the anti-nuclear activists have made their way into the electric utility industry itself, and the commissions that regulate it.*

per year in the succeeding decades. At the same time that costs were climbing, the rate of growth in income was declining.

By the late 1970s, the industry's large nuclear construction program was being hit with a new one-two punch, in the courtrooms and in the streets. Environmentalists with law degrees, such as those in the Environmental Defense Fund, took utility companies to court to force years of delays, as laymen challenged the utilities on largely bogus safety and environmental grounds. At the same time, nuclear energy was being described as "totalitarian" by the anti-nukes, who were shown on television demonstrating in front of nuclear plants, screeching that power plants were really sleeping nuclear bombs. In Germany, irregular warfare was waged at nuclear plants, with Green party terrorists leading three days of bloody riots during May 1986 at the Wackersdorf nuclear reprocessing site.

The result is seen in **Table 1**. Utilities that had projected their nuclear power plants would come into service within 10 years, found themselves still fighting in court 20 years later. And the costs escalated. Projections that demand would continue to decline led many utilities to go along with slowing down construction.

While the industry was being hit from the outside by anti-nuclear "intervenor" and terrorists, anti-nuclear activists and zero-growth ideologues were making their way into the electric utility industry itself, and onto the state Public Utility

Commissions that regulate the industry.

One of the most striking examples of a fox guarding the hen house, was the insertion of S. David Freeman into the leadership of the Tennessee Valley Authority. The TVA — which had brought flood control, electric power, libraries, literacy, health care, malaria control, and industry to a seven-state region that had had the standard of living of a Third World country — had undertaken the largest nuclear power plant construction program in the nation in the 1970s, entailing 18 new plants.

President Carter appointed Freeman (no relation to the author) to the TVA board, to bring the new religion of "energy conservation" to the nation's largest producer of electric power. Freeman had had good training for this job at the Ford Foundation, and as one of the principal drafters of President Carter's anti-nuclear "energy" policy. He was brought in to the TVA to stop the Clinch River Breeder Reactor, along with the TVA's conventional nuclear plants, promoting, instead, the use of wood stoves.

Freeman went from his wrecking operation at the TVA to head the Sacramento Municipal Utility District in 1990, to help them replace the power from the closed Rancho Seco nuclear plant with energy conservation, and then spent a year at the New York Power Authority.

Another striking example is Maurice Strong, who now heads the mammoth Canadian utility Ontario Hydro, and has been a major player in international environmentalist,

TABLE 1

**Projected and actual cost of nuclear power units**

(billions \$)

Unit	Megawatts	Initial cost estimate	Actual cost
Millstone III (Massachusetts and Connecticut)	1,150	.400	3.82
Limerick I (Pennsylvania)	1,055	.344	3.8
WolfCreek (Kansas)	1,055	1.03	2.93
Susquehanna I (Pennsylvania)	1,050	.665	2.05
Susquehanna II (Pennsylvania)	1,050	.720	2.05

Source: Public utility commissions in the respective states

population-reduction schemes for world government. Strong was vice president of the World Wildlife Fund (now World Wide Fund for Nature) until 1975, was first executive director of the U.N. Environment Program until that same year, and ran the U.N.-sponsored Earth Summit held in Rio de Janeiro, Brazil in June 1992. (See *EIR*, Oct. 28, 1994, "The Coming Fall of the House of Windsor.")

Sort of like bringing in Ralph "Unsafe-At-Any-Speed" Nader as president of General Motors.

The same process was taking place on regulatory bodies. For example, Peter Bradford was sworn in as a member of the Nuclear Regulatory Commission in 1977, after having been nominated for a five-year term by President Carter. In 1968, Bradford had participated in a Ralph Nader-sponsored study of oil refineries, and from 1971-74 was a member and then chairman of the Maine Public Utilities Commission, when it undertook initiatives in consumer and environmental protection. In 1987, he became head of the New York Public Service Commission, and in that position, lobbied for the permanent dismantling of the Shoreham nuclear power plant, which drove the Long Island Lighting Company to the point of bankruptcy. Bradford stated at a public meeting in 1990 that government officials "must respect the public's concerns."

No wonder that the utilities have not waged an aggressive fight against deregulation.

**Making matters worse**

Over the past year, newspapers around the country have printed articles showing the disparity in electricity prices around the United States, to make the case that forcing utilities to compete for customers will force high-priced utilities to lower their costs. Indeed, the average rate for customers of Consolidated Edison in New York is more than 15¢ per kilowatt-hour, and for customers of Pacific Gas and Electric Co. and Southern California Edison, the cost is over 12¢ per kilowatt hour. This is more than double the rate charged to

customers in most of the rest of the country. Why?

As noted above, New York and California, with large populations and growing demand, were the coastal regions most dependent upon imported oil when the price of petroleum quadrupled. For environmental reasons, the burning of coal was either prohibited in urban areas or very restricted. So for very good reasons, many utilities in these regions opted for nuclear power. Consolidated Edison, in New York, put the first commercial nuclear power plant on line at Indian Point, in 1962.

While anti-nuclear intervenors disrupted the construction and licensing of nuclear plants, doubling and tripling their cost, promoters of environmental hoaxes like global warming were adding billions of dollars to the cost of coal-burning power plants by requiring the use of various remediations. After the implementation of the first set of amendments to the 1970 Clean Air Act took effect in 1977, utilities "invested" about \$10 billion per year to bring plants into compliance.

The American Council for an Energy Efficient Economy projects that between now and the year 2005, utilities will spend more than \$20 billion to meet just the sulfur dioxide standards of the 1990 amendments. The TVA alone will spend \$1 billion between now and the year 2000. Add that on to your electric bill, too.

While electricity costs were rising on the east and west coasts due to federally mandated environmental costs and free-wheeling anti-nuclear disrupters, two more outrageous fiscal demands were put on the utility industry. One was a result of the above-cited 1978 act, which, under the guise of increasing competition in high-priced places such as New York and California, forced the utilities to buy power generated by nonutility, independent power producers, using "renewable" fuels which raised the cost of electricity further.

In 1993, independent power producers generated only 7% of the total electricity used in the United States. But the price utilities had to pay for it was truly fantastic. A study by the Resource Data Institute in Boulder, Colorado last spring revealed that the hundreds of independents can be considered a \$37 billion tax on the utilities and their customers, because that is what they will receive from utilities, by law, above the market price by the year 2000. For specifics, Southern California Edison is paying 15¢ per kilowatt-hour for solar-generated electricity, or five times wholesale market price (what it could buy the power for), costing the utility and its customers an extra \$800 million per year.

In New York State, utilities signed hundreds of long-term contracts with independent producers, at mandated rates, but now could also buy power more cheaply from other utilities, or produce it themselves. There are estimates that in 1997, seven of the state's utilities will be overpaying \$1 billion for electricity from independent producers, from plants that were built as a hedge against \$40 per barrel oil prices. Three years ago, Con Edison in New York City bought out some of the contracts for \$170 million, so that six more independent

plants would *not* be built. They had estimated that it would have cost the utility, and its customers, \$150 million per year for 20 years to buy the unneeded, high-priced power.

There was also a more long-term financial impact of these contracts with independent power producers. Bond-rating agencies consider them a liability and treat them as debt. They are seen as increasing a utility's risk, not only because the price is higher, but because utilities are required to buy the power, whether it is needed or not. Lower ratings raise the cost of capital for the utility.

Recognizing at least a small part of the dishonesty involved in requiring utilities to increase their costs to perform what is peddled as a "social good," such as using solar energy, and then complaining that their rates are too high, last February, the Federal Energy Regulatory Commission allowed two California utilities to walk away from high-priced, long-term contracts with independent producers.

The second "tax" put on the electric utilities that was somehow supposed to be in the public interest, was to turn logic on its head, and require that they spend money to convince customers *not* to buy their product. Amory Lovins hatched the idea of "negawatts" in the 1970s, in an effort to convince people that "less is more" (or, at least, better), much the way various diseases are supposedly the result of eating meat, and other healthy foods.

The idea is that since it is so expensive to build new generating capacity, consumption should be reduced so the utility does not have to build any more power plants. And who better to convince the American people to cut back on their use of energy, than the electric utilities themselves!

So the electric utilities began spending millions of dollars to peddle more energy-efficient light bulbs, to give loans to homeowners to weatherize their houses, and to "educate" people about the need to conserve. The cost was passed on to the customer, since the utility could not absorb it, whether or not the customer took advantage of the cut-rate price for energy-efficient light bulbs. Of course, it is the poorer customer who cannot afford to weatherize his house, who, therefore, uses more energy per capita than the homeowner who can afford to increase his energy efficiency. Therefore, the poor consumer pays more for these conservation programs by using more electricity than the person who benefits from the utility's program and could better afford to pay the resulting higher electric price.

But just trying to convince people to use less electric power never produced significant results, so both carrots and sticks were tried in various states, all of which, again, raised the price of electricity.

As a carrot, customers were offered slightly lower electricity rates if they would allow the utility to interrupt or turn off their electricity (usually industrial customers), or just interrupt or turn off specific appliances, such as air conditioners or water heaters, at times of peak use. This "demand-side

management" was designed to bring down the growth in peak power (utilities can peak in the summer or the winter, depending upon geography), so new peaking capacity would not have to be built.

In this scheme, utilities lose money, for which they have to be reimbursed through rate increases, in two ways: first, for the amount they spend on equipment such as sensors in your home, and the paperwork involved; and second, for the lost power sales revenue as a result of such "conservation."

The Edison Electric Institute reported last year that utilities spend over \$1.3 billion per year on demand-side management programs. There are estimates that by 1997, utilities plan to spend more than \$4 billion on such programs, as there is less excess capacity, and a more immediate need to either cut demand, or build new power plants.

Is cutting demand really cheaper than building new power plants? The Bonneville Power Authority reports that its demand-side management programs cost the utility between 7¢ and 14¢ for each kilowatt-hour of electricity "saved." It estimates it could buy additional power at a cost of 4¢ per kilowatt-hour.

Then, there is the stick: an increased price charged by the utility for electricity usage during periods of peak demand. There have been experiments in a number of states with such differential rates, with the time-of-use rate going as high as 24¢ per kilowatt hour, from a baseline of 4¢. Of course, since the peak time is under conditions of extreme cold or heat, that is, when electricity is most needed, most customers have simply paid the higher price, and not shut off their air conditioners or heaters when they most needed them, again driving up consumer costs.

Under deregulation, many programs which cost the utilities money, such as demand-side management, will most likely be ditched when they must lower prices to sell power. Unfortunately, the projections the industry has made for how much capacity will be needed to come on line over the next 10-20 years to meet demand, has included expected reductions in demand from these programs, which will no longer exist. The environmentalists are now opposing deregulation, complaining that many of their "social" programs to promote renewables and cut consumption will be cast out by an industry that is no longer mandated to carry them out by law. They term these, "stranded benefits."

Social justice would require that a fair and equitable solution be found. These organizations, which have driven up the cost of electricity for decades, through their intervention in nuclear power plant proceedings, promotion of demand-side management schemes and other conservation measures, and environmental regulations, should take the responsibility, and start to pay for them. Their multibillion-dollar per year incomes could be modestly taxed to relieve the burden upon both utilities and ratepayers, of supporting anti-industrial "social" programs.

## Electricity under deregulation

The most comprehensive study of the likely impact of fully deregulating the investor-owned electric utilities, including their generation, transmission, and distribution systems, has been done by the Public Service Commission of Wisconsin. While their conclusions are disturbing, they are a vast *understatement* of what would likely happen in the country as a whole. This is because Wisconsin has the third-lowest electric bills in the country, so utilities there will not have to engage in cutthroat cost-cutting to compete with other utilities around the nation for customers. In addition, Wisconsin's utilities have no significant investments that are non-income-providing, such as half-built nuclear plants.

Yet, even in this favorable circumstance, the report projects that prices for large industrial customers may fall in the state, in the short term, but that they will rise for residential and other small consumers who will have to make up the shortfall in sales income. Price variations, they conclude, will provide lower prices off-peak, such as during weekends and at night, but will be higher on hot and cold days. Therefore, those who cannot switch their use to off-peak periods are going to be paying higher bills. These users will include hospitals, schools, and others who need electricity during the day. The report describes prices as becoming "more variable and unpredictable."

The commission projects that utility rates will rise due to an increase in the cost of investment capital, because of increased risk to the investor. In the past, regulatory commissions have generally allowed utilities to adjust their rates to recover most of the cost of new investment, to ensure they have the capacity to provide reliable power. Under deregulation, there is no guarantee the company will ever recover the cost of its investment. Utility stock, always considered low-risk, will become like any other piece of paper in the stock market. And not only there.

As the Wisconsin report points out, generating capacity that is not spoken for through long-term contracts, will be available through a spot market. Under some scenarios, the market price for electricity will be calculated on an hourly basis. A central, or "pool" dispatch organization would have to match customers to available capacity. In between, there would be brokers, merchants, and other middlemen, who would try to drum up business for utilities, and find available capacity for consumers, for a fee. Analysts expect to see price hedging, futures markets, and a place for electricity on the Mercantile Exchange.

But it was to stop this kind of financial manipulation that the industry was regulated to begin with. At the time the 1935 Public Utilities Holding Company Act (PUCA) was signed into law, there were 16 interstate holding companies that controlled 76% of all power generation. Three accounted for nearly half. As described in the Wisconsin study, "During the 1920s, the electric utility industry was plagued by the

[sic] questionable financial manipulations, trusts, stock fraud and pyramiding schemes, and inflated estimates of the value of utility plant or 'padded rate base.' " Why bring back the bad old days?

## More bankruptcies

When surveyed last year by Fitch Investors Service, Inc., 38% of the nation's state public utility commissioners believed that competition will lead to bankruptcies in their state. In the 60 years since the industry was regulated, there have been only *two* bankruptcies. One was due to the 17-year battle to obtain an operating license for the Seabrook nuclear plant, and the other from bad savings and loan and real estate investments made by the El Paso Electric company.

It will be a different story if utilities have to compete to sell power. In August, Moody's Investors Service released a report titled, "Stranded Costs Will Threaten Credit Quality of U.S. Electrics." Stranded costs are those that are or become "uneconomical" and that the utility company will not be able to recoup by selling the power it produces. In many cases, debt incurred to build nuclear power plants that were never completed would have been "stranded investments" for a number of years, but rather than throw utilities into bankruptcy, state regulatory commissions have allowed them to pass on most of the cost of paying off the debt incurred to build the plants, to their customers.

These incomplete plants (or some that were completed but produce power at a high cost because the cost of completing them doubled or tripled) were considered prudent investments by regulatory agencies when they were begun and while they were under construction. There was *no one* who could predict when they were started, that electricity demand would diminish by half before the plants were completed. Even though these nuclear power plant investments were approved by regulators, these costs are always portrayed as the utility's "fault." Investor-owned utilities are accused of "overbuilding" new capacity, to the detriment of the consumer.

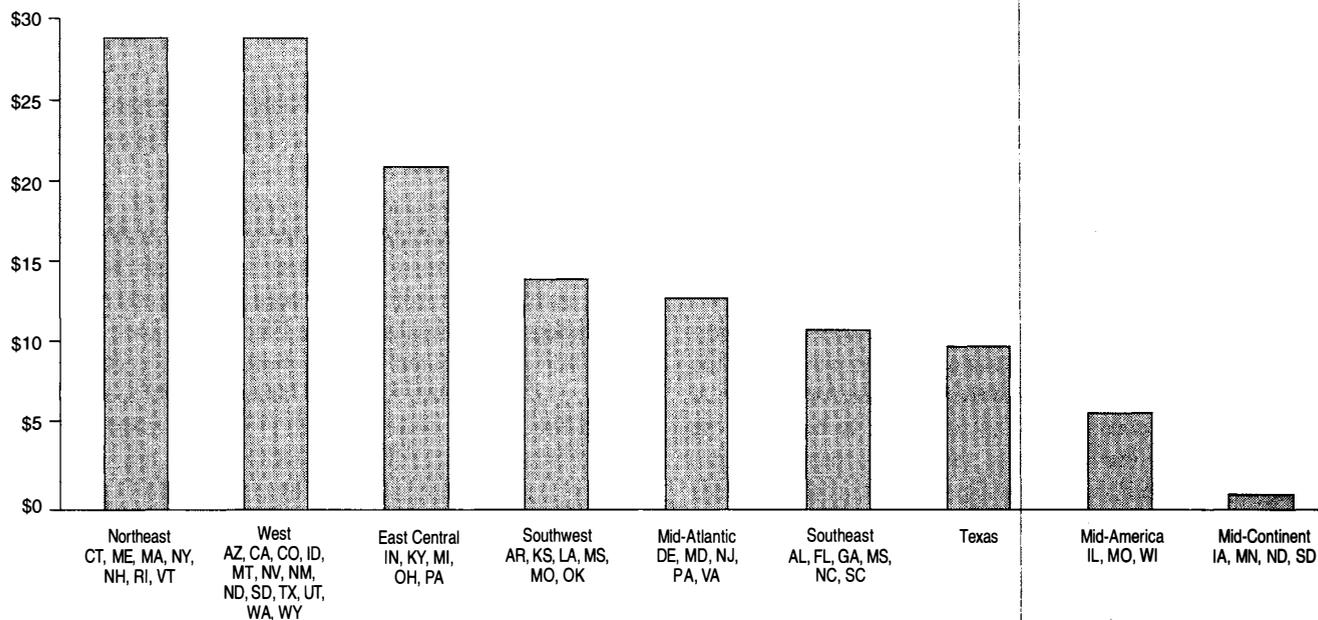
The actual case of Commonwealth Edison in Chicago, is typical. When the utility was completing the last in its series of ten nuclear power plants, the Citizen Utility Board stated that the utility had "overbuilt," and that it would not need 19,000 megawatts of capacity until the year 2020. Commonwealth Edison needed that 19,000 MW during the heat wave this past July.

Moody's estimates that \$50-300 billion of utility investments could become "stranded," or unrecoverable, if the industry were deregulated. Their "most likely" estimate is \$135 billion. To put this figure in perspective, this industry has current equity of about \$165 billion, and total assets of \$570 billion.

Although there has been a show of good intention historically on the part of FERC and other regulators, Moody's

FIGURE 2  
**Estimated 'stranded costs' in the United States**

(billions \$)



Source: Moody's

states, "since it will be extremely difficult to reconcile full recovery of such costs with meaningful reductions of electric rates, we are skeptical that regulators will allow utilities to recover all of their stranded costs. Furthermore, even if regulators are accommodating, economic and competitive realities will probably preclude full recovery."

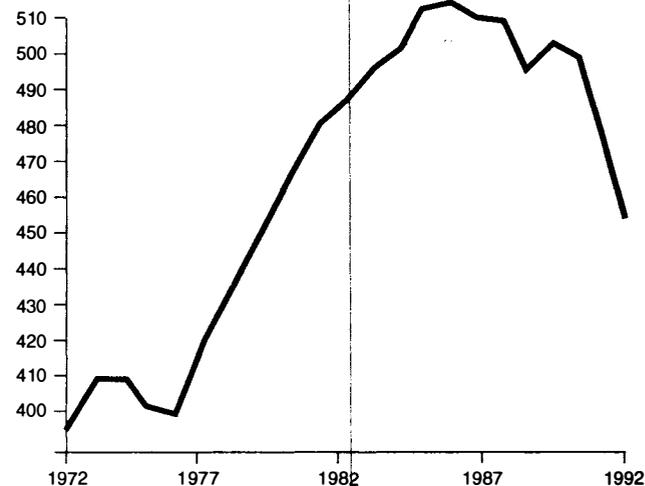
The bottom line? Moody's believes that there are at least 10 nuclear plants that might be closed in the event of deregulation, due to high non-fuel operating and maintenance costs. Hit hardest, predictably, will be the Northeast and West Coast (Figure 2). Bankruptcies will be unavoidable.

Some have said that it is the investors who should take the risk in the free market, and bite the bullet for tens of billions of dollars of stranded costs, not the ratepayers. One would think that Michael Milken made his first million in electric utility stocks! In reality, the holders of most of the nation's utility debt are senior citizens who were willing to accept a lower rate of return for the security of the investment. What may be cavalierly thrown away, is peoples' life savings.

Generating, transmitting, and distributing electricity are, by far, some of the most complex and fragile economic activities that this economy performs. The risks to the physical capacity of utilities to deliver power, including the more than 700 gigawatts of capacity and 600,000 miles of high-voltage transmission lines, have not even been considered here. But one potential threat to the system has been recently raised.

FIGURE 3  
**Employment in the U.S. electric utility industry**

(thousands)



Source: U.S. Department of Energy

The utilities have already started to prepare for what they have come to see as inevitable. Figure 3 makes clear where the major "savings" have taken place. Tens of thousands of jobs in the industry have been eliminated, as companies

scramble to cut costs. The TVA alone had eliminated 2,600 jobs by the beginning of this year, to get ready for "competition." Pacific Gas and Electric is cutting its workforce by 3,000 to "save" \$200 million per year. And so on.

One year ago, the *New York Times* reported on a discussion which then-chairman of the Nuclear Regulatory Commission Ivan Selin had with reporters. He expressed concern that deregulation would put pressures on utilities, providing an "incentive to cut corners." "Even financially sound utilities," he said, "are under great pressure to reduce their rates, to be competitive." Originally, he explained, nuclear plants were exempt from utility cost-cutting plans, but there are now plans to cut the budget at the Indian Point Plant 3 nuclear power plant by 15%.

Utilities will throw quite a bit overboard, to become "competitive." The Wisconsin report describes a program the government implemented after a 72-year-old man was found frozen to death in 1974, after his gas service had been shut off due to nonpayment. Today all Wisconsin utilities are required to locate all disconnects and renegotiate them in the fall, with mandatory reconnection by Nov. 1 every year, so no one is without gas or electricity in the winter. There is a moratorium upon any disconnects during the winter. As the report states: "Loss of electric service in the winter in Wisconsin is life-threatening."

The report concludes that such utility programs will most

likely not be continued when there is no legal mandate to serve, and there is competition to lower costs.

Electricity is something that is taken for granted, and is only a topic of general conversation when an act of nature, such as a heat wave or ice storm, create problems in its delivery.

In 1991, the Electric Reliability Coalition, made up of 40 investor-owned utilities, ran an ad in the *Washington Post* attacking the proposals to deregulate the industry. "If It Ain't Broken, Don't Break it," the ad advised.

Since then, the utility opposition to deregulation has virtually disappeared. Now, it is up to the people who use and depend upon reliable, affordable electric power to voice their opposition, because otherwise, in the future, electricity they can afford may not be there when they need it.

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Amsterdam . . . . .	2300	London . . . . .	2200
Anchorage . . . . .	1300	Los Angeles . . . . .	1400
Athens . . . . .	2400	Madrid . . . . .	2300
Ailanta . . . . .	1700	Manila . . . . .	0600*
Auckland . . . . .	1000*	Mecca . . . . .	0100*
Baghdad . . . . .	0100*	Melbourne . . . . .	0800*
Baltimore . . . . .	1700	Mexico City . . . . .	1600
Bangkok . . . . .	0500*	Milan . . . . .	2300
Beijing . . . . .	0600*	Minneapolis . . . . .	1600
Belfast . . . . .	2200	Montreal . . . . .	1700
Berlin . . . . .	2300	Moscow . . . . .	0100*
Bohemian Grove . . . . .	1400	New Delhi . . . . .	0330*
Bogota . . . . .	1700	New York . . . . .	1700
Bonn . . . . .	2300	Nogales . . . . .	1500
Bombay . . . . .	0330*	Norfolk . . . . .	1700
Boston . . . . .	1700	Oslo . . . . .	2300
Bretton Woods . . . . .	1700	Paris . . . . .	2300
Bucharest . . . . .	2400	Philadelphia . . . . .	1700
Buenos Aires . . . . .	1900	Pittsburgh . . . . .	1700
Buffalo . . . . .	1700	Prague . . . . .	2300
Cairo . . . . .	2400	Rangoon . . . . .	0430*
Calcutta . . . . .	0330*	Richmond . . . . .	1700
Caracas . . . . .	1800	Rio de Janeiro . . . . .	1900
Casablanca . . . . .	2200	Rome . . . . .	2300
Chattanooga . . . . .	1700	St. Louis . . . . .	1600
Chicago . . . . .	1600	St. Petersburg . . . . .	0100*
Copenhagen . . . . .	2300	San Francisco . . . . .	1400
Denver . . . . .	1500	Santiago . . . . .	1800
Detroit . . . . .	1700	Sarajevo . . . . .	2300
Dublin . . . . .	2200	Seattle . . . . .	1400
Gdansk . . . . .	2300	Seoul . . . . .	0700*
Guadalajara . . . . .	1600	Shanghai . . . . .	0600*
Havana . . . . .	1700	Singapore . . . . .	0530*
Helsinki . . . . .	2400	Stockholm . . . . .	2300
Ho Chi Minh City . . . . .	0600*	Sydney . . . . .	0800*
Honolulu . . . . .	1200	Teheran . . . . .	0130*
Hong Kong . . . . .	0600*	Tel Aviv . . . . .	2400
Houston . . . . .	1600	Tokyo . . . . .	0700*
Istanbul . . . . .	2400	Toronto . . . . .	1700
Jakarta . . . . .	0500*	Vancouver . . . . .	1400
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Johannesburg . . . . .	2400	Venice . . . . .	2300
Karachi . . . . .	0300*	Warsaw . . . . .	2300
Kennebunkport . . . . .	1700	Washington . . . . .	1700
Kiev . . . . .	2400	Wellington . . . . .	1000*
Khartoum . . . . .	2400	Wiesbaden . . . . .	2300
Lagos . . . . .	2300	Winnipeg . . . . .	1700
Lima . . . . .	1700	Yokohama . . . . .	0700*
Lincoln . . . . .	1600	Yorktown . . . . .	1700
Lisbon . . . . .	2300		* Mondays

# Justice Department misconduct aired by independent panel

A series of extraordinary public hearings was convened on Aug. 31 and Sept. 1 in Vienna, Virginia, to investigate allegations of gross misconduct by the United States Department of Justice.

The independent hearings, which were facilitated by the Schiller Institute, were prompted by the refusal this past summer of the House Judiciary Committee probe of the incident at Waco, Texas, to actually hear evidence of rampant corruption by the permanent bureaucracy at the U.S. Department of Justice. Initially, those congressional hearings seemed to be driven by broad-based, bipartisan concern that the Waco case, along with other pertinent cases, was a predicate of a continuing pattern of behavior by certain elements attached to the Department of Justice.

But, once those hearings were hijacked by a group of Republican congressmen whose only objective was to pillory President Clinton, the result was a massive coverup of the Department of Justice corruption the Congress had promised to investigate.

An overview of the deliberations of the panel convened by the Schiller Institute, has now been produced in videotape form, under the title "The Dirty Side of Our Justice Department." The two days of testimony, which concentrated on misconduct ranging from political targeting of African-American elected officials, to the gross abuses in the Department of Justice Office of Special Investigation's Demjanjuk case, to the LaRouche case, have been condensed into an approximately 100-minute tape. Followup tapes, of broadcast length and quality, are still in the process of production.

In the near future, a rough transcript of the proceedings will be produced by the Institute, for circulation on Capitol Hill and in other political circles.

At the conclusion of the hearings, the panel decided that it was impossible to adequately summarize the results of the hearings in a short concluding statement. However, the Schiller Institute has made the initial videotape available. What follows is the transcript of the tape, with the minimum necessary editorial notations.

For copies of the videotape, or the full transcript, please contact the Schiller Institute at P.O. Box 20244, Washington, D.C. 20041-0244.



*Civil rights attorney J.L. Chestnut (right) chairs the panel. Said Chestnut, of the international mobilization to expose the Justice Department's corruption: "This is not going to be a situation here, where you're going to stomp on us, and we're going to say, 'Yassir, boss.' No way."*

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## Introduction

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**Announcer:** On Nov. 17th, 1993, the U.S. Sixth Circuit Court of Appeals ruled that the U.S. Department of Justice had committed fraud upon the court by falsely and maliciously prosecuting retired autoworker John Demjanjuk, a court decision which finally closed a 17-year ordeal which almost resulted in Demjanjuk's execution. Even more shocking, the same corrupt members of the Justice Department's permanent bureaucracy have been found to be at the center of many other cases, in which there is indisputable proof of gross prosecutorial misconduct.

On Aug. 31 and Sept. 1, 1995, a distinguished panel of American legislators and international observers held extraordinary hearings to investigate the Justice Department's politically motivated and illegal targeting of groups and individuals. The panel included Rep. William Clark of Alabama; Rep. Toby Fitch of North Carolina; Sen. Robert Ford of South Carolina; Sen. Maggie Wallace Glover of South Carolina; Msgr. Elias El Hayek of Montreal; Rep. John Hilliard of Alabama; Rep. Howard Hunter of North Carolina; Rep. Ulysses Jones, Jr. of Tennessee; and Rep. Percy Watson of Mississippi.

The hearings were observed by: Dr. Kofi Awoonor, former ambassador to the United Nations of the Republic of Ghana; Marino Elseviff of the Dominican Republic; Dr.

Josef Miklosko, former vice-premier of the Republic of Czecho-Slovakia; and noted civil rights leader Amelia Boynton Robinson.

The first day's sessions were largely devoted to one of the ugliest stories in U.S. judicial history: the campaign to harass, entrap, and prosecute every African-American elected official in America. This was followed by the case of Lyndon LaRouche, often referred to as "the American Dreyfus," which included testimony from attorney Odin Anderson, LaRouche himself, and former U.S. Attorney General Ramsey Clark.

The Demjanjuk case was detailed by his Israeli attorney, Yoram Sheftel, who risked his own life, to save his client from the hangman; and Dr. Hans Koechler, of the International Progress Organization, described how former U.N. Secretary General Kurt Waldheim, when he became President of Austria, also became a target of a corrupt unit within the U.S. Department of Justice.

The hearings were chaired by former South Carolina Congressman James Mann and by Alabama's most renowned civil rights attorney, J.L. Chestnut.

**Chairman J.L. Chestnut:** This is an independent panel of my distinguished colleagues from all over this country, who have come to this place, at this time, to investigate allegations of misconduct by the United States Department of Justice generally, and, in particular, their targeting of black elected officials.

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## I. The Justice Department's harassment of black elected officials

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### From the testimony of Sen. Theo Mitchell

**Senator Mitchell:** As a public official in 1982, the Alcohol, Tobacco, and Firearms Department (which some of us are familiar with since Waco, Texas and the Branch Davidians), conspired with the Ku Klux Klan to set up and to have me charged with violating the Food Stamp Act of the United



*Whatever these proceedings generate, it is something that has never been done before: To tell the story of the*

*African-American elected official . . . the pain, the indignities, the humiliations, and the destruction of our families, our professions, and our businesses. — Theo Mitchell*

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States of America. This resulted in a trial. The FBI records reflect that they knew the Ku Klux Klan had been after me since 1979, but it didn't stop the FBI from knowingly enlisting their help.

I went into the legislature in 1975. I vigorously opposed the death penalty in 1977; and as such, as quoted from some of the redacted areas in this statement from the FBI, "The Klan wanted Mitchell out," and that "he better watch his back." I am proffering this to this [Schiller] Institute, to this tribunal, for whatever purpose.

In 1994, in my race for lieutenant governor, as I indicated, we were doing quite well, in a statewide race, in which I was the only black candidate. And after a run-off, a poll projection showed that I was a very viable candidate to be the next lieutenant governor of South Carolina.

I was hit between the eyes with a ton of bricks, from something that had happened six years prior to this election race. A former client of mine had been induced to plead guilty to selling drugs. I had represented him in 1988, in the

purchase of some real estate. Not being familiar with the pattern of the federal government, after being told by the purchaser that they would pay the taxes, we did not file 8300 forms on \$10,000 or more. Consequently, the Department of Justice reached back to this, and they threatened to charge me and two former secretaries with money laundering and conspiracy to commit money laundering.

Being the chief lawyer in that office at that time, I certainly did not want my former secretaries to be indicted. I was told by the United States Attorney, "We can indict you. We may not be able to convict you, but we'll go on to seek an indictment, of you and also those two secretaries."

**J.L. Chestnut:** One point of clarification. On your failing to file the 8300 form, were you the closing attorney in the purchase of land?

**Senator Mitchell:** No. I was the closing attorney in 1988 for a seven-installment transaction for a man who bought \$154,000 in property. He made payments. He was to have made the payments to the seller, but ironically, since I closed the loan, he'd put down \$25,000 in cash, and I raised a question, "Don't you have a check?" And he said, "I keep my money under my mattress." I wasn't in a position to ask him where he got his money. If I had known that Joe Withers, the guy in the Ku Klux Klan, was setting me up in 1982, I sure as hell wouldn't spend any time with him. But that's the guy who set me up, the Ku Klux Klan. I don't investigate my clients, I don't have the time, neither do I have the inclination, and, I certainly don't ask where they get their money. And the money was brought through the office and given directly to the seller. I never touched it. But it came through my office. He didn't pay the taxes. He didn't file the forms. So when they had a chance to hit me with a truckload of bricks, they did.

**J.L. Chestnut:** And you weren't even present when those transactions were done?

**Senator Mitchell:** I wasn't present when six of them were taking place, but I copped a plea. . . .

**J.L. Chestnut:** What is a form 8300?

**Senator Mitchell:** An "8300" is a form which should be filed, within two weeks after a person has transferred \$10,000 or more in cash, to the Internal Revenue Service.

**J.L. Chestnut:** Transferred from where, to where?

**Senator Mitchell:** Well, basically, if you handled it. . . .

**Rep. John Hilliard:** I look at you, and I look at other African-American legislators across the country, and I say that we could very easily switch roles: I could very easily be sitting there.

**Senator Mitchell:** Right.

**Hilliard:** And I realize that, every day that I walk into the legislative chamber, and even begin to think about fighting some of this racist legislation that is passing.

**Sen. Robert Ford:** In 1993, you were the only African-American chairman of a Senate standing committee, and that committee was Corrections and Penology. One of the things

that you were able to do, as chairman of the committee, was to stop a lot of mean-spirited legislation, from getting to the floor of the Senate. As a matter of fact, we killed that legislation in committee. I served on that committee along with Senator Glover. One of the things the Republican Party wanted to do in 1994, was to pass that very legislation: the "two strikes, three strikes, you're out" bill, the truth-in-sentencing bill. So, they stacked the committee. Before you

were formally ousted, they stacked the committee. Of the maybe 18-person committee, it must have had about 11 Republicans on it.

After they stacked that committee, your committee, their plan in 1994 was to pass mean-spirited legislation. That was the major thrust of the 1994 session. So, you *had* to be expelled, because there was no way those bills would have passed. If you were still chairman, South Carolina would

## The witnesses

**Odin Anderson** is the attorney for Lyndon H. LaRouche, Jr.

**Roosevelt Bell** has served on the City Council of Birmingham, Alabama for ten years. A close associate of Birmingham Mayor Richard Arrington, Bell presented the DOJ's campaign of harassment against Arrington.

**Ramsey Clark** was the Attorney General of the United States (1967-69) during the Johnson administration. He has represented Lyndon LaRouche on appeal.

**Tee Ferguson** and **Frank McBride** were longtime members of the South Carolina House of Representatives when they were caught in Operation Lost Trust's web. By the time of his trial, Ferguson had already gone on to win election to the South Carolina Circuit Court, the highest trial court in the state. Both served time in federal prison.

**Herbert Fielding**, in 1970, was among the first three African-Americans elected to South Carolina's legislature since Reconstruction. But in 1973, he was targeted by Operation Frühmenschen on charges of "failure to file" income tax returns. He was sentenced to a year in federal prison. In 1982, Fielding came back to the state legislature. He served as chairman of the state's Black Legislative Caucus. He was one of the most outspoken opponents of Operation Lost Trust, a DOJ sting operation.

**Dr. Hans Koechler** of Austria, a professor of the Philosophy of Law, serves as president of the International Progress Organization, a Vienna-based non-governmental organization with consultative status at the U.N. In 1987, he founded the International Solidarity Committee in Defense of Kurt Waldheim.

**Lyndon LaRouche, Jr.** is an economist, whose most significant professional achievement has been a 1948-52 research project resulting in the discovery of what became known later as the "LaRouche-Riemann method" in economics. He has sought the office of President of the United States five times, and is currently a candidate for the Democratic Party presidential nomination. He was a political prisoner from January 1989 to January 1994, and is now

free on parole.

**Theo Walker Mitchell**, a nationally prominent legislator, served ten years in the South Carolina House of Representatives and ten years in the State Senate, until he was ejected on Jan. 17, 1995. In 1982, the ATF conspired with the KKK to charge him with federal violations of the Food Stamp Act. He went to trial and was acquitted. In 1994, he was indicted again, and sentenced to three months in federal prison.

**Patricia Moore** was one of Compton, California's most prominent political figures, a close associate of then-mayor, and now-Congressman Walter Tucker. She served on the Compton City Council from 1989 to 1993 and had just filed her candidacy for California's State Assembly, when she was indicted on federal bribery charges. When she refused to cooperate with the DOJ's attempts to indict and destroy Tucker, the DOJ charged her with an additional 23 counts of violating the Hobbs Act. If convicted, she faces over 200 years in federal prison. Her trial is scheduled for January 1996.

**Ira B. Murphy** served 14 years in the Tennessee General Assembly, 10 of them as chairman of the Judiciary Committee. He was the founder of Tennessee's Legislative Black Caucus. He is a retired judge of the General Sessions Civil Division, but still practices law in Memphis. He presented the case of Rep. Harold Ford, who after two extended trials, and at a personal cost of several million dollars, was recently acquitted of all charges.

**William Nezowy**, president of the American Ukrainian Political Action Council of the United States, has spent over a decade fighting the OSI's persecution of Ukrainian-Americans and other U.S. citizens of eastern European descent.

**Yoram Sheftel** of Israel, one of Tel Aviv's most prominent criminal attorneys, risked his life to defend John Demjanjuk, who was illegally extradited to Israel, accused of being the Treblinka concentration camp mass killer Ivan the Terrible.

**Helga Zepp-LaRouche** is the wife of Lyndon LaRouche and a well-known German political figure. She is the founder of the international Schiller Institutes, and the president of the Schiller Institute in Germany.

have been the only state that did not pass those mean-spirited, but very much in vogue, bills pertaining to correction and penology and the judicial system. . . .

**Senator Mitchell:** If I had been convicted of a *felony*, I would have had the opportunity to have had a hearing; to have gone to committees, to have had the Ethics Committee hear my case and make a recommendation. But, I pleaded to misdemeanors, and I wasn't given due process or equal protection; I was summarily *drummed out*. I wasn't given the opportunity to be heard. Had this been, I believe, someone who was of a different color, I don't believe that an effort would have been made to have removed them, notwithstanding the fact that Senator Ford is right. The no-parole bills, all of this get-tough, mean-spirited legislation, came to our committee. It had clear racial overtones. So consequently, we put out what was fair legislation, and we resisted and held up that which we felt was inequitable and unfair, and certainly, mean-spirited. I was told that had I resigned the *chair*, I might well not have been expelled. But I felt that if I were qualified to be senator, I was qualified to be chairman. Consequently, I was expelled—the first in the history of the South Carolina legislature. And, I say, that I believe history will bear out the fact that I was *done wrong*. . . .

**Rep. Toby Fitch:** I'm glad to see you express the feeling that it happened to you because you *did* something. And I guess we all, Hilliard, and Jones, and I, looked at it from the same standpoint. You kind of skirted it, and dressed it up originally. I just want to make sure that this record is clear, that if you go and you *do nothing*, you're a "good guy." But if you go and you *make a ripple in the water*, that's where you have the problems.

### From the testimony of Sen. Herbert G. Fielding

**Senator Fielding:** I was one of three who were the first three blacks elected to the South Carolina House since the Reconstruction Period: Jim Felder, I.S. Levy-Johnson, and I were elected in 1970, and we started serving in January of 1971. Personally, after many, many confrontations, practically on a daily basis, with the Speaker of the House, in 1973, I was charged with "failure to file an income tax return," and I was sentenced to one year in jail and a \$10,000 fine.

In 1974, thirteen blacks were elected to the South Carolina House of Representatives. Senator Mitchell was one of those 13. In 1984—I resigned from the House when I was sentenced, but I came back to the House in 1982—in 1984 we got single-member districts in the Senate and four of us were elected at that time. By July of 1990, there were five of us blacks in the South Carolina Senate and 16 blacks in the South Carolina House. Several of the members, of the House, particularly, had advanced to key positions of leadership, and there were many others who were close to key positions of leadership, and that was when the explosion came down. Eighteen legislators were targeted in what has now come to be known as Operation Lost Trust.

In the Lost Trust cases, the first to be tried was a black representative, Rep. Luther Taylor, who had been arrested and interrogated in a hotel room for two days, while they plied him with liquor, denied him his right to call a lawyer, and even refused to read him his Miranda Rights.

At the same time, several high-ranking whites were never even charged, despite having supposedly committed the same crime as the black legislators. In the meantime, five of the convictions have been overturned by the Fourth Circuit Court. The original federal judge is now seriously considering the charges of prosecutorial abuse, and is in the process of going over boxes of evidence which had been withheld from the defendants at the time of their trials.

### From the testimony of Judge Tee Ferguson

**Judge Ferguson:** I would like, prior to making comments, to give you somewhat of a further backdrop of this whole Operation Lost Trust, and at least the African-American members of our state delegation who were involved. Luther Taylor was the first to be tried. He was first vice-chairperson of Banking and Insurance, a very powerful committee in our state. He was a powerful personality on that committee, and I think would have *won* the chairperson's election, had he been there the next time around.

Representative McBride, seated to my extreme left, was first vice-chairperson of the Education Committee; at Operations and Management you had Rep. Jim Faber; you had Rep. Larry Blanding, who had already acquired enough votes to have a seat on our State Employment Security Commission. Of course, I had won a seat on our State Circuit Court from Spartanburg County. That's the highest trial court in our state. You had Rep. B.J. Gordon, who was the ranking Democratic member of our House Ways and Means Committee; you had Rep. Ennis Fant, from Greenville, Congressman Mann's county, and, of course, Senator Mitchell's county. Representative Fant, in my view, was one of the brightest people whom I saw come to the legislature while I was there. He was the driving force behind putting together an Accommodations Law in our state, which prior thereto had none, extremely knowledgeable in the banking and real estate areas, a young man who put together a patent while he worked at one of the chemical companies there in the state, that the company later bought from him. A dynamic personality who, I'm satisfied, was well on his way to becoming one of the determining factors in our state, at 27 years of age. And of course, from Orangeburg County, Rep. Ken Bailey, a very well-respected member of not only the Black Caucus, but the General Assembly as well.

So this wasn't just an arbitrary kind of thing of just going after blacks. It went after blacks *who were in decision-making positions*; people who were very well poised to become chairpersons, of important committees. They were one election away from becoming chairpersons. So, not only did this Operation Lost Trust take us down numerically, it took African-Americans in the state down from a *power* perspective.

## From the testimony of Rep. Frank McBride

**Representative McBride:** I think that the system in South Carolina helped pick out some of the members of the South Carolina Legislative Black Caucus to be targeted in this. And I think one of my problems, was that when I first went to the House in January of 1985, a retired Supreme Court justice who was still hearing cases had made the comment over in Anderson, down in South Carolina, after he had sentenced some black boys to 15, 20 years in prison, that he wanted to know, what were "those niggers" protesting outside for. The media picked it up from his mike at the desk, and it was printed in the paper. I read the article that Sunday, and I went in Monday, and drafted a resolution to have him removed, and not hear any more cases in South Carolina. I had that passed. Senator Mitchell picked it up in the Senate, and it was passed in the Senate. The judge has never heard another case in South Carolina. Things like this just snowball, and I really think they keep records on you as they pertain to this.

There are several criteria that must be met for a person to be a target in a federal investigation. And one, very important, is a predisposition. A person has to be predisposed to commit a crime before you can make him a target. I certainly wasn't; and none of my other colleagues were. The government was definitely wrong in targeting us, without us being predisposed to criminal activity.

All eight African-Americans who were targeted, and eventually indicted, with this pari-mutuel betting deal, had been sponsors of this bill *for years*. . . .

**J.L. Chestnut:** This business of targeting black folk, particularly black officials, goes to the time we first had black elected officials, going all the way back to Reconstruction, which somebody mentioned. In 1985, Ronald Reagan's Justice Department came to Alabama and returned 126 indictments, or charges, against carefully selected black leaders. Each one was charged with something called vote fraud. I had a meeting with Edwin Meese, who was then the Attorney General of the United States, and asked him, what was vote fraud? He didn't know, I didn't know.

We raised some money, not much, but then we got our folk together. Those who were charged, we reminded them of what had occurred in Alabama in the 1960s; that they had to be ready to die, if necessary, go to jail, whatever, they had to be ready to turn a town inside out, upside down. We had to be prepared to boycott, march, demonstrate. We tried every damned case, every one. And the government won only one; and that one was reversed on appeal, on grounds of selective prosecution, and the government refused to retry.

## From the testimony of Patricia Moore

**Patricia Moore:** The effect of what they do is so devastating; it's so far-reaching. It destroys our hopes, our dreams, our promises, if this isn't stopped now. It should have been addressed when Congressman Dymally, back in the late '70s, early '80s, introduced this to the Black Caucus and into the

*Congressional Record*, that Operation Frühmenschen was an official policy of the FBI, and what it does to people. If it would have been addressed then; if black people across this nation, especially black leaders who had been victimized, would have put support, put money, into a center to fight harassment against black elected officials (because Congressman Dymally proposed this, but he couldn't get support); if this would have happened, then these men and myself would not be here today. This would not have happened to us.



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**Y**ou don't get any respect, even if you try to work with them; they manipulate and use you, and when they're finished, they cast you away. This is serious. — Patricia Moore

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## From the testimony of Judge Ira Murphy

**Judge Murphy:** Members of the panel, I've been asked to present to you an overview of the case known as the *United States of America v. Harold E. Ford*.

One can say that Congressman Ford's travails began almost immediately upon his upset victory over a very popular Republican congressman, who then represented an almost majority African-American district.

The Ford case, I submit to you panelists, will be an essay on prosecutorial misconduct. And I think it's bound to become one of the most egregious cases in the harassment and abuse of a black elected official in the history of the United States Justice Department. . . .

Congressman Ford weathered a ten-year ordeal of government abuse and harassment. The attack first surfaced in 1983, and continued to the 58-count indictment on various bank fraud charges on April 24, 1987, then to the first trial on Feb. 12, 1990, which ended in a mistrial after 22 days of testimony, 29 witnesses, 150 trial exhibits, 110 pages of jury instructions, and 12 hours and 35 minutes of jury deliberations, and several hundred thousand dollars [in legal costs incurred] by the congressman.

The congressman was retried in April of 1993 in Jackson, Tennessee, outside his home county and congressional district. In the second trial, he was acquitted of all charges, notwithstanding the government's overwhelming effort and

waste of spending of several million dollars.

Now, without a real case, it was incumbent upon the government to manipulate the system to try to get a conviction. . . .

The government's next ploy was to start a media campaign against the congressman about not getting an unbiased jury. This is after they had sought to get a *biased* jury in the first case, by moving the trial to east Tennessee.

At the conclusion of the first trial, the government then renewed its effort to get a biased jury, again. And, with the help of the judge — and I respectfully submit, this was a black judge — they succeeded in getting a change in venue.

So, this went again to the Court of Appeals for the Sixth Circuit.

**J.L. Chestnut:** The judge granted the government motion?

**Judge Murphy:** Yes, sir, absolutely, he did. And of course, you know, a lot of us were chagrined by that move, but it did occur.

**J.L. Chestnut:** Who had appointed him? Bush?

**Judge Murphy:** No, this was an appointment by President Carter, that had been recommended by Congressman Ford!

Of course, the move was challenged very vigorously, and went back to the Sixth Circuit. Those of you who are attorneys, know that the Sixth Circuit is one of the most conservative circuits in the country. And the move was sanctioned by the Sixth Circuit, and the Supreme Court rejected the appeal.

So here we are back to trial again — in a second trial. The case was moved again to Jackson, Tennessee. And this is one of the things that happened in Mr. LaRouche's case: You have the government shopping for venue! And when you have no case, you have to resort to tricks, and manipulate the system. . . .

But, let's get back to the trial in Jackson, Tennessee. It went on with a predominantly white jury. But, with a vigorous defense, and with the exposure of the government's case, the government didn't even have the witnesses to prove conspiracy. And, of course, as Judge Ferguson indicated, conspiracy is a tool that the government is using to abuse black elected officials. But in this case, the alleged co-conspirators were not available, or, the government didn't want to risk their presentation.

So the case caved in, after Congressman Ford had spent several million dollars, and the government had probably spent ten times as much, as he had spent. And so, he was finally acquitted of all of the charges — *all of the charges* — against him. And right now, he would perhaps be the highest-ranking Democrat in the state of Tennessee.

### From the testimony of Councilman Roosevelt Bell

**Councilman Bell:** I want to say here, that the record will show, that for the last 20 years, Richard Arrington, Jr., has

been a constant target for prosecution. I believe that much of that prosecution was at the hand of our government. I heard the statement today, for the first time, that "I love my country, but I fear my government." I'm afraid I'm going to have to subscribe to that statement.

**J.L. Chestnut:** For the record, Richard Arrington is the black mayor of Birmingham, and he has been subjected to ten years of intensive investigations by the federal government.

A black woman came into my office several years ago, right in the midst of all of these investigations. Her name was Marjorie Peters. And she said that she had been a consultant, as Councilman Bell knows, that she had been a consultant to the City of Birmingham, and that the government had found some fake invoices that she had sent to the City of Birmingham, and collected the money. There wasn't any question that they could prove it. But they had offered her a deal, that she could walk, if she would bring down the black mayor of Birmingham; and, for some strange reason, she came to me. I would have thought that I would have been the last person; but she did come.

And I gathered, from her having picked me out, she had no intentions of bringing down anybody black. So I said to her, "Well, we will go to trial." And there was a terrible trial there. The mayor was in contempt of court and sent to federal prison. But Marjorie Peters *never, never* cooperated with the government. J.L. Chestnut *never, never* cooperated. When I say "the government," I'm talking about the Justice Department.

The end of all of that was that the government didn't even *indict* Mayor Arrington, much less convict him. And they had promised Marjorie Peters that she was going to do 200 years. I think that she got about two or three years, and that was it. But once again, *it required one hell of a fight*. Once again, it required that those in power understand, that this is not just a fight in the courtroom. It's going to be up and down the streets of Alabama. It's going to invoke boycotts, and reminiscences of the 1960s, and every damn thing else we can come up with. This is *not* going to be a situation here, where you're going to stomp on us, and we're going to say "Yassir, boss." No way. And that is the *only way* we got out of that. Except for that, Dick Arrington would be the *ex-mayor* of Birmingham.

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## II. The vendetta against Lyndon LaRouche

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### From the testimony of Odin Anderson

**Odin Anderson:** I have represented Lyndon LaRouche since 1984, at which time he was directly targeted by the Department of Justice, through the U.S. Attorney's office in Boston, although there is a history of many years prior to that.

Why is this case of Lyndon LaRouche of interest to you

**Memorandum**

TO: a) DIRECTOR, FBI (100-449698)

FROM: SAC, NEW YORK (100-163303) (P)

SUBJECT: COINTELPRO - NEW LEFT

Re New York letter dated 3/11/69.

Enclosed herewith are two copies of a suggested leaflet entitled "The House Creep Revolution," designed to cause disruption in the Columbia University chapter of the Students for a Democratic Society (SDS). It is noted that a wide split between the SDS Columbia Chapter and the so-called NY SDS Labor Committee has developed in recent months. It is felt this leaflet will serve to widen this split.

This leaflet was written in the jargon of the New Left necessitating the use of a certain amount of profanity.

Bureau authority is requested to prepare and mail (anonymously) the enclosed leaflet to selected individuals and organizations active in the New Left movement.

REC-1A

100-457957-1579

1 - Mr. O'Malley

FIGURE 1  
The vendetta against LaRouche

e) The Boston Herald, Thursday, May 5, 1968

# LaRouche jury would have voted 'not guilty'

By SHELLEY MURPHY

FOUR LaRouche organizations were charged with credit card fraud, all of which allegedly occurred during LaRouche's 1964 presidential campaign.

A federal judge declared the mistrial yesterday for LaRouche and his aides, ruling that the 16 jurors would suffer "severe hardships" if the four-month trial continued.

In a surprise vote taken in the jury room after they were excused, jurors unanimously decided they'd find LaRouche, six aides and five organizations innocent of all charges based on evidence presented since the trial began Dec. 27.

"We would have acquitted everybody at this point, and that's based on prosecutive evidence," said Roman Dushawitz, a defendant. "There was too much question of government misconduct in what was happening in the LaRouche campaign."

U.S. District Judge Robert E. Keeton said the trial originally scheduled to last three months, undoubtedly would spill over into late fall, disrupting the lives of four jurors who have plans for surgery, vacations and job promotions.

Keeton's decision led to vows from prosecutors that there would be a retrial and a lawsuit from LaRouche's attorney that his client had not been vindicated.

Attorney Odin Anderson, who represents LaRouche, said today he appreciated your letter forwarding the flyer which has been circulated by Lyndon LaRouche, Jr. Because these people have been getting increasingly obnoxious, I have taken the liberty of asking my lawyer, Bill Rogers, to get in touch with you to seek your advice, especially with respect to security.

It was good to see you at the Grove, and I look forward to the chance to visit again when I am next in Washington.

Warm regards, 16 SEP 28 1962

Henry A. Kissinger

Mr. William H. Webster  
Director  
Federal Bureau of Investigation  
Washington, DC 20535

HENRY A. KISSINGER  
Room 500  
1800 K STREET, N.W.  
WASHINGTON, D. C. 20006

68P  
141  
acknowledged 9/28/68

FBI  
Date: 11/23/73

REBulet, 10/29/73.

Interviewing New York case file it is noted that information has been received that the CPUSA is conducting an extensive background investigation on the subject for the purpose of ultimately eliminating him and the threat of the NCLC to CP operations. Several sources have furnished this information to the New York office, and this information has appeared in the Daily World newspaper several times.

NCLC sources have advised that the subject is the controlling force behind the NCLC and all of its activities. A discussion with the New York NCLC case agent indicates that it is felt if the subject was no longer in control of NCLC operations that the NCLC would fall apart with internal strife and conflict.

New York proposes submitting a blind memorandum to the "Daily World" CP newspaper, in New York City which has been sent from outside the area to help facilitate CP investigations that this would be appropriate.

busy senators and representatives of color, who have very busy agendas, and a lot of work to be done for your own constituencies?

Because political targeting is political targeting, whether it's on the basis of race, which we see constantly, and you deal with it every day of your lives, before you became elected representatives and certainly now, in a different way, or for other political reasons; or political advocacy of various kinds, if it is not of the sort that is favored and smiled upon by the federal government, becomes the object, under the direction of the Justice Department, of targeting and, ultimately, prosecution. And that's what happened in the case of Lyndon LaRouche, and it's what happened in many of the other cases, if not all of the other cases, that you've been addressing this morning. . . .

Probably the best way to demonstrate the government's

venal behavior, and the unconstitutional activities undertaken directed out of the Criminal Division of the Department of Justice, is to show you their own documents, and read to you their own words.

What you see before you (Figure 1a), is an FBI memorandum from the SAC, who was the Special Agent-in-Charge of the New York Field Office of the FBI, to the director. It's dated March 1969. It requests authorization of the director to issue a false leaflet, to stir up antagonisms between these various factions of SDS [Students for a Democratic Society]. Now I'm sure that's a tactic familiar to all of you, if in slightly different form. They want to disseminate this leaflet under false cover, to various of these groups and stir up as much controversy among them, hopefully undermining their ability to act in concert and getting them into faction fights which would destroy their efficiency and cohesion.

So in 1969 and the 1970s, this was the kind of activity which was going on against the LaRouche political movement and many others, including people you're well acquainted with personally.

The next document (**Figure 1b**) is to the director, again from the SAC in New York, regarding the named subject, Lyndon Hermyle LaRouche, Jr., also known as Lyn Marcus, as they suggest. This is one of the most incredible pieces of FBI material that I have ever seen. And I have to stress something to you, all of you who were involved in the effort. And you'll ask: What is our agenda? How do we fight against these wrongs, these evils emanating from the very center of our government?

One of the difficulties, is that *you can't get the proofs*. Where are the proofs? The proofs are hidden. It has taken us, literally, years. I appreciate the kind words, but my time is *de minimus*, compared to the time of all of the others who have contributed to the effort to bring this case to the point at which it currently exists. An unsatisfactory point, but a point, nonetheless, where we have established evidence which clearly demonstrates, to any honest and unbiased viewer, the level of government misconduct that went into this entire witch trial of Lyndon LaRouche.

**J.L. Chestnut:** What is the CPUSA referred to in the document?

**Odin Anderson:** That's the Communist Party of the United States. What this memorandum suggests, is that the Communist Party has let the FBI know, that they want to eliminate Lyndon LaRouche for their political reasons. They consider him to be a politically dangerous person, and the

**Sen. Robert Ford:** Maybe everybody else knows, but I don't. Mr. LaRouche isn't an African-American. And apparently, he isn't Jewish. So, why LaRouche? Why did they go after him?

**Odin Anderson:** I think he, far more eloquently than I, can probably tell you who he is, and what he stands for.

**Senator Ford:** I can see the government going after us. But who is Mr. LaRouche, and why is the government —

**Odin Anderson:** For, basically, the same reasons they're going after you: They don't like what he stands for, and they don't like what he's doing. He just doesn't happen to be black.



*Odin Anderson*

Communist Party wants to eliminate him.

If you look at the bottom, New York proposes submitting a blind memorandum to the *Daily World*, to foster these efforts. Here is the FBI climbing in bed with the Communist Party, in order to effect the elimination of Lyndon LaRouche from the political scene. I think we all know what that means.

So, moving into the '80s: Henry Kissinger, whom we all know by name and some probably remember by reputation and actions, was a very powerful man. Mr. LaRouche took exception to his policies, which he considered to be genocidal, particularly in the context of the financial policies and the conditionalities imposed on the Third World, in order to get monies from the World Bank, and got into a serious row with Mr. Kissinger.

And Mr. Kissinger writes (**Figure 1c**), on his letterhead, to William Webster, the director of the FBI. They had recently had a lovely social occasion together at the place called the Grove, where these powers associate and frolic around in various curious ways. And, after that, he appreciates having seen him there, and asks for the assistance of Bill Webster in dealing with the LaRouche menace. . . .

A short period thereafter, "Buck" Revell, who was the head of counterintelligence for the FBI at the time, is sent this memorandum (**Figure 1d**) by William Webster, who had been contacted by David Abshire of PFIAB, that's the President's Foreign Intelligence Advisory Board. And the same parties, Henry Kissinger and his colleagues, are now raising before PFIAB, the question as to whether LaRouche, because he seems to have funding from sources that they don't understand, is possibly operating as a foreign intelligence agent, and they want them to look into this.

Now, what that does — and the words are bad enough, but the reality is terrifying — is this triggers Executive Order 12333, which allows virtually *any form of conduct, any activity*, to be undertaken, provided it's under this national security cover. So this was the beginning of a national security-covered operation against Mr. LaRouche and his colleagues.

Why do we have these documents? Not because they gave them to us. *They hid these from us*. We finally, after years of fighting FOIA [Freedom of Information Act] litigation cases, were able to peel off small pieces of this grapefruit. There's still a lot left down there. We haven't even got to the seeds yet, we're still working through the pulp.

The common denominator among all of these cases, is twofold. It's, as I said, political targeting, and it's the Criminal Division of the Justice Department. Can you imagine a more frightening thing, than to realize, that among the worst abuses of our constitutional rights as a people and as individuals, are, in fact, being planned and directed out of the very heart of the agency that's supposed to be protecting those rights?

You probably also know, from your own experiences with colleagues who have run afoul of the situations that have been discussed, that the first place they try you, is in the

press. Only *then* do they try you in the courts, once they've set the stage, once they've poisoned the minds of the community against you. Then they haul you into court, where you can't get a fair trial, because the jurors who are sitting there, have been told for days, months, years, or millennia, what a bad person you are, and what horrible offenses you've committed against the moral or social fabric of the community.

Well, that's precisely what happened in the LaRouche case, *probably more so than in any other case.*

This (**Figure 1e**) is an article from the *Boston Herald*, and I'm only showing it to you for one reason, not because of the highlight, "LaRouche Jury Would Have Voted 'Not Guilty,'" although that's true, and does come out of the words of the jury foreman who was interviewed. But, in the first line of text, there are some very important words from the foreman:

"We would have acquitted everybody at this point, and that's based on prosecution evidence," said foreman Dasha-zewt. "There was too much question of government misconduct in what was happening to the LaRouche campaign."

"Government misconduct." Very seldom do you get a jury to see it, because the government fights you tooth and nail. They lie, they cover up evidence, they, in fact, deny information to their own agents, so that their agents won't be in a position to have to intentionally not disclose it. These are common tactics, and that's what happened here. Fortunately, in our case, we were able to show enough of it to the jury, so that the jury got the smell.

However, the government wasn't about to quit, particularly having taken what was a serious public relations beating, so they decided to switch forums, come down to a much more favorable forum, in fact *the* most favorable forum, the Eastern District of Virginia: the so-called "rocket docket," the home of almost every government agency and government contractor in the country, with a few other pockets here and there. . . .

Ramsey Clark, former Attorney General of the United States, who has been with me on all of the appeals, joined the effort just after the sentencing of Mr. LaRouche and his colleagues in 1989. Recently, he wrote a letter to the Attorney General, asking for a departmental review of the LaRouche case, and I'd like to read you some portions of his letter:

"Dear Attorney General Reno,

"I have been an attorney in this case since shortly after the defendants were sentenced in January 1989 and appeared as co-counsel on appeal and on the subsequent motions and appeals in proceedings under 28 U.S.C. Sec. 2255 and F.R. Cr.P. Rule 33. I bring this matter to you directly, because I believe it involves a broader range of deliberate and systematic misconduct and abuse of power over a longer period of time in an effort to destroy a political movement and leader, than any other federal prosecution in my time or to my knowledge. Three courts have now condemned the Department's

conduct in this prosecutorial campaign. The result has been a tragic miscarriage of justice which at this time can only be corrected by an objective review and courageous action by the Department of Justice."

### **From the testimony of Ramsey Clark**

**Ramsey Clark:** I'll start and end with the case of Lyndon LaRouche and his co-defendants, not because it's the Alpha and Omega, although it's about as close as a case gets to the potential perfidy of justice, but because it shows how bad it can be, and yet, it has, as so very, very few of these cases ever do, a positive side that we have to consider. . . .

I had followed the earlier case in Boston, which, by any measure, was an extremely peculiar case, both in its charges and its prosecution, and in its history. I knew the judge there as a fellow Texan, and his brother, Page Keeton, had been dean of the law school where I started out, down at the University of Texas. The Boston judge is one of the old school, that doesn't like tricks, falsity, or injustice, and he became outraged with the prosecution, and did a lot. I can't tell you he did all that a judge could have done. I believe Odin [Anderson] would agree, though, he did a lot. And not many judges, who come through a political conditioning and process, have the courage to stand up to the power of the Executive branch, to the FBI and others, and say the things that he did. And that was almost an early end to a malicious prosecution.

But in what was a complex and pervasive utilization of law enforcement, prosecution, media, and non-governmental organizations focussed on destroying an enemy, this case must be number one. There are some, where the government itself may have done more and more wrongfully over a period of time; but the very networking and combination of federal, state, and local agencies, of Executive and even some Legislative and Judicial branches, of major media and minor local media, and of influential lobbyist types, the ADL [Anti-Defamation League] preeminently, this case takes the prize.

The purpose can only be seen as destroying — more than a political movement, more than a political figure — *it is* those two; but it's a fertile engine of ideas, a common purpose of thinking and studying and analyzing to solve problems, regardless of the impact on the status quo, or on vested interests. It was a deliberate purpose to destroy that at any cost. . . .

In the LaRouche case, they're book people. I have to confess to an intellectual weakness: I find reading easier than thinking, so I read constantly, nearly blinded myself from too much reading. I've got 15,000 books at home, read most of them, unfortunately. As you can tell, I haven't learned much, but I haven't stopped yet. These are book people. They had publishing houses going on. Important publications. Non-profit stuff. This is what they were about: *ideas, information, social change.* Meeting the needs of human people all over the world, humanity all over the world. We're

going to have a billion more people before the end of this millennium, century, decade, and the vast majority, 80%, are going to have beautiful, darker skin. And they're going to live short lives, *short lives* of sickness, hunger, pain, ignorance, and violence, unless we act *radically*. And these books have ideas. Some will work, some won't work, but they're ideas. They can be "tested in the marketplace," as we used to say.

And the government came in with a *false* bankruptcy claim, against a non-profit publishing house, and *shut 'em down!* What's the First Amendment worth? "We'll silence you, you'll have no books out there."

And not only that: Then they took people who were contributing and supposed to be paid back their loans to the publisher, and tried to prosecute, falsely, on it. They put on witnesses, to give false testimony. From the tens and tens of thousands of contributors, and thousands of people who gave loans, they come up with a baker's dozen, roughly, 13, 14, 15 people, who got their feelings hurt, perhaps, and some who were mean-spirited enough to lie about it, and who didn't get their money back, although they were being paid back. Because anybody can have a financial crunch, where you can't pay back.

Imagine what would happen to political campaigns in this country, if you enforced law strictly against those who are raising money like this, by inquiring about all the people who gave money, whether they got what they wanted, what they expected and whether they were misled about it, or anything else. Nobody could run for office. . . .

I read the record. In addition to reading books, I read lots of records, from trials. Absolutely no evidence to support a conviction there. If you take it all, if you exclude the parts that were false or venomous, there's not even a shell. But they had to say that this noble enterprise, agree or not with it, was corrupt. Corrupt. "Have nothing to do with it. It's corrupt." Nobody respects financial or other corruption. Destroy 'em that way.

They were put to trial, without any chance to prepare their case, and they made a valiant effort, and got consecutive sentences. Unbelievable! When the government will use that much force, that much energy, that much of its resources, to destroy an idea or movement of people.

So this is one reason to look at what's happening here. I don't know much about it, I just see it from afar, I'm just a lawyer. But, talk about getting heavy bodyblows! This Lyndon LaRouche and his supporters and people who work with him — heavy bodyblows. *Five mean years in prison*. Constantly worried about health, and all the rest. Continuing prosecutions, with *unbelievable* sentences: 77 years, 44 years. You can't say draconian. They're essentially *psychological death sentences*, if not physical death sentences. Constantly coming at you. And there they are. And here we are.

**Senator Fielding:** I've heard some things here, in the past two days, that really bother me tremendously, about the

United States Justice Department. We have heard tales of, actually, I think, criminal and deliberate suppression of evidence by certain sections of the OSI [Office of Special Investigations], in the Justice Department, and also what you call prosecutorial abuse, by that particular section in the Justice Department, and the Justice Department as a whole. And it really bothers me. And I'd like to know, just what we can do specifically, to ensure that this doesn't happen in the future?

**Ramsey Clark:** OSI ought to be abolished. It should never have been created. It's an instrument of hatred, when there ought to be an end to it.

It's not, however, the office that caused Waco or so many other things. We have a new and dangerous mentality. We have developed a police mentality, that loves the SWAT team, the image of the SWAT team. They absolutely love it! They don't believe they're real policemen, unless they can come in with a Rambo fire capacity and shoot up the place, you know?

We worked hard at the idea that *a police officer is a public servant*. He is a *civil* servant. She has an obligation to serve the community, to reconcile, to *prevent* violence, not to cause violence. To *solve* problems, not to *create* problems.

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### III. The Justice Department OSI's attempted murder of John Demjanjuk

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#### From the testimony of Yoram Sheftel

**Yoram Sheftel:** The Demjanjuk affair started as a Soviet plot in the very beginning of 1976, through a Soviet crony named Michael Hanushak, who used to be an editor of a Ukrainian communist newspaper published in New York under the name of the *Ukrainian Daily News*. The affair started by an attempt to implicate Demjanjuk for being a guard in the notorious death camp of Sobibor. Sobibor, it is worthwhile to mention, was a death camp, where between spring of 1942 and autumn of 1943, six hundred thousand Jews were slaughtered, in front of the Allies, who knew exactly what was happening, and didn't lift a finger to save even one Jewish child from the holocaust which took place in Sobibor. . . .

On the way of the Demjanjuk affair, from being a case of mistaken identity to a vicious show trial, became one of the worst cases of coverup in modern history, and this is due to the enormous, unprecedented misconduct of the Department of Justice, most specifically, the Office of Special Investigations [OSI], which is a body within the Justice Department. I will focus in my presentation on that part of the Demjanjuk affair only, because I think this is what is in the interest of this panel to find out.

The lawsuit against Demjanjuk, to revoke his American citizenship, was produced to the Cleveland federal court, in

September 1977. Although the sole proof against Demjanjuk was identification from this extremely suggestive photo spread, still there can be no doubt that the Justice Department did believe genuinely in September 1977 that Demjanjuk is that monster from Treblinka known as Ivan the Terrible by the unfortunate Jews who worked as slaves in that camp.

But less than a year after this indictment of Demjanjuk was presented to the federal court in Cleveland, the OSI received, through the American embassy in Moscow, material—to be precise, on Aug. 12, 1978—this material was a telegram, with a hundred pages of documents, which were requested by the OSI in connection with another case altogether to the case of John Demjanjuk, a case which the OSI conducted and lost in the matter of Fyodor Fedorenko.

However, that material didn't focus only on Fedorenko, but it gave broad evidence about the criminal activities of other guards in Treblinka, most of them, not all of them, of Ukrainian origin, which were Soviet soldiers that fell into German captivity, and volunteered to assist the SS in the process of exterminating the Jews in the death camps. That information that the OSI received, also contained information about the real identity of Ivan the Terrible. . . .

That is to say, on Aug. 12, 1978, not only the name is mentioned, but the OSI also is in the possession of the picture of the real Ivan the Terrible, a picture which has *no similarity whatsoever* to Demjanjuk. Demjanjuk is bottom left, and this is the picture, and everyone can see that there is no similarity whatsoever between the two faces. Besides the different name, of course, and many other features.

Now, if you expect the OSI to review its position about the case, which was filed in, as I said, September 1977, and not yet started the actual proceedings in court, if you would expect, as everyone else would expect, that they would review their position, due to the new material which they have in their possession, which, of course, proved beyond any doubt that Demjanjuk cannot be Ivan the Terrible, the OSI didn't do it. They also didn't terminate the case. They decided to continue with it, as if nothing had happened, and all this material were not in their possession, and they decided to continue with the case, to revoke Demjanjuk's American citizenship for being a man who they knew very well, at this stage, he was not: Ivan the Terrible. They knew very well that there is no way whatsoever that Demjanjuk could be Ivan the Terrible. Yet they decided to proceed with the case. . . .

From among the dozens of bureaucrats of the OSI, at this stage, one George Parker became alert to what was happening, and he wrote a five-page memorandum explaining why there is no case whatsoever against Demjanjuk, in any allegation or charges whatsoever. The Soviet-initiated ones, all those which exploded in Israel due to the mistaken-identity proceedings through the suggestive photo spreads. Now, not only did he write a memorandum and send it to the head of the OSI at the time, Alan Ryan, but he asked for an interview

with Alan Ryan, and tried to persuade him to drop the case, not to proceed with the case. We are talking now about October 1980. The proceedings against Demjanjuk in court had not yet started, the actual hearings of evidence. Parker was not listened to, and the proceedings started as if nothing had happened in February 1981.

When George Parker realized what was going to happen, he decided to quit the OSI. He felt that he could not take part in this frameup, on the one hand, and coverup on the other hand, and he quit the OSI. Now, he revealed all those

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*In this particular case, the Justice Department is much worse of a villain, than the KGB.*  
— Yoram Sheftel

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facts in an interview he gave to NBC television in November 1991, eleven years later, and in this interview, he showed that memorandum which he had written 11.5 years before. And also, he noted that as early as 1979, internal documents of the OSI related to Ivan Marchenko and Nikolai Shelayev as the two individuals who operated the gas chambers in Treblinka—Ivan Marchenko, known as Ivan the Terrible. He revealed all this, in this open interview to the NBC in November 1991.

However, my strong position is that George Parker is *not* better, and in some aspects is even worse, than the bureaucrats of the OSI, because he wanted to wash his hands of *physically* bringing about the execution of Demjanjuk for being what he's not, but he made it possible for this to happen. Because in February 1981, when the proceedings took place, *he kept his mouth shut*. He knew exactly, and he wrote a whole memorandum telling the reasons why Demjanjuk is not Ivan the Terrible, and his citizenship was revoked just because he is allegedly Ivan the Terrible. And he knew also where the evidence was that shows he's not Ivan the Terrible, where they're lying, where they exist, and he kept his mouth shut.

Now, on Feb. 28, 1986, Demjanjuk was extradited to the State of Israel, because the U.S. courts ruled that he was Ivan the Terrible. Parker knew he was not. Parker knew he was now facing the death penalty. He kept his mouth shut. On April 25, 1988 Demjanjuk was sentenced to death, for one reason only—for being Ivan the Terrible. And again, George Parker keeps his mouth shut. He only opened his mouth in November 1991, when everything had been revealed by the defense. We went in September 1990 to the Soviet Union and got the documents—80 of them—which prove unequivocally that Ivan Marchenko is Ivan the Terrible.

Parker only opened his mouth when Congressman James

Traficant revealed publicly the two telegrams I was referring to before. So, actually, when Parker went on television, he was scared for his own skin, and he wanted to jump on the carriage, and to say, "Look, I have also something to tell about that conspiracy." But where was he for 11 years? Knowing exactly that there's a conspiracy, and he wrote a whole memorandum about it, of five pages. So, being so alert and so aware of what's going on, and keeping your mouth shut in such dreadful circumstances, in my opinion, doesn't make George Parker the only righteous man in the sodomy of the OSI. No way. . . .

The worst atrocity — really, I mean, it's difficult, when I read this document to you in a second, you will not be able to believe it — but the worst comes when Demjanjuk was finally extradited to the State of Israel through proceedings of the OSI on Feb. 28, 1986. A few weeks later, his son-in-law Ed Nishnic filed a lawsuit based on FOIA, to get the entire file, the entire dossier about Demjanjuk, which was in the possession of the OSI. And we have a memo, written to Martin Sachs, who is one of the trial attorneys of the OSI, by no other than Bruce Einhorn, the lead attorney in the proceedings in the Cleveland case. And this is what he writes:

"This will confirm our discussion regarding your request for information concerning what the effect would be if we were to agree to the release of our Demjanjuk files pursuant to several pending FOIA requests. I am familiar with the facts of the Demjanjuk case, because I was the lead attorney on it. I'm also familiar with the fact that we are currently providing judicial assistance to the State of Israel in their investigation and prosecution of Demjanjuk who was extradited there this past February. I can state unequivocally that we should oppose release of our files for the following reason: concern over the integrity of the Israeli prosecution. Release of our material now would in all probability reveal, and could easily undermine and prejudice, the Israeli prosecution strategy."

What is this strategy? To execute Demjanjuk for being Ivan the Terrible, while he knows that he's not! And he doesn't want to undermine that strategy! To hang someone, while he knows that he is not that man that he's going to be hanged for! That's what he's saying — in black and white, in writing. . . .

Judge Thomas Wisemann held extensive hearings in the second half of 1992 and the first half of 1993, and came out with a devastating report, on June 29, 1993. Based on this devastating report of Judge Thomas Wisemann, on Nov. 17, 1993, the federal Court of Appeals for the Sixth Circuit decided as follows, after total disbelief in everything the OSI people told them during these proceedings. Now of course, I will not read to you the entire decision, but small, very important, relevant parts. . . .

"The OSI attorneys acted with reckless disregard for their duty to the court, and their discovery obligations in

failing to disclose at least three sets of documents in their possession, before the proceedings against Demjanjuk ever reached trial."

Because they were in their possession from '78, as we saw. And the trial proceedings started only in '81.

And then the court concludes:

"Thus we hold that the OSI attorneys acted with reckless disregard for the truth, and for the government obligation to take no steps that prevent an adversary from presenting his case fully and fairly. This was fraud on the court in the circumstances of this case."

And finally, as a result of all this:

"For the reasons set out herein, we vacate the judgment of the District Court, and the judgment of this court, in the extradition proceedings on the grounds that the judgments were wrongly procured, as the result of the prosecutorial misconduct that constituted fraud on the court."

Black and white. The most unequivocal terms possible.

Now, in this case, not only were we able to prove the coverup, the cold-blooded conspiracy, but we also were able to prove the motives and the reasons behind it, even this. And in order to get to this, I would like to refer you to the following [decision of the federal Court of Appeals]. . . .

"Mr. Parker wrote in his 1980 memorandum that the denaturalization case could not be dismissed because of factors largely political, and obviously considerable."

As simple as that.

"Other lawyers in the OSI wrote memos discussing this case as a political hot potato, that if lost, will raise political problems for us all, including the Attorney General."

Then, the decision continues:

"Mr. Ryan, director of the office, wrote to the Assistant Attorney General of the Criminal Division in 1980, that the OSI had secured the support in Congress, Jewish community organizations, the public at large, for the OSI. Press coverage has been substantially favorable and support from Jewish organizations is now secure. But he went on to say, that this support cannot be taken for granted, and must be reinforced at every opportunity."

And then it concludes:

"It is obvious from the record, that the Office of Special Investigations must try to please and maintain a very close relationship with the various interest groups, because their continued existence depended upon it."

So, we have the motive and the reasons. Now, indirectly, Alan Ryan himself confirmed it. He gave an interview to an Alabama newspaper, the *Huntsville Times*, on Oct. 30, 1991. And here's what he has to say:

"It was one of the first cases" — he is referring to the Demjanjuk case — "we tried, and we were very much on the line. If we had lost that case, we probably would have had a very short lifespan."

In other words, in order to prolong the lifespan of the OSI, they chose to shorten the lifespan of Demjanjuk.

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## IV. The OSI vs. former Austrian President Kurt Waldheim

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### From the testimony of Dr. Hans Koechler

**Dr. Koechler:** Let us recall the situation in the year 1986. Dr. Waldheim was back, since 1982, in Austria. He left the office of secretary general of the United Nations in '82. He was named presidential candidate by the Austrian People's Party in '85 for the elections in '86.

We think that, for political reasons, he became a target because, as secretary general of the United Nations, he was involved in the implementation of United Nations policies concerning the question of Palestine, and he served as secretary general at a crucial time of big confrontations between the Arab world and the advocates of Palestinian rights, on the one side; and the State of Israel, and of course, the pro-Israeli lobby and the American administration, on the other side.

The other aspect, which we see, was that the late Austrian Chancellor Bruno Kreisky, himself of Jewish origin, had led a process, a political process (he was the vanguard of that process), which finally led to the recognition of the PLO, and of Palestinian rights, now by all western States; and what we see now — the peace negotiations, and so on — were initiated by him. But at that time, of course, he was antagonized by Israel and the pro-Israeli lobby here in the United States, and Austria's policies were considered detrimental to the interests of that lobby.

It was a kind of political campaign in order to isolate and discredit Austria, and in order to force Austria to abandon this political orientation, which was established by the late Bruno Kreisky. . . .

There *were* secret contacts, and the people still have not been identified in public. We are guessing; there are books about it and so on. And personally, I am sure who they are, but it is not publicly established, but there were secret contacts between certain functionaries of this other party, the Social Democratic Party, and people of the pro-Israeli establishment here in the United States, and that's how they thought, how the campaign against Mr. Waldheim was triggered, how it was finally brought to an international scale, and how certain functionaries, political functionaries in Austria thought they could destroy Mr. Waldheim's candidacy with the help of this certain establishment here, namely, of course, the World Jewish Congress headed by Mr. [Edgar] Bronfman, that played a big role in the media campaign against Mr. Waldheim, and then the legal structure here, as represented by the Office of Special Investigations. . . .

At the height of the campaign, sometime in '86, suddenly the German news magazine *Der Spiegel* came out with a big headline: Now, they had found the missing link, so that finally, one could prove that Mr. Waldheim had commit-

ted war-crimes. They published a text of a cable that supposedly had been signed by him, sent by him, to a certain German Army unit in Yugoslavia, in regard to deportation of people.

One or two weeks later, *Der Spiegel* had to retract the whole story, because what had been documented is that certain people in the former Yugoslavia, intelligence people, close to the Serbian establishment, had deliberately falsified that cable, during the electoral campaign in '86.

We got so many statements, from the American media, statements from Mr. Bronfman, and other leading figures in this country, telling us, telling the Austrian people: If you elect this man, if you elect this "criminal," then your economy will suffer, there will be no tourists from the United States, you will be boycotted, and so on.

As far as the decision of the Office of Special Investigations is concerned, to place the name of Kurt Waldheim on the so-called Watch List, the procedures were carried out secretly. In spite of Mr. Waldheim's repeated efforts, and in spite of the Austrian government's repeated efforts, *never* did the Department of Justice disclose the nature of the allegations. *Never* did they show him, or the Austrian government, or the Austrian embassy here, *any* documents. Mr. Waldheim also dispatched his son, Gerhard Waldheim, to the United States, to offer all the information that might be needed for the evaluation of the facts, for the evaluation of documents by the Office of Special Investigations. . . .

**J.L. Chestnut:** Are you saying to us that one government, the United States', declared the President, the head of State, of another government, to be a war-criminal, and the second government, through official sources, asked the United States government for clarification, and the basis on which it reached that conclusion, and the United States government, refused to provide that information?

**Dr. Koechler:** Yes, yes, that was the case.

**J.L. Chestnut:** That's what you're saying?

**Dr. Koechler:** For seven years, Austria has been denied this information, and in 1994, the Ministry of Justice, on its own, published this report here. I mean, it made it public, seven years after.

**Dr. Kofi Awoonor:** I am particularly very, very grateful for your presentation, because it throws a lot of light on things that were not very clear to some of us within the framework of the United Nations. . . . There was a retreat from [the] Camp David [accords] after Jimmy Carter left office, and therefore, the groundswell of pro-Palestinian sentiment had to be diminished, or had to be destroyed; and Waldheim, of course, was one of the key people, who helped, along with Bruno Kreisky, the development of this dialogue between the Jewish community and Palestine.

**Dr. Koechler:** Yes.

**Dr. Awoonor:** I think this is the price that both of them had to pay for it.

**Dr. Koechler:** Yes.

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## V. Concluding remarks

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### From the testimony of Lyndon H. LaRouche, Jr.

**Lyndon LaRouche, Jr.:** We have, in my view, a system of injustice whose center is within the Department of Justice, especially the Criminal Division of the U.S. Department of Justice. The problem lies not with one administration or another, though one administration or another may act more positively or more negatively. You have *permanent* civil service employees, like Deputy Assistant Attorney General Jack Keeney and Mark Richard, who are coordinators of a nest of institutions in the Criminal Division, which show up repeatedly as leading or key associates of every legal atrocity which I've seen.

This is the case with the so-called *Frühmenschen* operation, which is largely an FBI operation, but cannot run without cooperation from these people, and their assistance. The Demjanjuk case is outstanding, of a man who, according to the Sixth Circuit — a man whom the Justice Department *knew to be innocent of the charges they were making against him at the time they made the charges*; and yet, Mark Richard and Jack Keeney and so forth, proceeded with that case. An attempt to secure the execution of this man in Israel, over the objections of the Israeli government, for an OSI operation which was set into place by Henry Kissinger some years before. You have the Weaver case: the same thing. The much-celebrated Waco case: the same complex of injustice.

We have an out-of-control Justice Department, in my view, where the rot is not in the appointees, as much as it is in the permanent bureaucracy. We have a permanent sickness, in the permanent bureaucracy of part of our government.

In my case, when the time came that somebody wanted *me* out of the way, they were able to rely upon that permanent injustice in the permanent bureaucracy of government, to do the job. As in the *Frühmenschen* case, the Weaver case, the Waco case, the case of Waldheim, the case of Demjanjuk, and other cases. Always there's that agency inside the Justice Department, which works for a contract, like a hitman, when somebody with the right credentials and passwords walks in, and says, "we want to get this group of people," or "we want to get this person."

My case may be, as Ramsey Clark described it, the most extensive and the highest level of these cases, in terms of the duration and scope of the operation. It came to involve the Soviet government, it came to involve the East German Stasi intelligence service, it involves collaboration between the Department of Justice and the Stasi in the case of [Olof] Palme's murder. It involved direct collaboration with, as I say, the Soviet government.

The Soviet press — particularly from about, off and on, the Andropov period, beginning 1984, and then when Gorba-

chov came in again, '85-'86, into '88 — the Soviet press vilification of me, in collaboration with the same line as the U.S. press, exceeded that of anything since Stalin's time, in the Soviet press, against any private individual in history. And it was part of the same operation.

So my case is important, in the sense that it's more extensive, it's more deep-going, long-going. But when it came to getting me, it was the same apparatus, that, I find, in my opinion, was used in these other cases. And until we remove, from our system of government, the rotten, permanent bureaucracy which acts like contract assassins, using the authority of the justice system to perpetrate assassination, this country is not free, nor anyone in it.

My general impression, from being in prison and meeting these fellows — and I know these fellows, you know. You get in prison and you get my experience, you *know* the people you're with. Well, they're *all* perpetrators, most of them. A few cases are really innocent, framed up. But most of them were drug cases or something else, and you knew they were in the group of people they're accused of being in.

But when I saw the paperwork, I was astonished. I saw totally counterproductive sentences. I saw a shameful proceeding. Our federal court system, our federal criminal justice system is out of control. And it appears to me, that this nest around Mark Richard and Jack Keeney and others, in the permanent bureaucracy of the Justice Department, if they're not the heart of the problem, they're close enough to it, that if you pull out that cancer, you may find out where the next one is.

That's my view of the matter. Thank you.

**J.L. Chestnut:** You and I had a little chat in Selma, Alabama, and I had raised to you the issue of Affirmative Action. And I think your phrase was, that it was a red herring. And I didn't get a chance to say to you, that it *is* a red herring, but whole states are *buying* it. And, for a little black fellow sitting off, 20% of the population. This government has not been in touch with me since Lyndon Johnson said he wouldn't run again. And I had a lot of reservations about him. But sitting back, as a little black fellow, I see entire states marching, in lock-step, and accepting this red herring as gospel. I guess you can understand, that even somebody like me, sometimes, feels *overwhelmed*, and wonders whether or not America is just a lost cause. I hate to sound that way, but after 40 years, I've got serious reservations about whether we can save this country, about whether this country even *wants* to be saved.

**Lyndon LaRouche:** Well, I take an evangelical view of this. I've been associated with many lost causes in my life, as you have. And, once in a while, we win them.

The point is, we're coming to a time: Look at what's happened in France, as an example. We had a Gingrich-type who just got fired, he got "resigned" — that is, his prime minister told him he'd accept his resignation, pronto; by the name of [Alain] Madelin. Madelin is the translator into

French of the works of Friedrich von Hayek, a British agent of Austrian origin, who was the founder of the Mont Pelerin Society. And if you want to know everything that's right wing and extremely right wing in economics in the United States, you can generally trace it to the Mont Pelerin Society.

But Madelin was fired, and the prime minister of France, [Alain] Juppé, made a public statement, explaining the resignation, or the induced resignation, or forced resignation, of Madelin. He said this country, France, has a commitment to ensure that there are enough jobs for the people of France; and Madelin was on the other program, and he had to go.

Now, we had an experience in this country with Franklin Roosevelt — it shouldn't be exaggerated, but nonetheless, we had an experience, which is very important for us. It is the function of the federal government, in particular, through its public works program, its infrastructure responsibility under our Constitution, implicitly, and through the ability to generate credit, as we did with space programs, as we did with wartime, the buildup forward, to use the public credit to create enough jobs, to get the job done.

I saw Alabama, that's what the problem is there. Not enough jobs.

And the federal government of this country, under an economic crisis, can do what Roosevelt did and better, because we can learn from the experience. Our job is not Affirmative Action, to share out the shrinking number of jobs available. Our job is to create the jobs, and to create, at the same time, the matching educational facilities, and the support programs, which turn the unemployed, who are not taxpayers, because they don't have any income to be part of the tax revenue base, to become contributing members of society, and a part of the tax revenue base. And there's nothing that stops us, except crazy ideology, from following our Constitution and its original intent, in doing just that. As Lincoln did. We can do it again.

There's no need for somebody begging out in the street, to get somebody else's job. There's a lot of work to be done. You just look at the Tombigbee [water] project, and what *should have been done* to complete that. That'll keep people busy for a long time.

You take the American water system. Our aquifers are turning into sewers, when they're not going dry, because we're not building a water project, which we need. We don't have enough power.

When we came out of World War II, there were 60% of us in the labor force who were producing material goods. Today, less than 20%. We have coupon clippers, we have unemployed, we have people in prison; but only 20% are producing.

Our standard of living in the United States today, in physical terms — if you include health care, education, science and technology, plus the things you physically consume — we're *half* of what we were, 25 years ago. We're about that in productivity. This nation is going down the

sewer, the world's going down the sewer.

We have the means, and government has the means, to turn it around, when enough people in this country stand up on their hind legs, and stop voting for what they don't want, or for a result they don't want.

And I think that the problem with people, as I see it, is people don't trust the leadership. I don't blame them for not trusting their leadership; I blame them for being too pessimistic. It's up to us and others, to get enough people moving, to create a movement.

Like the case of Martin of Luther King. Now, I never personally met Martin Luther King; but I watched him closely. And I know something about Martin Luther King, from people who knew him, and his circumstances. And here was a man, he was a good man, he was a preacher, a Baptist preacher — I don't know, they run to this way and that way.

One day, somebody appointed him, nominated him, to be a leader of the civil rights movement; out of a crowd, so to speak. He took the job, as an appointee. Like a federal appointee, only this was a civil rights movement. He went from crisis to crisis in a few years, from the time that he received that appointment, until he went to his death, knowing he was facing death.

And in that period of time, he made a number of public speeches of great power and pith. Each of those speeches, corresponded to a point of crisis in the history of the civil rights movement. And I saw, on television, and I read in the recorded speeches, I read a man who had gone into private, into his own Gethsemane, probably inspired by reading the New Testament, and said, "I will drink of this cup." And he came out with an *idea*, with a lot of people swarming around him. But he came out with the idea, and he presented a concept, which took a whole people who were looking to him and the civil rights movement; and he *ennobled* them.

He said, "You're not fighting for African-American rights. You're fighting for *everybody's* rights. You're fighting to make the Constitution real." And it was a new idea, a different idea. And, as he did with his "mountaintop" speech that he gave just before he went; again, a man who had walked into Gethsemane and said, "Yes, Lord, I will drink of this cup, as my Savior before me." And he went out, and he drank of the cup; and he inspired people.

Now, we don't know who among us is going to be the great leader of this period. But we know, as the civil rights people of the 1960s who had been at the civil rights business for many centuries, in point of fact, many of them with a conscious family tradition. They assembled together. They picked people from their midst as leaders; and among these leaders, was a Martin Luther King.

And I think, if enough of us assemble today around these kinds of issues, and show the nation that *there is something moving*, something which is of concern to the average citizen, that from among those we gather together for that purpose, we will find the leaders we need.

## PLO-Israeli peace faces an uphill battle

by Muriel Mirak-Weissbach

The news that an agreement on the West Bank had been reached by the Palestine Liberation Organization and Israel on Sept. 24, should have been cause for celebration, as a further breakthrough in the intricate process of establishing peace in the region. In European capitals and in Washington, where the event was marked by a festive act hosted by the President, it was.

But elsewhere, particularly in those countries most affected by Israeli-Arab relations, the reaction ranged from mixed, to outright hostile. Not only did the groups of the rejectionist front, like the PFLP and PDFLP, predictably denounce the accord, in tune with their sponsor, Syrian President Hafez al-Assad, but several Palestinians in or around the negotiations also expressed misgivings.

A Ramallah-based Palestinian figure who used to be part of the negotiating team, said the agreement was "better than nothing." Abdallah Frangi, the PLO representative in Bonn, told German radio on Sept. 28 that he, like most Palestinians, was deeply disappointed by the accord. But, he added, "we had no choice. It is all we could get." The same judgment was offered by Egyptian President Hosni Mubarak in an interview with the French daily *Le Figaro*, who, taking credit for having ensured that PLO Chairman Yasser Arafat would not abandon the talks, admitted, that the agreement was "the most Arafat could get."

An honest assessment of the agreement struck, at least based on what little is known of its actual content, must acknowledge that, indeed, it is highly problematic. Clearly, political pressures from anti-peace groups on both sides influenced the package, as did pressure from Washington. The final deal is so full of compromises, it looks like the fabled Bavarian *Wolpertinger*, a creature with a bird's head, a lion's paw, a gazelle's body, and a raccoon's tail. Some parts are

very attractive, others less so; put all together, they do not really match. One wonders, how it will manage to stay on its feet.

### Reorganization plan

The 400-plus-page text of the agreement for extending Palestinian autonomy over the West Bank has not yet been rendered public; thus, what is known is based on press summaries of verbal reports of the contents. According to reports, the area of the West Bank, occupied by Israel since 1967, will be reorganized in the following manner:

There are three main zones or areas, designated A, B, and C. Zone A, which is made up of seven major Palestinian cities, Ramallah, Bethlehem, Nablus, Tulkarem, Jenin, Qalqiliya, and Hebron, will be under the jurisdiction of the Palestinian National Authority (PNA), with a special status for powderkeg Hebron. Israeli troops are to redeploy in Hebron within six months after the agreement, to "guard Jewish residents and their movements and maintain overall responsibility for their safety," and the Israeli Army is to control the Tomb of the Patriarchs. Four hundred Palestinian police and city officials are to deploy in Hebron, but not in the city center or Tel Roumeida, which are occupied by Jewish settlers. Hebron will reportedly have a "temporary international presence" as well.

The Palestinian security force, of 12,000 police for their part of the West Bank, will take care of internal security and public order in Zone A. Joint patrols will cover designated roads in Zone A and will escort Israeli vehicles. Joint mobile units will intervene as a rapid response force. Palestinians will not be allowed to arrest Israelis, but will be allowed to check their documents.

Zone B refers to rural areas, under joint or mixed control.

The Israelis will withdraw from most Palestinian population centers in Zone B, including 450 villages. Here the Palestinians will be responsible for public order. Israel will "retain overall responsibility for external security, Israelis, and the settlements across the West Bank, and combat extremism in Area B," reports one summary.

Israeli military will control directly Zone C, which includes settlements, military installations, strategically important locations, and much unpopulated land. The areas which the Palestinian council is to administer in Zone C include education, health, and the economy.

Throughout the West Bank, religious sites will be under different regimes, some transferred to the Palestinians, gradually in Zone C, and some still to be negotiated. "Special arrangements" will be made for Rachel's Tomb in Bethlehem and Joseph's Tomb in Nablus. Freedom of access to religious sites and freedom of worship is to be guaranteed to all.

From a territorial standpoint, Israeli-controlled Zone C will be 53%, and the amount under direct Palestinian authority in Zone A, will be 17%. The remaining 30% is the area under joint control. The percentages reckoned are themselves subject of dispute, as some Palestinian sources have estimated the Israeli share to be significantly larger than those figures.

Furthermore, the scheme of controls is complex, if not ambiguous. As Palestinian National Authority Minister of Justice Abu Middain told *EIR* on Sept. 26, "It will be a complicated situation between A, B, and C; A and B are our responsibility. I'm sure it will be complicated with the joint controls." He added, "Confronting terrorism will be a joint activity," an obviously delicate task.

### **Palestinian sovereignty**

The crux of the matter, however, is another. How can territory so organized, be properly governed by a sovereign Palestinian State of the future?

That statehood is on the agenda as a result of the new interim accord, is beyond doubt, and it is one of the more attractive aspects of the agreement. Procedures for elections have been set. Both an 82-member autonomy council and a president of the Palestinian National Authority will be elected by direct vote, in which Palestinians from the West Bank, Gaza, and East Jerusalem (provided the latter have a residence in the West Bank as well), will be eligible. International observers are to be brought in to guarantee free and fair elections. The council will have legislative powers and a committee (the "executive authority," made up of council members and appointed officials) will have executive powers.

The issue of elections had been one of the main stumbling blocks in negotiations since Oslo, as the Palestinians demanded a legislative assembly, whereas the Israelis would accept only an administrative council. Whether Palestinians living in East Jerusalem, which Israel claims to have annexed

as part of its capital, would be allowed to run as candidates and/or vote, had also been the subject of heated disagreement.

Elections are crucial for a number of reasons. First, as Abu Middain noted, "There will be a democratic body for the first time. There will be an 82-member council and an executive council for Palestinians. It is very important to achieve democracy." Furthermore, only through free and general elections, can a governing body be given a popular mandate with which to implement the accords. Finally, by electing a body with legislative powers and a president of an executive body, the Palestinian people will be erecting the scaffolding to build an actual state.

Israeli Prime Minister Yitzhak Rabin acknowledged this in commenting, that he opposed the creation of a Palestinian State *now*, but left the question open for the future. Abu Middain said that he was confident of this perspective; "I believe that we will have an independent State within three to five years," he said. The same was reiterated in Washington, during the festivities marking the event.

### **Needed: a national mission**

To allow the Palestinian people finally to exercise their sacrosanct right, acknowledged in several U.N. resolutions, to create a State upon the land they have historically inhabited, is a matter of justice. Yet statehood is not a title ceremoniously pinned on someone's breast because he has been given permission to go through the motions of the electoral process. A nation, as the late Charles de Gaulle understood only too well, is not merely a collection of individuals who speak the same language and inhabit the same land, over centuries. A nation-state is like an individual in the community of nations, with a distinct personality, shaped by the particular contribution which that nation uniquely may make to humanity at large. A nation, de Gaulle stressed, must have an identity and a mission.

For Palestine to realize its identity and exercise its sovereignty, certain fundamental preconditions must be guaranteed.

The Palestinian people represent an intelligentsia and highly skilled labor force, who have contributed in a crucial manner to the edification of many states in the Middle East. If Palestinians are to achieve statehood, the government of the State must be able to provide productive labor for its people, at the highest existing technological levels. The government must have the authority to define economic policy, and the monetary and financial policy which can facilitate production and trade relations. The State must be given access to whatever technologies are required, to translate development potential into reality.

### **The glaring problem with the map**

It is in this context that the failings of the Israeli-PLO agreement become glaring, and the uglier parts of the *Wol-*

*pertinger* come into full view.

From a purely economic standpoint, the territorial arrangement, as far as it is known, cannot allow for a Palestinian State to exist. Aside from the psychological, political, and security complications arising from the byzantine arrangement of "control" worked out for Zones A, B, and C, there are economic realities which make the current framework unworkable.

What has been penciled in on the map, is a number of cities and villages under Palestinian administration, responsible for organizing economic activity, trade, education, services, and so forth. Yet, as has been painfully obvious since the Oslo agreement, there are no corridors, even between Gaza and Jericho. Whereas the Israelis are completing construction of a vast network of roads linking all their settlements with one another, skirting Palestinian urban areas, the Palestinians have no such infrastructure. Thus the seven cities, plus Gaza and Jericho, are like islands in a turbulent sea.

Lack of vital infrastructure is most evident in the case of water. In the West Bank, there is not enough water. Since the 1967 war, the Israelis have taken 82% of the underground water available, pumping it out of underground aquifers, and through their pipeline, to service cities on the Israeli coast. This has left the Palestinian population, 18% of the water of the West Bank.

Along with the status of Jerusalem and Hebron, the water issue was certainly the hottest in the negotiations. Like Jerusalem, it was postponed; what the Israelis agreed to, was to increase the Palestinians' share from 18% to 23%. As in Gaza, most Palestinian cities on the West Bank have acute water crises; wells have been drawn dry, or have become so saline, as to be useless.

### **Water cannot be 'deferred'**

Thus, when it is trumpeted in the press that a breakthrough has been reached in Israeli-Palestinian relations, and at the same time, that the "water question" has been deferred, to a committee of Israelis, Palestinians, and Americans who will "study the question," red flares should go up.

Lyndon LaRouche put his finger on the open sore, in a radio interview with "EIR Talks" on Sept. 27: "The greater problem is, that unless the Israelis and the Palestinians are able to show real progress in economic development in the region, particularly on the water question, this entire peace process remains in jeopardy.

"Exemplary is the question of water. *There is not enough water in the region to meet the needs of all of the population for development.* . . . Sharing this water that exists, negotiating the sharing of it, doesn't mean a thing, it's not worth anything. . . .

"*Without mass desalination in the Middle East, you can't have economic growth.* Without desalination, therefore, you can't have peace. That's the problem."

## **Bosnia: Next battle is against monetarism**

by Umberto Pascali

On Sept. 26, immediately after the foreign ministers of Bosnia, Croatia, and Serbia signed in New York the "Further Agreed Basic Principles" for the Bosnian State, several, especially Bosnian sources, gave *EIR* their assessment of the situation. The evaluations ranged from the moderately optimistic, "We have established the right to have a central government, and the representative of [Serbian President Slobodan] Milosevic had to accept it," to the sarcastic, "It's all a trick; [Greater Serbian boss and war criminal Gen. Ratko] Mladic is redeploying his heavy guns around Banja Luka, and the New York agreement sanctions the partition of Bosnia."

But one comment was striking, because it addressed economic policy: "I think the point is that we could lose even if we win, unless we face now the problem of our future economic independence," he said. "Lyndon LaRouche said that Bosnia has been a rallying point for our civilization because it's a small country which resisted the international oligarchy by resisting the British Empire agenda here. It would be a continuation of that resistance for Bosnia to fight to remain independent economically and otherwise. It does not mean isolation, but it means we have to have an independent policy toward the International Monetary Fund, the World Bank. . . . The British used all their means to destroy us, they failed. Actually, we helped create a new strategic situation. Couldn't our country help shape a new international grouping against the dictatorship of monetarism?"

Indeed, this statement would be labeled a "dream" or "simplistic" by the majority of "experts," but four years ago, those experts had already given Bosnia up for dead. How could a tiny unarmed country resist one of the biggest armies in Europe? But at the end of four and a half years of genocide and resistance, a worldwide front had been formed, which allowed NATO air and ground attacks to proceed against weapons dumps and command and communications centers of the Radovan Karadzic-Mladic Bosnian Serb regime.

### **'North' and 'South' against genocide**

That coalition included for the first time the "North," led by the United States and President Jacques Chirac's France, and the "South," i.e., the so-called Third World, in particular the Muslim countries.

It was a totally new constellation of forces that included countries ranging from the United States to Iran, a constella-

tion united against the British geopolitical horrors. And when Russian Foreign Minister Andrei Kozyrev told the pro-Greater Serbia fanatics in the State Duma (Parliament) that he had tried to raise the issue of stopping the NATO air strikes in the U.N. Security Council, but without success, he stressed that the opposition came “mostly from non-NATO countries.”

At that moment, what Russia used to consider an ally, or at least a non-enemy, the Islamic world, was meeting through the foreign and defense ministers of the Organization of the Islamic Conference (OIC) in Kuala Lumpur, Malaysia, strongly supporting the NATO operation. It was an unprecedented situation that isolated Britain. Already on July 21, the OIC had unilaterally declared the arms embargo against Bosnia invalid. Referring to the NATO strikes, Malaysian Foreign Minister Abdullah Badawi said: “The decisive military action must continue with all its force. . . . The only language [the Greater Serbians] understand is the language of force.” He referred to the role played by the British in allowing Hitler’s aggression: “The policy of appeasement led Hitler to take control of almost the whole of Europe. It also led to the Holocaust. We are now dealing with little Hitlers and Eichmanns.” The Bosnia foreign minister and Croatian representatives were guests of honor at the meeting.

### **Few options left for London**

Few options are left for the London puppet-masters. France is being rapidly lost to them. The artificial conflict between France and Islamic “fundamentalism” is beginning to be neutralized. “It is frankly absurd,” a Bosnian Muslim source told *EIR*, “that when the policy of France was in the hands of a brutal enemy of Bosnia like François Mitterrand, there was no so-called Islamic terrorism against France. When Jacques Chirac reversed that policy and lent a helping hand to the Bosnians, then the ‘fundamentalists’ got into action. Did anybody look into British intelligence’s ‘Arab Bureau’ recently?”

One option is the redeployment on the ground of the Karadzic gangs. While “negotiating” in New York, the great “mediator,” Serbia’s Milosevic, has increased support for the paramilitary gangs in Bosnia. The heavy weapons withdrawn in part from around Sarajevo have been transported to the last Bosnian Serb stronghold of Banja Luka. In the meantime, air strikes (from the Banja Luka airport), mortar attacks, and even anti-personnel cluster bombs (like that against the town center of Travnik) have been launched against Bosnian and Croatian cities.

Even more poisonous is the activation of the British intelligence machine to try to ignite a new confrontation between Muslims and Croats, especially in Hercegovina.

The war—the open and the secret one—is continuing, but already, as our sources reported, the slogan is spreading fast in Bosnia that the next real battle will be against monetarism, for a plan of huge economic development and, thus, “economic independence.”

## **Serb intelligentsia blasts ‘Pale regime’**

Last week, *EIR* carried a groundbreaking interview with Dr. Mirko Pejanovic, leader of the Bosnian Serbs under the jurisdiction of the Republic of Bosnia-Herzegovina and a member of the Bosnian Presidency, which exposed the international media lie that the majority of Bosnia’s Serbian citizens support the butcher regime of Radovan Karadzic in Pale. This lie, that the British-sponsored genocide of puppet Karadzic and tinpot general Ratko Mladic is an “ethnic” or “religious” war, has been sustained by the propaganda capabilities of such British geopolitical stalwarts as Henry Kissinger. Dr. Pejanovic expressed his horror at Kissinger’s public call to divide Bosnia along so-called ethnic lines: “It’s the worst evil that could happen to our country,” he exclaimed. “That was one of the characteristics of the colonial powers, all the way to Hitler: Divide and conquer!”

Dr. Pejanovic has provided us with ample material from the Serb Civic Council (SCC) of Bosnia and Herzegovina, which he heads, that documents their efforts to bring the war to an end, organize a united, democratic Bosnia-Herzegovina, and get on with economic reconstruction.

### **Appeal to Serbian people in Bosnian Krajina**

*The following “Appeal to the Serbian People in the Bosnian Krajina” was issued on Sept. 18 in both Washington and Sarajevo, by the SCC, over the signature of its president, Mirko Pejanovic.*

The tragedy to which the Pale regime has led the Serbian people in Bosnia and Herzegovina is clearly shown these days. When the Pale regime is losing, then, unfortunately, the innocent Serbian people suffer as well.

Organize your own local authorities. Request urgently talks through Unprofor with the state authorities of the Republic of Bosnia and Herzegovina and protect the civilian population from the consequences of military operations.

Nobody can take away from you your right to free life, national equality and local autonomy. Request from the international community and authorities of the Republic of Bosnia and Herzegovina whose citizens you also are, to guarantee that right to you.

Elect delegations of citizens in the city of Banja Luka and other cities for talks with representatives of the government of the Republic of Bosnia and Herzegovina and the international community. Express your wish for a peaceful life with your neighbors, Croats and Bosniaks, in the Republic of Bosnia and Herzegovina.

A part of the Serbian people who live in Sarajevo, Tuzla,

and Mostar are doing everything through the Serb Civic Council, and with the support of the international community, to protect human, civil, and national rights in Banja Luka and other towns under control of the Pale regime.

A delegation of the Serb Civic Council is right now discussing the guarantees for the protection of human rights with the officials of the American administration in Washington.

Remain in your ancient homes! Show both to yourselves and to your Croat and Bosniak neighbors that it is possible to live in conditions of equal rights for all people who observe the values of modern European civilizations.

### **On the U.S. peace initiative**

*From the statement on the American peace initiative, issued by the Serb Civic Council of Bosnia and Hercegovina on Aug. 27 in Sarajevo.*

1. The Serb Civic Council (SCC) takes this opportunity to stress once again its deep commitment to a political solution as the only possible path toward peace. Peace is in the interest of all peoples and citizens of Bosnia-Hercegovina.

2. SCC welcomes the growing engagement of the U.S.A. in the peace process and hopes that this will continue. The U.S. peace initiative represents a great opportunity to end the war in Bosnia-Hercegovina and achieve a just peace.

3. SCC wishes to stress the responsibility of the international community—especially the Contact Group plan. Peace can be achieved only on the basis of the following well-known principles:

a) preservation of a democratic, internationally recognized and sovereign Bosnia-Hercegovina;

b) equality of all the peoples and citizens of Bosnia-Hercegovina, with full guarantees of civic freedoms and respect for human rights in line with the highest international standards;

c) full implementation of the right of all displaced and expelled citizens to return to their homes;

d) responsibility of a speedy reconstruction and development of Bosnia-Hercegovina;

e) punishment of all war criminals. . . .

5. The future constitutional arrangement must be constructed so as to empower the highest organs of the State with the responsibility for carrying out all tasks embodying its international-legal subjectivity, thus allowing Bosnia-Hercegovina to become a stable and prosperous State. In order for this to be achieved, the peace plan must contain the necessary legal-constitutional principles.

6. SCC believes that Bosnia-Hercegovina must be organized as a complex State incorporating the highest level of human rights. Its future arrangement must be based on political pluralism, parliamentary democracy, a high degree of local self-government and consensual decisionmaking on all vital questions, in order to avoid the subordination of any one of its peoples.

7. If the peace settlement is to involve the possibility of a confederal or any other form of association with other

States, then this must be the sole decision of the State of Bosnia-Hercegovina as the only internationally recognized political subject.

8. SCC supports any solution in the peace plan that would safeguard the multinational and multicultural identity and territorial integrity of Sarajevo. A partition of Sarajevo along ethnic lines would be detrimental to the fate of both the city and the State of Bosnia-Hercegovina.

9. Representatives of the SCC, and of those citizens of Serb nationality now living in exile or in areas under the Pale regime's control who accept the international community's peace plan, must participate in the peace negotiations.

10. These are fateful times for all the peoples of Bosnia-Hercegovina, and a decisive movement for the Serb people to reject the policy and leadership of those who are pushing it toward further suffering and new exoduses.

### **Serb Civic Council seeks peace in a united Bosnia**

*Excerpts from a March 1995 address by Serb Civic Council President Mirko Pejanovic to the Second Assembly of Citizens of Serb Nationality, in Sarajevo. Emphasis is in the original.*

A year ago, on March 27, 1994, this auditorium hosted the First Assembly of Citizens of Serb Nationality. A total of 428 deputies gathered then and adopted a declaration and established the Serb Civic Council. After the June forum of Sarajevo residents in the Gym Hall in Sarajevo in 1992, and the establishment of the Consultative Council in 1993, this was the first war summit of citizens of Serb nationality in Bosnia in the besieged Sarajevo. Today is an occasion to remind ourselves of this important event, for the Serb people and all peoples in Bosnia, in efforts to create a democratic and multinational patriotic front for the Bosnian-Hercegovinian future, for the defense of its multinational being, unity, and democratic development. These days in March 1994 were a period of dense events. Only two days after the First Assembly was held, the Constitutional Assembly was held and the Constitution of the Bosniak-Croat federation was adopted. This was a period of *turnarounds* in the Bosnian war drama. The war between the Bosniak and Croat peoples and the suffering of the two peoples was stopped. The realization of the idea about the federation was commenced as a *project of peace* and real perspectives for *reaching peace on the whole Bosnian territory*. The federation has strengthened the hope for reintegrating Bosnia-Hercegovina on the principle of *equality* of all its citizens and all peoples that live in this country.

Our Second Assembly of Citizens of Serb Nationality also represents an opportunity for a working celebration of the first anniversary of the First Assembly and the anniversary of the Bosnian Federation. In war time, events acquire a historical meaning. Political ideas and decisions of the First Assembly of Citizens of Serb Nationality have become a significant element of the social and political reality of the

Republic of Bosnia-Herzegovina. We are speaking of political opinions and visions determined in the Declaration of the First Assembly and activities organized in the past year. On this occasion we will remind ourselves of some of the opinions from the First Assembly. The Declaration of the First Assembly showed moral and political condemnation of the Serb-Montenegrin aggression against Bosnia-Herzegovina, as a sovereign and internationally recognized state of citizens and equal peoples: Croat, Bosniak, and Serb. We asked the international community to try all inspirators and perpetrators of war crimes, according to the guilt of each individual. Supporting peace without delays, the First Assembly *prefers negotiations as a civilized way* to reach a *political settlement* of the Bosnian issue. As an important condition for reaching peace and stable development of the Republic of Bosnia-Herzegovina, the First Assembly envisioned mutual recognition of all countries that emerged on the south-Slav premises, restoration of mutual trust and linking on the basis of full equality. . . .

The legal Bosnian Republic authorities, in which Serb officials take part on an equal basis, show *full responsibility* in relations toward human rights. The Bosnian Army and security forces responsibly and professionally protect the safety of citizens. This level has not yet been reached by institutions of the state management and judiciary on municipal and city levels. . . . Many changes have occurred during the war, including a change in the tolerance of the majority toward the minority. . . .

Citizens of Serb nationality on territory under Bosnian government control are a smaller ethnic group. It is well-known that despite efforts to make things better, citizens of Serb nationality are suffering more than Croats and Bosniaks as a consequence of the policy of the Pale regime. They have more difficulty in getting travel permits, passports, and they lose their jobs easier. The Council has fought and it will fight for a total and equal protection of human rights, regardless of national, religious, or political background. The world knows that the democracy of a state is measured by the real position of minorities in it. . . .

People want equal civic rights and economic security. When we are speaking of the responsibility of Serb officials in state institutions for protection of human rights, citizens themselves have the sole right to the last judgment, especially citizens of Serb nationality. In this war, everybody has a glass of his own bitterness. And most bitterness is in the glass of the expelled and refugees, and most of the expelled are Bosniaks. We live in cities into which rivers of Bosniaks expelled by the Pale regime had flown. Things could have been worse than they are. But, the same, everything can be better than it is now, concerning the realization of human rights of all citizens, including the citizens of Serb nationality. If we want to preserve the multinational Bosnia, then we have to show solidarity with those who have suffered the most. While speaking about human rights and the Bosnian tragedy, we have reached the moment when we have to stress:

First, the Bosniaks, as the majority, have not gone into collective revenge for the 200,000 killed Bosniaks. Second, part of the Serb people has remained in the cities and, together with Croats and Bosniaks, it is persevering in the preservation of the *core of Bosnian multinational being*, in war, when people are getting killed by shells daily. And it is well-known, shells do not choose nationality. . . .

On the other hand, end of the war would mean a possibility for economic revival, the return of expelled and displaced people and a reintegration of the whole Republic. The peace settlement proposed by the Contact Group is a compromise solution. However, the Pale leadership is still rejecting this solution. . . .

The strongest feeling is the *anti-war* feeling of the people. However, *people* do not decide on this. The leadership and media in Pale impose the will about this. This leadership is intoxicated with power and war. It is not worried that people are being killed on battlefields. It is even less worried that the Serb people in Bosnia-Herzegovina have been brought to unprecedented tragedy and disintegration. Over half a million of the most vital part of the Serb people in Bosnia are refugees. This is the largest part of the Serb people, which, together with some 150,000 Serbs in the Federation, did not side with the aggression, did not side with the policy of expelling Bosniaks and Croats, ethnic cleansing, and genocide. The Pale regime has no right to decide by itself on the destiny of the whole people, on the choice between peace and war for the whole Serb people. According to estimates of international organizations on territory controlled by the Pale regime, war difficulties are constantly decreasing the number of inhabitants. Estimates show that the number of inhabitants in those areas is less than 500,000. People are not helped by the question what war has been waged for. The question to be asked for saving people's lives is: Why wage war, why die? While poor people are dying and filling up graves, war-mongers and extremists are getting rich. This feeling can be recognized among the population. However, the population is either indoctrinated with hatred, or deceived by the media, or burdened by fear. It is difficult for the population to realize the truth about the one-party rule and media blockade. The struggle against the policy according to which war is the only option is becoming the historic task of all domestic and foreign factors working on the issue of achieving *peace* in Bosnia. . . .

In this hall, before the war, there have been gatherings which chanted: Bosnia is only a Serb country! Bosnia is a Croat country all the way to the Drina! After three years of a bloody war, we reply to everyone: Despite everything, the idea of Bosnia has survived and won. Bosnia belongs only to Bosnians and Herzegovinians, to all of its citizens and its peoples, Bosniaks, Croats, and Serbs.

In Bosnia, there is life for all those who respect the *dignity of man and civilization's accomplishments of European development*. On this path, sooner or later, all of us who live in these areas will unite.

# Colombia is in crisis as Samper clings to power

by Javier Almarío

Colombian President Ernesto Samper's refusal to step down from his post, despite the incontrovertible evidence that he arrived at the presidency thanks to substantial infusions of drug money into his campaign, has put the nation on the verge of disintegration.

Samper's defenders allege that all Colombians have benefitted in one way or another from drug money, and that therefore no Colombian should throw the first stone. Citizens in the jails, the majority of whom haven't the money to pay for a defense lawyer, ask themselves why they are in jail if Samper, who received \$6.2 million from the drug cartels, is still in the presidency. Many demoralized Colombian youth have come to the conclusion that only thieves have a future in their country.

Added to this moral crisis is the fact that Samper is giving all kinds of concessions to foreign governments, in exchange for support for his continuing in the presidency. The Presidents of the so-called Rio Group, made up of the majority of Ibero-American countries, endorsed Samper at a meeting in Quito, Ecuador on Sept. 6, for his alleged "determination and efficiency in the war on drugs."

Nicaraguan President Violeta Chamorro also signed the support statement for Samper; her backing didn't come free. In a meeting with her, Samper agreed that Colombia is now prepared to discuss Nicaragua's claims on the islands of San Andrés and Providencia, which have long been held by Colombia. Samper's statement is a serious concession to Nicaragua, because Colombia has a treaty with that country dating back to the 1920s, which established strict maritime boundaries in the area.

But this is the least of it. Samper is a weakened President, a condition which many on both the domestic and international level hope to exploit. Recently, Colombia's investment risk rating, determined by Great Britain's Barings Corp. and by the New York banks, was significantly improved. Samper has in turn used those ratings to show that foreign investors believe in his government. This, despite the fact that narco-terrorists have kidnapped 50 foreign businessmen this year already, and repeatedly attack foreign companies' subsidiaries in Colombia.

The improved rating didn't come free, either. Samper has made it clear that he intends to radically alter petroleum contracts, to permit foreign participation in the profits of oil

exploitation to rise from 50%, to 100%. This is a major concession to the British, whose flag company, British Petroleum, is the leading investor in Colombian oil.

## Justice, or blackmail?

At the same time, Washington is now in possession of still more evidence which could pull the plug on Samper, if the Clinton administration so chooses. Guillermo Pallomari, a Chilean who served as the chief accountant and paymaster of Cali Cartel bosses Gilberto and Miguel Rodríguez Orejuela, is now in the United States under the protection of the Drug Enforcement Administration. Upon his surrender, Pallomari handed over computer disks, dossiers, photographs, and information on trafficking routes, networks, and cartel payoffs to Colombian officials. Pallomari also confirmed everything that Samper's imprisoned former campaign treasurer Santiago Medina, has confessed, specifically the fact that Samper had personally authorized the acceptance of drug money for his presidential campaign.

Sources have told *EIR* that Samper is promising the United States anything, to not use the information from Pallomari against him. It is in this context that one must view the Sept. 22 press conference by U.S. Ambassador to Colombia Myles Frechette, during which he demanded that Colombia sign a deal with Washington to protect U.S. investments in Colombia. Frechette was specific that the deal should be modeled on a treaty signed between former President César Gaviria and Great Britain, which committed the Colombian government to not expropriate British investments in Colombia under any circumstances (which violates the Colombian Constitution), and to pay any damages resulting from narco-terrorist attacks on British installations in the country.

Perhaps most serious of all is Samper's agreement that the Urabá region in northwestern Colombia be overseen by the United Nations. In 1995 alone, there have been 750 assassinations in this region, close to the border with Panama. The FARC narco-terrorists have carried out at least 10 massacres, in order to eliminate any leader who might oppose their terrorist stranglehold in the region. Given the State's failure to deal with the situation, self-defense groups have emerged, which respond with "an eye for an eye, and a tooth for a tooth," massacring anyone they think supports the FARC.

In the face of such permanent terror, human rights non-governmental organizations have brainwashed many inhabitants of Urabá to demand a supranational deployment of U.N. "blue helmets" to keep peace in the region. Army Commander Gen. Harold Bedoya has warned that the chaos in the region could create "a new Panama," referring to the turn-of-the-century manipulations by Theodore Roosevelt to split Panama — then a part of Colombia — away from the national territory, by exploiting the civil war then plaguing Colombia. Samper's highly malleable presidency could easily cede territory under current circumstances, which would only contribute to the "balkanization" of Ibero-America.

# Mossad connection cited in new lead to Rajiv Gandhi assassination

by Ramtanu Maitra and Susan Maitra

Investigation of the 1991 Rajiv Gandhi assassination took a surprise turn in mid-September when a former minister in the 1985 Rajiv Gandhi cabinet, Arif Mohammad Khan, told newsmen that Scotland Yard has information that Chandraswamy, a jet-setter tantric who is connected to British intelligence, among other agencies, had offered the Israeli intelligence service, the Mossad, \$1 million to assassinate Rajiv Gandhi. Khan, however, has not substantiated his claims yet.

A few days after Arif Mohammad Khan revealed this explosive information to the press, news came out that Chandraswamy had been hobnobbing with Dawood Ibrahim, the Bombay mafia low-life who is based in Dubai and considered the main accomplice in the series of bombings that rocked Bombay in 1993. Reports claimed that Chandraswamy had accompanied the mafia don on a trip from Dubai to New York, and Ibrahim himself had received the suspicious "godman," i.e., who claims to be a man of God, at the Dubai airport.

Following the release of this news, then-Minister of State for Internal Security Rajesh Pilot asked the Central Bureau of Investigation (CBI) to arrest the phony godman. The sleuths, arguing that Pilot had exceeded his authority, did not arrest the godman, but have since interrogated him. Chandraswamy has also been asked not to leave the country. Meanwhile, the cabinet reshuffle which took place a day after Pilot had called for the godman's arrest, saw Pilot removed from his ministry and sent to the Ministry of Environment and Forestry with an independent charge. Subsequently, the M.C. Jain Commission investigating the Rajiv Gandhi assassination called Chandraswamy to be deposed on Sept. 24. Chandraswamy failed to show up on the given date, citing ill health. The new date for his deposition has been set for Oct. 7.

The "Get Chandraswamy" campaign began when Babloo Srivastava, a small-time gangster who had once been in the ruling Congress Party, was extradited by the Singapore government and interrogated by the CBI. Srivastava told the CBI that he was provided protection by Chandraswamy, who had given him shelter when the Uttar Pradesh police were looking for him earlier. He also told the CBI of the Chandraswamy-Dawood Ibrahim nexus. Earlier, Arif Mohammad Khan, who was raided by tax officials in late August for amassing wealth through fraudulent means, had told newsmen that the raid was instigated by Chandraswamy. Khan also told how he came to know of the godman's

links to the Rajiv Gandhi assassination. Chandraswamy has denied all the accusations so far, although he did not deny his acquaintance with Babloo Srivastava.

At this point, Chandraswamy is under the gun. Indians have been complaining of the growing nexus between high-level politicians and criminals. Chandraswamy, the extent of whose reach within the Indian political scene is anyone's guess, had long been cited as a "criminal" who controls the top-level politicians and thus escapes the reach of the Law. Chandraswamy's high-flying lifestyle, and occasional exposés of his connections in Britain and elsewhere, has convinced everyone that the godman has the ability to pull any number of strings to stay out of jail and spin money.

This time, however, it seems that Chandraswamy is in real trouble, for a number of reasons. With the Indian general elections around the corner, the tendency of all politicians is to avoid taking his side at this juncture. For the Congress Party, in particular, the assassination of Rajiv Gandhi is more than an ordinary crime, and simply the naming of Chandraswamy as an accomplice in the assassination has created a hostile environment for all those within the party who have developed links with the godman over the years. Under such conditions, it is unlikely that any politician, however important he or she may be, can openly defend the godman or pull strings to protect him from further interrogations. Equally important is the fact that Sonia Gandhi, Rajiv Gandhi's widow and a force to be reckoned with within the Congress Party, is reportedly active in trying to find out details of Chandraswamy's connection, if any, to her husband's assassination.

## Mafia links

Chandraswamy's alleged connection to Dawood Ibrahim has also given the Indian opposition ample fodder to attack the weak Narasimha Rao government and the weaker Congress Party. Following the bombings that shook Bombay, both the CBI and Indian Home Minister S.B. Chavan had named Ibrahim as the main accomplice and the Pakistani Inter-Service Intelligence (ISI) as the brain. Srivastava's revelation now raises fresh questions: Who is Chandraswamy? Who is Dawood Ibrahim? And why do they remain free and powerful?

It is unlikely that the answers to all these questions will ever be found. Chandraswamy's exploits have been public knowl-



The late Rajiv Gandhi, while prime minister, addresses a May Day rally at Dhanbad in Bihar in 1985.

edge for a long time, and only some naive Indians may believe that Chandraswamy has omnipotent tantric powers to stay in the clear. Daily visits by powerful politicians to his “ashram” on the outskirts of New Delhi, and frequent jaunts around the world, leave little doubt about the nexus between Chandraswamy and the top Indian politicians and bureaucrats.

### Who is Chandraswamy?

What is amazing about Chandraswamy, though, is that the more one knows about him, the more remains to be known. A book by the late Steve Martindale, *By Hook or By Crook* (1989), throws some light on this wheeler-dealer.

Martindale, a Washington lawyer who used to travel with Chandraswamy, said that two of Chandraswamy’s money managers, Miller and Fraser, two Canadians, were involved in the George Bush-Oliver North-sponsored Iran-Contra guns-for-drugs affair in 1989. This was not revealed by Martindale, but by the late Bill Casey, then head of the CIA, in testimony before a U.S. Senate subcommittee.

Martindale has a lot to reveal. Chandraswamy’s connections to Tiny Rowland (former owner of Lonrho and a British intelligence asset), the Sultan of Brunei, and Enrique Zobel, scion of a very powerful family in the Philippines, have been well documented. Martindale also gives details showing Chandraswamy’s clout in the Indian scene and his closeness to Colonel Mobutu of Zaire, whose handling of his nation’s finances has raised a few eyebrows over the years.

What emerges from Martindale’s book, is not only who the godman is linked to, or how much money he handles, or how close his links are to such nefarious characters as the gun-dealer Adnan Khashoggi, but that Chandraswamy can call up the most powerful people from his hotel room while

traveling. What Martindale obviously does not reveal, is why such powerful people depend on Chandraswamy, and what the godman delivers. It is the last part of the query which intrigues people the most.

It is nonetheless obvious that Chandraswamy moves in an area where the high and mighty function in the shadows. His connection to Libyan officer Ahmed Qaddafi, exposed during the Pamela Bordes scandal, and Donald Trelford of the London *Observer*, owned by Rupert Murdoch, indicates that the Indian godman is an asset of very many downright obnoxious and dangerous people.

### What got compromised?

What the Indian people would like to know, however, is how these unsavory characters connected with Chandraswamy have succeeded in compromising Indian politics, economy, and security. If Dawood Ibrahim is not truly an ISI agent but an asset of these people, then why don’t the CBI and the Home Ministry, both of which know better, say so? What is the validity of the statement made by Arif Mohammad Khan concerning Chandraswamy’s involvement in the Rajiv Gandhi assassination? There is little doubt at this point that Rajiv Gandhi was not killed by the Liberation Tigers of Tamil Eelam supremo V. Prabhakaran, but that there were others involved.

It is likely that none of these crucial issues will be resolved, because too much is at stake. Mrs. Indira Gandhi’s assassination in 1984, Pakistan President Zia ul-Haq’s assassination in 1988, Bangladesh Presidents Mujibur Rehman and Ziaur Rahman’s assassinations, in 1975 and 1981, respectively, and a number of assassinations of top Sri Lankan leaders in recent years, have been accepted as “normal events” and left at that. It is likely that Rajiv Gandhi’s assassination will also be accepted as a “normal event.”

But the suspicion that things have been covered up will not be washed away by forcibly arriving at such conclusions. Chandraswamy has already gotten support from a fellow suspect, Dr. Subramaniam Swamy, another high-flying jet-setter whose connection to the Mossad is also talked about openly. Subramaniam Swamy, a former Harvard professor and minister in the Chandrashekhar cabinet for about a year, has also been named as a person who is in the know of the conspiracy that killed Rajiv Gandhi. The accusation came from Chief Election Commissioner T.N. Seshan. Swamy, in a recent pow-wow with newsmen, came to the phony godman’s rescue, challenging all those who are “out to get Prime Minister Narasimha Rao by aiming their guns at Chandraswamy.”

On the other hand, there is a distinct possibility that those who want to expose Chandraswamy are keen to expose that part of his connections that would suit them politically. In other words, there is no indication that there is real interest yet to find out the full extent of Chandraswamy’s operations and how dangerous they are. How does Chandraswamy help George Bush, or Tiny Rowland, or Rupert Murdoch? These are, perhaps, the questions to ask.

# Russian Duma report denounces Yeltsin's policy in Chechnya

by Rachel Douglas

In December 1994, Russian troops went into action in the Chechen Republic, in the North Caucasus region in the south of Russia, where clashes still continue after nine months of bloodshed, with tens of thousands of casualties. Excerpted below are the findings of the special Parliamentary Commission of the State Duma [of the Russian Federation] to Investigate the Causes and Circumstances of the Crisis Situation in the Chechen Republic, a document that is brutal in its indictment of the Russian Executive branch and sweeping in its attribution to overseas "anti-Russian forces" of backing for Chechen separatism.

Attention to this Duma review of the war in Chechnya has been nil on the part of the western press and intelligence journals, a grave error of omission. *EIR* has translated these sections of the document, not to concur in all of its findings, but because they reflect anger against President Boris Yeltsin and Prime Minister Viktor Chernomyrdin, perceived as selling out to western interests, and the view that those western interests have rapacious intentions toward Russia — an anger and an assessment now prevalent in Russian opposition circles. The passage in Section 4, alleging that NATO member Turkey armed the separatist Gen. Jokhar Dudayev with former Soviet weapons received from arsenals in eastern Germany, expresses such hostility, as do the report's references to the presence of western-trained Afghanistan War veterans as mercenaries in Chechnya.

The setting for an anti-western backlash in Russia is otherwise identified in Lyndon LaRouche's "EIR Talks" radio interviews of Sept. 13 and 20 (see pp. 52 and 53).

The commission was chaired by Stanislav Govorukhin, a prominent Russian filmmaker who was elected to the Duma in 1993 on the Democratic Party of Russia slate, and is heading his own slate in the December 1995 Duma elections. Through his film and best-selling book, *The Great Criminal Revolution*, Govorukhin became a prominent critic of the policies carried out by Yeltsin and others under the banner of reform.

The Govorukhin hearings were marked by acrimony and recriminations, like most discussions of Chechnya among leading Russian figures. Five of the 11 members of the commission refused to sign off on its findings, which focused

blame on Yeltsin and his governments. Readers may compare the commission findings with Roman Bessonov's background feature on the Chechnya war (*EIR*, April 28 and May 5, 1995).

Italic passages are emphasized in the original. Brackets denote summary by *EIR*. Subheads are added by *EIR*.

## On causes and circumstances of the Chechnya crisis

### From Section 2: Basic Phases of Development of the Chechen Crisis.

In the spring of 1991, in the framework of an election campaign-related tour of Russia, Chairman of the Supreme Soviet of the Russian Socialist Federated Soviet Republic (R.S.F.S.R.) B.N. Yeltsin expressed support for the sovereignty of the [Chechen] Republic, repeating his famous thesis: "Take as much sovereignty as you can swallow!"

It is hard to believe that Yeltsin . . . did not understand what this would lead to. That means that he made promises with just one goal — to obtain votes at any price. And so it happened. In the 1991 presidential elections, B. Yeltsin received 80% of the votes in the Chechen-Ingush Republic, far more than he did nationwide. . . .

The Second National Congress of the Chechen people, held in May-June 1991, elected Gen. Jokhar Dudayev chairman of its executive committee. The Congress declared the independence of the Chechen Republic and its exit from the R.S.F.S.R. and the U.S.S.R. The Executive Committee of the National Congress of the Chechen People was declared to be the sole legal organ of power in this non-existent republic. . . .

Testimony before the Commission has established that such separatist "successes" were able to occur, thanks to the approval and sometimes overt support of the entourage of President Yeltsin and Chairman of the [Russian] Supreme Soviet Khasbulatov.

On Aug. 23, 1991, for example, Chairman of the Supreme Soviet of the R.S.F.S.R.'s Committee on Legality, Law and Order, and Combatting Crime Gen. of Internal Troops A. Aslakhonov arrived, together with Deputy Prime Minister of the R.S.F.S.R. I. Grebesheva. With them was

S. Khajiyev, seen by the Russian leadership as a possible successor to [Chechen-Ingushetia Supreme Soviet leader] Zavgayev.

At an extraordinary session of the Presidium of the Supreme Soviet of Chechen-Ingushetia, these representatives of the Russian leadership warned D. Zavgayev about the impermissibility of using force to resolve the political crisis, i.e., they effectively ensured the victory of the separatists.

[The rise of Dudayev culminated in his cancellation of scheduled elections in October 1991, and the holding of Oct. 27, 1991 elections elevating him to the Presidency of Chechnya, which the Govorukhin Commission characterizes as a "coup d'état."]

On Nov. 2, the Extraordinary 5th Congress of People's Deputies of the R.S.F.S.R. adopted a resolution "to recognize as unlawful, the elections for supreme legislative body and President, held in the Chechen-Ingush Republic on Oct. 27, 1991, and any laws they adopt to be not subject to implementation."

In accordance with this resolution, on Nov. 4 R.S.F.S.R. Vice President A.V. Rutskoy issued an instruction to establish an Operational Staff for the Crisis Situation in the Chechen-Ingush republic, which was to have prepared the text of a decree proclaiming a state of emergency in Chechnya.

In the final stages of drafting the decision to adopt such a decree, only a small circle of individuals took part, including, besides the vice president, R. Khasbulatov, S. Shakhray, N. Fyodorov, V. Stepankov, V. Barannikov, A. Dunayev, and some other officials. The text of the document went through several drafts and compromises and was signed, despite the critical situation, only on Nov. 7, because, as several witnesses testified, it was difficult to make contact with B. Yeltsin, who had gone to Zavidovo for the holiday.

The implementation of that Decree, however, was effectively prevented by the [Soviet] Union authorities, above all U.S.S.R. Minister of Internal Affairs Barannikov, who was highly critical of the idea from the outset. Barannikov did not hide that he would take no part in implementation of a state of emergency, which was taken as an oblique expression of the overall posture of the U.S.S.R. leadership and President Gorbachov.

Indeed, events after the declaration of the state of emergency were tragi-comical. The OMON [special forces] unit sent into Grozny was blocked by armed units, but it could not engage them, since the personnel and their weapons had been flying in separate airplanes and had landed at different airports (Mozdok and Vladikavkaz, respectively).

After a few days, the Supreme Soviet of the R.S.F.S.R. had to cancel the decree on the state of emergency, to which President Yeltsin agreed.

From that moment on began the consolidation of an authoritarian regime in Chechnya, with the direct abetment of

Russia's central authorities, which resulted in the tragic events of 1994-1995.

### **Chechen international travel authorized by Moscow**

The end of 1991 was marked by further seizures of state-owned and military facilities, the beginning of creation of [Chechnya's] own military units, and a series of resolutions by the Chechen-elected parliament, intended to provide a legal basis for all these actions.

The Chechen authorities constantly declared the republic's independence, its non-membership in Russia, allegedly approved by the population in the October elections; and they asserted their pretensions to independence under international law, which was recognized, incidentally, by no one.

In reality, little Chechnya, having no access to the sea and having lost its "friendly" foreign border after the fall of Gamsakhurdia in Georgia, could not have any real independence.

The entire existence of "independent" Chechnya depended not only on the position of its new leaders, but on the policy of the federal authorities. And gestures of good will toward recognition of Dudayev as the official leader of the Chechen Republic continued right up to the end of 1994.

The government telephone directories for various republics, territories, provinces, and districts of the Russian Federation listed Jokhar Musayevich Dudayev as President of the Chechen Republic. In the index of names in B.N. Yeltsin's book *Notes of a President*, published in 1994, Dudayev is identified as President and Chairman of the Government of the Chechen Republic. In the directory issued by the government publishing house Rossiiskiy Vesti in 1995, Dudayev is also called President of the Chechen Republic. The recognition of the Dudayev regime de facto existed during this entire period, including after the events occurred that led to very serious charges against that regime (the false *avisos*, train robberies, exodus of the Russian-speaking population in the face of discrimination, etc.). . .

Despite the hard line of the separatists, contacts between the federal authorities and the Chechen Republic never ceased. They went on at the level of agencies reflecting the general position of Russia, that Chechnya is a subject of the Federation. This only aided the rebel regime.

For example, permission was granted to the Government of the Chechen Republic to issue Russian citizens' foreign travel passports to inhabitants of Chechnya, on which they could travel to the far abroad. This was of no small importance for the trips of Dudayev's emissaries, and even of Dudayev himself, for both political and economic purposes. *The Commission cannot term these actions by officials otherwise than as criminal abuse of office.* . . .

#### **From Section 3: "Financing of the Illegal Regime."**

The proclaimed goal of creating a sovereign Islamic State required substantial resources, above all financial ones. The

Chechen Republic used every opportunity to fill its coffers, including official financing by the Russian Government. While recognizing the presidential and parliamentary elections in Chechnya as illegal, *the federal organs of power nevertheless continued to finance that republic.*

This included cash from Moscow. In late 1992, Chechen Prime Minister Mamadayeov brought in 2.5 billion rubles.

*Another source of official financing was the deduction of money from the Russian Pension Fund to pay pensions on Chechen territory. Dudayev diverted these funds for other purposes. And, despite reliable reports on the massive non-payment of pensions, this financing continued until March 1993 . . . when it was halted by decision of the Russian Federation Supreme Soviet.*

Estonia provided financing aid to J. Dudayev in 1993. On March 20 and 21, 1993, two airplanes from Tallinn to Grozny, under the guise of the diplomatic pouch, brought a total of 18.2 tons of Soviet money, taken out of circulation in Estonia—2.5 billion rubles. Thus was a financial crime committed, subverting the economy of Russia.

The Commission heard testimony, that in 1994 a well-known Russian bank, the Kredobank, sent \$700,000 and then \$650,000 U.S. dollars to Chechnya.

### Oil money

*The greatest source of both ruble and hard currency revenues was oil.*

Chechnya received billions of U.S. dollars from the sale of oil and petroleum products abroad in 1992-1993. Only the direct assistance of Russian government agencies could have provided for the shipment of such huge volumes of oil into Chechnya, the transport of oil abroad by Russian pipelines, and the receipt of petrodollars by the Dudayev regime.

In this connection, the Commission finds the following:

In 1991, the oil and natural gas industry in the republic included 54 firms. The largest production association in Chechnya, Groznefteorgsintez, subsuming three oil refineries: the Novogroznenvsk Refinery, Sharipov Grozny Refinery, and Lenin Grozny Refinery, as well as the Grozny Petrochemical Combine. In addition to gasoline for automobiles, diesel fuel, fuel oil, and gasoline for use in the chemicals industry, the Groznefteorgsintez firm produced the special airplane oil MS-20 and hard paraffins.

Data collected by the Commission show that Grozny received, for processing in these plants: 15 million tons of oil in 1991, 9.7 million tons in 1992, 3.5 million tons in 1993, 2.98 million tons in 1994. A substantial portion of the "imported" oil [from oilfields not within Chechnya—ed.] came from Western Siberia.

Despite the direct financial damage inflicted, there were no decisions adopted, neither at the presidential nor the government level, for any special procedures in work with the oil and gas complex of the Chechen Republic. Moreover, at a July 6, 1992 meeting of the two ministers of fuel and



*Clockwise, from top left: Russian President Boris Yeltsin, Foreign Minister Andrei Kozyrev, and former Deputy Prime Minister Yegor Gaidar. The Duma report scores them for "official connivance" in allowing the Chechen separatists to gain control, while citing Yeltsin's remark "Take as much sovereignty as you can swallow."*

energy, V.S. Chernomyrdin and Z. Durdiyev, the Russian side raised no objections, but rather actively examined questions of further "cooperation" and the conclusion of international deals.

According to official Ministry of Fuel and Energy data, the supply to Grozny of Stavropol oil was halted in August 1993, and from Dagestan, only in November 1994, less than a month before the commencement of operations to restore the constitutional process.

One of the partisans of this official policy was Ye.T. Gaidar, who testified to the Commission: "The Grozny Oil Refinery is the largest oil refinery in Russia, supplying the large part of the North Caucasus, Stavropol, Krasnodar [major grain-growing areas—ed.], and so forth. In this connection, to shut off the oil spigot would have meant, minimally, leaving them without fuel before planting, which would have severely punished not only Chechnya, but also Russia."

In reality, the petroleum products were going to various commercial organizations . . . and for export. And the exporter was Chechnya, not Russia.

The decision on the apportionment of export quotas was made at the highest level of the government: That is why Dudayev lodged this request directly with Ye.T. Gaidar. Ministry of Fuel and Energy documents show that quotas were given out punctually in 1992, 1993, and 1994, and in 1994 the quota allowed was 65,000 tons higher than in 1993.

The countries importing oil and petroleum products included Ukraine, Kyrgyzstan, Germany, the Baltic countries, and Turkey.

Moreover, fully exploiting the atmosphere of official connivance, the Chechen side actively utilized the following schemes for the illegal export of oil:

1. Re-export of oil to third countries from CIS [Community of Independent States] republics and the Baltic.

2. Export of oil as raw material to be returned after processing, which is convenient in that it is not subject to taxation at customs. But after refining, the petroleum did not return to Russia, but was sold to third countries for payment made to Chechnya.

3. Straight contraband, thanks to the "imperfection" of agency rules, as well as the very convenient transparency of

borders inside the Soviet Union.

For domestic consumption, there was widespread theft of oil and petroleum products by illegal cutting into pipelines.

How was the final stage, the receipt of funds, effected? According to testimony by officials, for the "convenience" of the recipient (Chechnya), the Central Bank of the Russian Federation as of June 1992 ceased settling accounts through the Chechen National Bank, leaving the flow of financial resources into Chechnya absolutely unsupervised. Various commercial structures got into this business, eagerly playing the middleman between the shipper (Chechnya) and the recipients of petroleum. Minister of the Chechen Republic Z. Durddiyev testified that the money from these deals was concentrated in the Chechen National Bank.

*Thus the movement of funds from the sale of oil and*

## LaRouche: Russia is heading for an explosion

*The following is an excerpt from an "EIR Talks" radio interview with Lyndon LaRouche on Sept. 13:*

**EIR:** There have been remarks in Russia that NATO is carrying out genocide against the Bosnian Serb civilian population. Can you give us your thoughts about this?

**LaRouche:** You have to go back to the time of the Halifax Conference of the Group of Seven earlier this year, at which the United States government, for various reasons, not all entirely to the President's or his administration's discredit, failed to deal with the crucial strategic situation confronting him at that moment: that is, the Russian situation.

Yeltsin is enlisting, by demagogic methods, many of his opposition to support him on this attack on the United States as such, as well as NATO, and Halifax. The United States government failed to realize that the IMF [International Monetary Fund] system and the IMF conditionalities, and the attempt of the Clinton administration to establish a policy of cooperation between western Europe, Russia, and so forth — these two policies were at opposite poles, and one or the other would have to give. . . .

The problem here is that many in the United States government are soft on free trade or, some, soft-headed — not quite as bad as most Republicans on the other side of the fence, but soft nonetheless. And they failed to realize that the key to U.S. Russia policy, and also to China policy, as well as to Middle East policy, as well as to

Europe policy, hangs on financial and economic questions. That in Russia there is a disaster, an explosion about to break out. The present situation will not continue. There is a point of decision that has been reached; there is going to be a violent, in some sense, upheaval in Russia in the very immediate weeks ahead.

And the reason it will tend to occur in the way it is now tending to occur, is that the U.S. government did not bite the bullet on the financial and economic questions at Halifax. It's not too late for that to be understood, but if somebody uses the period of the election campaign to avoid that issue, then the Clinton administration would be in trouble, as well as the United States government, because failures will always be thrown at the guy on watch, that is, the current President. . . .

Now the second error that the government is making, is for the same reason that the action on the Bosnia question was delayed so long. Remember, Clinton wanted to do something about the Balkans situation in his campaign, and he made efforts during 1993, and especially in 1994 to get this under way. The reason it didn't happen then, is because of our ever-beloved allies, especially Britain, and at that time Britain's stooge, France's President Mitterrand and people like that. So we didn't act. Now, again, the same question comes up. The U.S. policy toward Europe and Russia is moderated by the implicit veto-authority of our so-called ever-loving allies! As a result of this stupid policy, we have done a stupid thing. We have pushed for the eastward extension of NATO, which is a catastrophic mistake, under the present conditions. There's *no need* for an eastward extension of NATO, if we have the right policy on economics and other Russia policies generally. There is no need for a collision with Moscow on the question of justice in the Balkans, if we didn't have a stupid economic policy, still, by default; and if we didn't have this eastward-pushing NATO policy. . . .

*petroleum products, was not monitored by the government of Russia and, consequently, was not subject to taxation. Substantial funds in rubles and hard currency went to build up the Dudayev regime.*

Comparison of the total volume of oil extracted in Russia (over 600 million tons) with the oil produced in Chechnya (1.5 million tons in 1994) convincingly shows, however, that the loss of this source of oil for Russia, was not the reason for the military operation in Chechnya.

*Another major source of funding were the numerous financial operations linked with false avisos and counterfeiting of Russian currency.*

Ministry of Internal Affairs data show that by the beginning of 1995, over 500 Chechen-ethnic individuals had been indicted in the false *aviso* affair, while 250 more are under

investigation. The false *aviso* operations earned over 4 trillion rubles.

Chechen organized criminal groups have conducted counterfeiting and dissemination of counterfeit currency in Russia, Ukraine, and Belarus.

Favorable conditions, namely the lack of any monitoring by the federal authorities, facilitated the emergence of a criminal free economic zone in Chechnya. Its main components were: tax-free import and export of goods; illegal trade in petroleum products; illegal arms trade; narcotics contraband; extortion of Chechen businessmen in Russia and abroad; financial speculation on the Russian markets.

Established bus and plane routes to countries of the Middle East, West and East Europe (up to 150 flights per month) made it possible to import a huge quantity of products

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*From "EIR Talks," interview, Sept. 20:*

**EIR:** Prime Minister Chernomyrdin presided over the Second Congress of the "Russia Is Our Home" party, which issued a report that characterized the raw materials industry as "feeding the Fatherland," and contrasted it to the defense industry, "a parasite gobbling up the State budget." Does this differentiation between the raw materials industry and the defense industry indicate any kind of factional situation in Russia?

**LaRouche:** This is the gut of it. The policy of Thatcher, and supported by Bush, from the end of 1989 through the end of Bush's term, and continuing as a policy of some elements in the United States today, is to ensure that Russia never rises again, by turning Russia into a raw-materials-exporting, deindustrialized country, dependent for its food supplies largely upon high-priced, western food imports.

As a result of that, you have a faction in Russia, which Chernomyrdin is presently identified with, which is the top faction, in a sense. Yeltsin is in the middle of this. . . . The British today would say, and do say, that they control Chernomyrdin. I qualify that, that they may not control Chernomyrdin personally, who, I think if he thought he were going to lose, would jump to the other side. But they do control the Chernomyrdin policy, the "raw materials only" policy.

The issue in Russia is between Russian patriots, and they come in all stripes, including old communists and everything else, who are concerned that Russia is being destroyed, as it is, by this policy. They view Chernomyrdin's policy as that of a *comprador*, as that of a foreign agent, the kind of guy who's likely to get his neck chopped off, if they come to power. And most Russians on the high level agree with that hatred of what Chernomyrdin's policy represents.

But the Russian people have been divorced from politics, because of the events of October 1993 — real politics in Russia, involving the people ended with the shooting of the Parliament. That was the end of democracy in Russia, or any attempt at it. So now, the people are sitting on the sidelines, suffering, trying to survive. The industries are crumbling, the food supplies are short, everything is becoming terrible. But what is coming, is not a revolt from below. It's not a mass-based party revolt. It's a revolt from *inside the government*. . . .

The United States is pushing NATO eastward, which is a stupid mistake at this time. The United States is also continuing to support the IMF conditionalities on Russia, which is the pivotal issue.

So, while the Clinton administration is trying to deal with Russia in a constructive manner, as an administration, at the same time, because of deals it has, it is supporting the same policies — the eastward extension of NATO and the IMF continuation — which are the very things which put the United States into an adversary position with respect to those who are likely to come to power, in the power struggle. This is the source of the conflict between the United States and Moscow over Iran.

So there's a lot of idiocy on the U.S. side, in failing to realize that we must stop talking about democracy in Russia. *We killed democracy in Russia*, when we insisted upon IMF conditionalities, and encouraged the Russian government to shoot down its own Parliament in the bloody cannonfire across the Moscow River [in October 1993]. *There has been no democracy in Russia since then, and we, the United States and the Brits, did it, by insisting upon the IMF policy, on supporting the so-called "reform."* . . .

Yes, there is a conflict. This can come to bullets. This can happen within weeks or months at most; that's the situation. It's serious.

and sell them in Russia, without paying taxes.

Was there an opportunity for the authorities to stop the uncontrolled stream of untaxed goods from flooding the Russian market? Yes, there was. It would have been sufficient to establish a customs point between Chechnya and Stavropol Kray. But for the Russian authorities, this would have meant recognizing the sovereignty of Chechnya. And despite the enormous financial losses for the Russian economy, this was not done. It appears that the personal gain of State officials and profit for commercial firms outweighed the State interests of Russia.

*Substantial financial harm was inflicted on Russia by direct robberies on the Grozny section of the North Caucasus Railroad.* In 1993, five hundred and fifty-nine trains were attacked, with complete or partial robbery of around 4,000 freight cars and containers, worth 11.5 billion rubles. In eight months of 1994, there were 120 armed attacks, with the robbery of 1,156 freight cars and 527 containers. The losses exceeded 11 billion rubles. In 1992-1994, twenty-six railroad workers died during train robberies.

Internal Affairs Ministry data show that Chechen criminal groups have virtually monopolized the illegal narcotics market in many regions of Russia, especially the Far East, Moscow, St. Petersburg, Pskov, and other major cities. In 1994 alone, over 70 Chechens were arrested on Russian territory in connection with large-scale narcotics operations.

Of key significance in the narco-business was the Shalinsky Region of Chechnya, the site, until January 1995, of the main production base for the refining of a powerful narcotic—high-quality heroin—its packing and warehousing. These drugs were sold abroad through Libya, Yemen, Colombia, Romania, the Baltic, Abkhazia, and Azerbaijan.

## The arms flow

### From Section 4: The Arming of Chechnya.

. . . On the night of Oct. 11, 1991, the extremists carried out their first attempts to penetrate the territory of some military units. These provocations subsequently became a regular occurrence. The Dudayevites attacked the sentries guarding military facilities, hijacked cars, stole weapons, physically attacked officers and servicemen. Thus began the process of disarming, not the Chechen, but the Russian Army.

[The report reproduces a 1992 order by Defense Minister Pavel Grachov, among other documentary evidence of the transfer of Russian Army artillery and other equipment to Chechnya. It gives a two-page inventory.]

The weapons left behind during the withdrawal of Russian troops from Chechnya or transferred to the Dudayevites with the knowledge of Russia's military leadership were enough to equip four, and according to some sources seven fully-deployed army divisions. . . .

## NATO weapons transfer alleged

Turkey played a big role in arming the Chechen Army. The first shipment of arms from Turkey was delivered by road

in November 1991, in the guise of humanitarian assistance. After the reunification of Germany, Turkey received from NATO a substantial quantity of Russian arms from the former G.D.R. [East Germany]. A portion of those arms and ammunition was shipped into Chechnya through Azerbaijan.

In addition, a Committee for Solidarity with Chechnya and a Committee for Solidarity with the Peoples of the Caucasus were established in Turkey, which were centers for financing the Dudayev regime and supplying weapons to Chechnya. Data in our possession show that between January and April 1995, these committees, with assistance from Turkish secret services, transferred around U.S.\$700,000 into Chechnya. The Turkish spy Isak Kendir, caught red-handed by the Federal Security Service (FSB) in the combat zone of the Chechen Republic, confirmed that these committees are tied to the secret services.

Other Islamic countries also have helped the Chechen Republic with arms, including Saudi Arabia, Jordan, Iran, Afghanistan, and Pakistan. The supply routes go through Abkhazia, Georgia, Azerbaijan, Uzbekistan, and Kazakhstan.

The well-established ties with various countries of the near and far abroad also made it possible for the Dudayevites to recruit mercenaries from Afghanistan, Turkey, Iran, Jordan, Egypt, Ukraine, the Baltic countries, Azerbaijan, Abkhazia, and elsewhere. In the earlier phases, these mercenaries were used as instructors, but then as professional combat operatives during the armed conflict in 1994 and 1995, to kill Russian troops, especially officers.

In this connection, the rather passive position of the Russian Federation Ministry of Foreign Affairs, and the minister himself, Deputy of the State Duma Kozyrev, are shocking.

### From Section 5: Violation of Human Rights of Civilians in Chechnya.

The sources of the Chechen crisis are to be found in the national policy of the ruling Communist Party in the U.S.S.R., continued by the current leaders of Russia, who came into the big political arena from the ranks of the CPSU [Communist Party of the Soviet Union].

In the 1920s and 1930s, there was a policy of patronizing the peoples of the Caucasus, including the Chechens, against the backdrop of repressive measures against the Cossacks (decossackization).

In 1944, the Chechen people fell victim to deportation. The resettlement of Chechens based on nationality alone, their subsequent "planned" resettlement back into the Caucasus and the 1957 transfer to Cossack lands from Stavropol Kray to the Chechen-Ingush Autonomous Republic, and the constant accent on the "national question" in the cultural, social, and administrative areas—all this bred inter-ethnic tension at the level of daily life.

With the weakening of central power at the end of the 1980s and beginning of the 1990s, inter-ethnic relations began to deteriorate in Chechnya. The leadership of the republic and of local organs of power began to use national slogans,

for the sake of popularity. Russian-speaking inhabitants of Chechnya began to be driven out of leading positions in industry, education, science, and management. Various methods were used, from threats and insults to murder and kidnapping.

Before Dudayev came to power, the population of Chechnya was 30% Russian. Since then, 200,000 people of an 850,000 population have left. Naturally, most of them were Russians.

It should not be forgotten that the majority of Chechnya's industrial capacity was created by the Russian and Russo-phone population. Meanwhile, hundreds of thousands of Chechens were making their living outside of the republic: Around 40% of Chechens lived in other parts of Russia either permanently or temporarily, during recent years.

[Here follows an account of alleged insults, murders, rapes, grave desecrations, and other elements of "moral terror" against the Russian population in Chechnya.]

Questioning of refugees made it possible to establish, that there were deliberate actions to drive the Russians out of Chechnya. . . . Summing up, it can be said that what happened to the non-indigenous civilian population in the Chechen Republic during the existence of the Dudayev regime can only be termed genocide.

### **Faulty intelligence estimates**

#### **From Section 6: Russian Federal Authorities and the Armed Opposition to Dudayev.**

[The Commission reports that it established, but did not investigate in detail, that Russian State agencies also funded opponents of Dudayev. This included Federal Security Service (FSB) recruitment of Russian Army personnel to participate in opposition actions, and the supply of money, transport, communications equipment, and weapons. These covert operations were poorly supervised and resulted in poor intelligence.]

The strength and capabilities of the opposition groups and their ability to coordinate actions were overestimated and support for them was often inadequate and ill-conceived, while the strength of Dudayev's military and political organization, its self-organization, where the strong spine of a professional army could be instantaneously supplemented by volunteer militia units, its mobility and preparedness for serious combat were seriously underestimated. (Suffice it to recall the explanation S. Stepashin gave in a published interview: The taking of Grozny was prevented by a system of defense works, built after 1991, while our attacking forces only had maps made earlier. But Grozny was an open city all those years, and it is hard to understand what the FSB was doing, if it was unable to supply the Army even with basic information on defenses.) . . .

[In late 1994,] the Russian leadership faced a choice: to fundamentally reconsider the policy of [supporting] an armed overthrow of the Dudayev regime, toward which it had been leaning since the summer of 1994, distance itself from the

organizers of that overthrow . . . and to begin serious negotiations with the regime which controlled the greater part of Chechnya's territory; or, to try to do itself, what the opposition had been unable to.

The choice was made in the style of those improvisations typical of the Russian political leadership, and very fast. The approach termed "conspiratorial-adventuristic" by member of the Presidential Council E. Pain was adopted. On Nov. 29, the Security Council meeting took place, where the decision was taken to begin military actions.

The Commission notes that the Security Council has no constitutional right to take such decisions.

While investigating the circumstances that led to the commencement of combat, the Commission sought from Council Secretary Lobov the transcript of the Nov. 29, 1994 Security Council session, and also repeatedly invited him to testify before the Commission in executive session, but to no avail. This may be because the Commission became aware of the SC secretary's words at that session: "We need a little victorious war. . . ." This may not be a precise quotation, but one way or another it is evident that a military victory over Dudayev, which seemed close and easily attainable at the outset, was needed by the President of Russia and the "war party" in his entourage, for their own domestic political purposes.

#### **From Section 7: An Undeclared War.**

[The Commission reports that its findings on the causes of military disasters for Russia during the Chechnya operation are based on interviews with many officers.]

1. Planning did not take into account Dudayev's possession of a regular and well-armed Army, numbering as many as 50,000 men. The operational plan provided for deployment of a group numbering only 38,000.

2. There was no political and propaganda backup for the operation to settle the crisis. There was no work among the local population, and the armed opposition to Dudayev was not included in the operation, as a result of which Chechens thought that Chechnya was being occupied by Russia and several former opponents of Dudayev went over to his side.

3. The understaffing of units of the Russian Army in peacetime was so great, that "pick-up" regiments had to be formed, even bringing in the marines. . . . Many members of tank and armored carrier crews in the infantry only met each other during combat. Is there any need to explore how many unnecessary casualties resulted from this bad principle?

4. The low level of military equipment — obsolete and worn out equipment was used (helicopters, tanks, communications). . . .

5. Instead of developing the front on the base of the North Caucasus Military District, a special combined command was established consisting of Grachov, Yerin, Stepashin, and Yegorov. Any sergeant knows that an army cannot be commanded by a quartet. . . .

In light of the above, the question lawfully arises, of

whether the President and members of the Security Council possessed reliable information on the low level of preparedness and material equipment of the federal armed forces, and on the international situation in Chechnya, the high combat capability of the Chechen Army, its military power, weapons, the presence of foreign mercenaries and instructors, Dudayev's support from the Chechen population and a number of Islamic States?

Leaders of our security agencies assured the Commission, that such information was constantly reaching the Kremlin. Thus it must be a question of the President and his entourage ignoring such information. . . .

The security agencies are not in any condition to carry out the full work load they did in the past.

Beginning in 1991, the U.S.S.R. KGB has undergone five reorganizations and changes of name. Its Investigative Directorate, Foreign Intelligence, Border Troops, Guard Directorate, etc. were removed from the KGB. The KGB lost its special forces units (Alfa group left in 1991 to guard the President, and Vypfel was reorganized in 1993 after the October events). It should be noted that, in the meantime, the quantity of generals in the security agencies has increased sevenfold.

With each reorganization, the security organs lost their best cadre, the experienced and devoted professionals. Many of them were swallowed up by commercial structures, so that today some private organizations have their own full-scale intelligence centers, able to conduct the full array of intelligence and subversion operations, just like a State.

In a word, by the beginning of the Chechen campaign in December 1994, the State security system was so broken down, that the secret services were incapable of carrying out national tasks and were oriented only toward preserving and strengthening the power of Person Number One and his entourage.

As for the GRU [military intelligence], it is restricted to intelligence operations abroad. The President's secret decree of Nov. 30 finally gave it the right to conduct intelligence operations on Chechen territory. But that was just ten days before combat began!

. . . Military specialists said, "What was terrible, is that we were fighting not with shepherds, but with officers and generals from the same academies as we."

The Chief of Staff of Dudayev's Army, for example, was Maskhadov, a professional artillery man, a colonel, former commander of the missile corps and artillery in the Southern Group of Forces of the Russian Army, in Hungary. Military specialists considered him one of the best artillery officers in the Army. . . .

## **Sweeping conclusions**

### **From Section 8: Conclusions.**

In the process of investigating the question entrusted to it, the Commission studied many aspects of the problem of

Chechnya, which in a short time has turned into a region of general criminality, which has swallowed trillions of rubles in a four-year period and, essentially, thus robbed every citizen of Russia.

Chechnya has baldly revealed the character of the Russian ruling regime, which granted a unique opportunity for the massive robbery of its own country (from the free export of oil to the false *avisos*), for the creation of armed militias out of criminals released from prison, and for the organization of genocide against its own people.

Numerous facts that became known to the Commission in the course of its work, allow the presumption of active influence by various international forces, both on the process of destabilizing the ethnic situation, and on the growth of separatist moods in that part of the North Caucasus region. Various forms of mercenary activity and material assistance with money, weapons, and communications equipment came into play.

Judging by all the evidence, it was not without the assistance of these forces hostile to Russia, that the planned collapse of the Armed Forces has been implemented, as well as the weakening (under the guise of reform) of the State security agencies.

Nor is it possible to ignore the overt attempts by anti-Russian forces, to redirect the blade of Islamic fundamentalism from its "Western" (Catholic) direction to an "Eastern" (Orthodox) one. The active aid to the separatists by several Islamic and Catholic countries clearly confirms this.

[Among its recommendations for action, the Govorukhin Commission calls for the impeachment of President Yeltsin, increased parliamentary control over the composition and activity of the government, and specific laws, some of which are enumerated below.]

1. Law on the Principles and Procedure for the Organization of Elections for the Executive and Representative Branches in the Chechen Republic. . . .

2. Law on the Responsibility of Organs of State Power and Officials for Failure to Implement Decisions of the Constitutional Court of Russia. . . .

5. Law on Procedure for the Use of the Armed Forces on Russian Territory.

6. Law on Changing the Administrative Borders of Stavropol Kray, with the return of Shelkovsky and Naursky regions from Chechnya. These could become the home of Russians who left Chechnya.

7. Law on the Cossacks, guaranteeing real self-administration for Cossack villages and settlements, and the assignment of certain State functions to Cossacks, such as border protection duties. . . .

The Commission is extremely disturbed by the holding of talks with the separatists, under conditions where the Commander in Chief has repeatedly stated that they have been defeated.

## **No peace without economic stability**

*A conference in Vienna addresses aspects of the volatility of the world economic crisis.*

**A**t a time when diplomats are entering another round of talks about "peace" in the Balkans, little attention is being paid to the vital question which was at least posed after the end of World War II, namely: Where should the economic and financial muscle of postwar recovery come from?

The approach toward Bosnia is typical of a situation in which the economy only enters into the debate about peace policies in a negative way—in terms of fiscal constraints posed by austerity-minded governments. No long-term planning for defense and stability is possible, under such scandalous circumstances.

Because of this handicap, a Sept. 18-19 conference in Vienna on "Economy and Security," organized by an Austrian pro-defense lobbying group, Info-Team, is worth mentioning. The conference didn't offer comprehensive solutions, but warnings about the economic-monetary situation internationally that are hardly ever addressed in public, at least signaled awareness of the crisis.

For example, Oliver Adler of the Swiss Banking Corp., who was one of the main speakers, criticized leading politicians in the West for promoting populist themes such as "migration" or "labor costs" as alleged "big threats" to social stability and security. In reality, the threats posed by these factors, are far less dangerous than the threats that emerge from monetary instabilities of the type Europe has experienced since 1992, Adler said. Politicians tend to tell the voters that social welfare is "too costly," without ever addressing the fact that

one needs a functioning economy that can produce to provide for the general welfare.

But there are no ideas presented by the elites as to what a functioning economy would look like. Instead, the so-called "Maastricht II" second phase of the European Union is worshipped as something that will mysteriously solve all problems. This is an alarming sign, because there are many indicators that social explosions are coming even in the relatively stable economies of western Europe, Adler remarked.

Peter Doerfel, of the Austrian National Bank, was even more direct. As far as western Europe as a whole is concerned, he said, it remains a very strange fact that for almost 20 years, Europe's politicians have not produced anything that comes even close to the early-1970s designs for a European Monetary Union. The designs were hastily buried when panic broke out during the oil crisis of 1973, which blew out the Bretton Woods system and replaced it with currency "snakes and tunnels and all kinds of such things" that cannot be called real policies, Doerfel said.

He warned that the biggest problem faced today, is the existence of a world monetary and financial market without any rules, that allows transactions of \$1 trillion a day to be carried out by gamblers. The so-called "data" that are projected on their computers, and which they believe decide the "ups" or "downs" of the market, are far from any reality, Doerfel charged. Having tolerated these things for too long, the world finds itself in the uncanny role of a sorcerer's apprentice

that does not know how to keep control of the situation.

Hubert Ettl, of the Austrian Labor Federation, said that the big threat that is never given attention in all the scenarios about future threats to world social and political stability, is the existence of the so-called free market, "an autonomous, genuine form of threat" to the functioning and well-being of entire national economies that must be put under control, before it continues unabated to undermine the nations of both the industrialized and developing sectors.

The "free market" also came under attack from Hans Androsch, a former Austrian cabinet minister who is now chairing an international consulting firm. He called it a great illusion to believe that after the collapse of the former Soviet bloc, the liberalist West could benefit from the weakness of the East and continue business as usual. He gave the example of "two drunkards supporting each other to keep from falling," to describe the Cold War era. Now that the eastern drunkard has fallen down, the western one is tumbling as well, he said.

The West, Androsch remarked, seems to have forgotten its founding principles, those of the American Revolution of 1776, namely, the preservation of "life, liberty, and the pursuit of happiness," as a universal value valid for all of mankind. The mission of the West should be to make sure that "Mercury, instead of Mars, dominates the stage," but selfish interests in the western elites prevent that from happening. Androsch cited the case of Poland, where, since 1989, the agricultural sector has been "thrown back to the level of 1800." But as the economic basis of freedom is rapidly eroding in Poland, so it goes also in the West, he warned, quoting from Goethe's *Faust*: "Only he will gain freedom that achieves it anew, daily."

## Wall Street Journal promotes PAN

*The New York bankers campaign for Carlos Castillo Peraza, a self-styled "bad Catholic" and friend of Fidel Castro.*

The Sept. 21 *Wall Street Journal* published an article praising to the skies Carlos Castillo Peraza, the chairman of Mexico's opposition National Action Party (PAN). According to the article, the PAN deserves support because it is "pro-business."

But, just days earlier, on Sept. 1, the same *Wall Street Journal* came out supporting the "El Barzón" movement, which is formally allied with the terrorist Zapatista Liberation Army (EZLN). And the *Wall Street Journal* has repeatedly editorialized in favor of Mexican ex-President Carlos Salinas de Gortari, who destroyed Mexico's economy and fled the country for fear that he will be brought to justice for his corrupt acts. Salinas, who is now on the payroll of the *Wall Street Journal* publishers, belongs to the PRI party, from which Castillo Peraza's PAN has been trying to wrest the power it has held over Mexico for most of this century.

Castillo and the PAN are "on the rise politically," says the *Journal*, "largely because the December devaluation that plunged [Mexico] into a recession has caused so many to lose faith in the ruling party." (Of course, the *Journal* does not say that it was Salinas's policies that led to the devaluation.) "Investors also find it comforting that Mr. Castillo's party was identified with pro-business practices long before the ruling party got religion about free-market reforms a dozen years ago," it adds. "So, Mr. Castillo is getting lots of visitors these days."

"Mr. Castillo and the PAN have

also expanded their appeal by starting to move more toward the center of the political spectrum. The PAN and Mr. Castillo have long been considered by many Mexican voters to be too much in favor of business interests, too Catholic, and too cozy with the ruling party," says the *Journal*. Not to worry: "Mr. Castillo softened his pro-business image by visiting Fidel Castro in Havana this summer," it says.

Further, Castillo "now describes himself as a 'bad Catholic.'" Just in case there are still doubts about Castillo's loyalty to the international oligarchy organized around the British Crown, the *Journal* notes that this political philosophy major from Switzerland's University of Fribourg — where the ghost of Nazi philosopher Martin Heidegger still lurks — sprinkles the PAN's newsletters "with sayings from the likes of Thomas Hobbes and Jean-Jacques Rousseau."

In keeping with the outlook of the latter two, who view man as a beast, and proving that he is indeed "a bad Catholic," Castillo Peraza is an enthusiastic backer of the idea of setting up a Mexican branch of the Club of Rome, an organization formed for the purpose of drastically cutting the world's population. This runs counter to the views of most PAN members, but Castillo's first loyalty is not necessarily to the party base.

As for the Nazi Heidegger, Castillo Peraza was cited by the August 1993 issue of the magazine *Nexos* as saying that in "Mexico, I only found one teacher who shone explaining Heidegger: Carlos Pereira."

On Aug. 22, at the conclusion of an international seminar on drug trafficking of the Latin American Group of Observers (GOL), in Mexico City, Castillo — along with co-thinkers like former Venezuelan presidential candidate Oswaldo Alvarez Pan, and the chairman of the Simón Bolívar Foundation of Colombia, Guillermo de León Escobar — said that it was necessary to "revise" the idea of national sovereignty, for a "multinational force" to fight drugs.

Despite this pretext for abandoning what he terms Ibero-America's "traditional concept" of national sovereignty, Castillo's and the PAN's commitment to the war on drugs is dubious. Recently, several PAN congressmen have proposed legalizing casinos, which, as everyone knows, are ideal money laundries. For its part, the GOL made its debut in 1990, when it sent a delegation to Panama to support the invasion of that country ordered by George Bush. One of GOL's better known members is novelist Mario Vargas Llosa, a known advocate of drug legalization.

In fact, among the ranks of the GOL predominate members of the Mont Pelerin Society, who reject any attempts to halt the drug traffic on the grounds that they interfere with "free trade." They were also closely linked to the "Project Democracy" secret government apparatus that ran Bush and Ollie North's drugs-for-arms Iran-Contra operations.

Not surprisingly, in 1992, a number of leading members left the PAN, alleging that it had become "a pro-Salinas, liberal, and dogmatic" party, infiltrated "by an organ of the U.S. establishment." Given the backing for its employée, Salinas, it is understandable that the *Wall Street Journal* would repay Castillo Peraza by singing his praises.

## **Fujimori defies the Catholic Church**

*The Peruvian President tries to make Malthusian policy a rallying cry for Ibero-American nations.*

**S**peaking at the closing session of the United Nations Women's Conference in Beijing on Sept. 15, Peruvian President Alberto Fujimori announced that his government intends to make the issue of family planning "an important part of social development policy and the fight against poverty in Peru." In a direct attack on the Catholic Church, he added that his "courageous decision" has provoked the "sacred cow . . . of the ecclesiastical hierarchy to refer to me as the power of darkness."

Backtracking somewhat from what he had told the *New York Times* in a Sept. 13 interview, Fujimori said, "I don't seek a confrontation with the church, but I do maintain a firm position from which to deal with this matter."

The *Times* had reported that Fujimori hopes to persuade other South American heads of state to participate in a coalition to weaken "the influence the Vatican wields over 250 million Catholics, and create a bloc of nations against the Vatican's influence." The *Times* interviewer reported that this evaluation was based on Fujimori's assertion that while in Beijing, "I will contend that this issue is a priority for South America, and that it is important that we join forces. If we are successful in Peru, as I hope we will be, then it will be easier for other countries." In the interview, Fujimori affirmed that "the Catholic Church is quite strong and has a very large and influential network. This is one of the obstacles to achieving success in the family planning program."

In a declaration issued on Sept. 26, the Peruvian chapter of the Ibero-American Solidarity Movement (MSIA) stated that "by proposing to create a bloc of Ibero-American nations to challenge the pope on the issue of family planning, Peruvian President Alberto Fujimori has placed his prestige at the service of one-worldist forces run from London by the House of Windsor, which conspires to put an end to nation-states and to impose, by the end of the century, its utopia of a 'global village.' This conspiracy in Ibero-America demands the destruction of those institutions which are the pillars of our republic; that is, the Armed Forces and the Catholic Church."

But Fujimori's offensive is not merely verbal. Shortly before he traveled to Beijing, the Peruvian Congress, in which Fujimori holds a majority, approved by a vote of 70-23, a law which legalizes sterilization (tying of tubes in women and vasectomy in men) as a means of birth control.

Predictably, the passage of this law provoked a political earthquake in the country, 75% of whose population is Catholic. During debate on the law, Deputy Vargas Marín warned that its passage would open the way to "ethnic cleansing" in the country. Unfortunately, this statement is no metaphor. On Sept. 14, the daily *Gestión* published statements by Carlos Figueroa, president of the Andrés Bello Southern Region, who after visiting the communities of the Ashaninka Indians, said that now

that the sterilization law is in effect, "this can serve as an alternative to end the serious situation of malnutrition and extreme poverty affecting these people."

As the MSIA said in its statement, "sterilization as a policy of State is a despicable form of genocide, hardly different from the genocide committed by Shining Path against Peru. . . . You can't eliminate poverty by killing the poor. President Fujimori has launched his campaign in favor of sterilization and birth control with the false argument that this is a way to combat poverty. . . . This economic fallacy comes from liberal, monetarist theory, to which Fujimori unfortunately pays homage." As Pope Paul VI once said, rather than cut off heads, it's better to make more hats.

However, Fujimori has decided to cut off heads rather than confront the International Monetary Fund. Although he denies it, the truth is, as the bishop of Huanuco, Hermann Artale, charged on July 30, "there are foreign interests which are forcing [the government] to apply birth control, and the foreign debt will even have to be paid with human lives. . . . Behind all this is the International Monetary Fund. . . . It wasn't the President who spoke [on birth control policy], but the International Monetary Fund."

The confrontation which President Fujimori seeks with the church, occurs "coincidentally," the MSIA warns, at a time when Pope John Paul II "has reiterated his call for an end to the merciless looting to which peoples are subjected . . . by means of the usurious foreign debt. The pope himself has called for the year in which the next millennium begins to be named the 'year of Jubilee,' in which, in the spirit of Christianity, foreign debts which prevent development should be forgiven."

# International Intelligence

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## **Norbert Brainin leads master class in Slovakia**

The former castle of the Brunswick family in Dolna Krupa, Slovakia, where Beethoven likely composed his Moonlight Sonata, was from Sept. 20 to 22 the site of three days of intensive master classes with Prof. Norbert Brainin, the former first violinist of the Amadeus String Quartet, who focused on the concept of *Motivführung* in Beethoven's late string quartets (cf. *EIR*, Sept. 22, 1995, p. 52). The castle has long been a center for composers, musicians, and artists from all of central and eastern Europe and was an ideal place for the most singular experiment of this kind.

On Sept. 23, Brainin played a recital of works by Mozart, Brahms, and Beethoven with German pianist Günther Ludwig in the historic Bishop's Palace in Bratislava, the capital of Slovakia.

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## **Tahiti's President blames Australian MPs for riots**

Gaston Floss, the President of Tahiti, blamed 44 Australian members of Parliament for contributing to the recent riots which led to the burning down of the airport there, the Sept. 12 *Sydney Morning Herald* reported, in a story filed by Andrew Byrne from Papeete.

Australian politicians and the news media have led the worldwide attack against France and President Jacques Chirac for resuming underground atomic weapons tests in the South Pacific, and with such vigor that the Tahitians have taken it personally. Dhin Graeff, special aide in Tahiti to the High Commissioner, warned Australian journalists that their safety can no longer be guaranteed in Tahiti, and the Australian press was "singled out for special venom" at a rally of 5,000 Tahitians on Sept. 9 to protest the riots. They were bigger than any Tahitian rally to protest the tests.

French President Chirac has made it clear that he believes the issue for British

Commonwealth countries of Australia and New Zealand is not nuclear testing. "In reality, what they want is for France to leave the Pacific," he said in an interview on French television.

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## **Yanomami Reserve could be annulled in Brazil**

A bill before Brazil's Congress seeks to annul the Yanomami indigenous reservation that was carved out of the Amazon, reported *Tribuna da Imprensa*, in Rio de Janeiro on Sept. 19. The bill, authored by Deputy Jair Bolsonaro, states that the demarcation, carried out in 1992 under the government of Fernando Collor de Mello, is unconstitutional. The fact that the lands are located in a strip of territory right on the border, should have also been taken into account, for reasons of national security, asserted Bolsonaro, who is also a captain in the Army Reserve. He added that the National Defense Council was never consulted on the demarcation, in violation of Article 91 of the Constitution.

Bolsonaro's bill will be the first big challenge to Marcio Santilli, new president of the National Indian Foundation (FUNAI), the government's Indian rights agency.

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## **Walesa sees NATO stuck in the past century**

Polish President Lech Walesa, in an interview with the German magazine *Focus* released on Sept. 20, scored NATO as stuck in "19th-century" conceptions of strategy, by seeking "confrontation with Russia."

Asked by *Focus* how seriously he takes threats from Russian President Boris Yeltsin against the extension of NATO eastward, the Polish President notes that Yeltsin had, previously, taken exactly the opposite position, and is now playing the issue, for internal political reasons. He says the Poles have always had a high opinion of the Russian President, because he has, despite every-

thing, done positive things: "Yeltsin, like us, wants peace and quiet. Our entrance into NATO should not be a preparation for conflict with Russia. It is a matter of the extension of one bloc, to prevent the new emergence of another. The condition for the acceptance of new countries is, that there be in them, no conflicts between nationalities, no religious conflicts, or other such obstacles. We Poles think in the categories of the 21st century. NATO thinks, on the other hand, as if it were still the 19th century. It seeks confrontation with Russia, rather than seeking to extend its sphere of influence. But how can one make this clear to the West?"

Meanwhile, in an interview published by the French daily *Le Figaro* on Sept. 20, Polish Foreign Minister Wladyslaw Bartoszewski insisted that Poland will be a member of NATO by around 1998. He added, "We are not going to let ourselves be limited in our choices, by a few shrieks in Moscow."

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## **Top Russian official escapes assassination**

The secretary of the Russian Security Council, Oleg Lobov, narrowly escaped an assassination attempt in Chechnya on Sept. 20, the German press reported on Sept. 21. Lobov, who is also President Yeltsin's special envoy for settling the Chechnya conflict, was en route to the Chechen capital of Grozny in a motorcade. As the motorcade was crossing a bridge over the Neftyanika River north of Grozny, a remote-controlled, 200-kilo bomb placed under the bridge went off. Lobov himself was not injured, but a senior official and three guards in the next car were badly wounded. The terrorists had good intelligence regarding the route and time of the motorcade. The car they had targeted was the one that Lobov had been using in Chechnya up to the day before. In what was probably a routine security procedure, the car he had been using was switched the night before, a switch which saved him from at least serious injury.

## Briefly

The incident is the highest-level terrorist incident in Russia since well before the end of the U.S.S.R. As the Russian military command reported on Sept. 19, and covered by Itar-Tass, there have been a total of 408 Chechen attacks on Russian military posts since July 30, with 180 of them having occurred within the city of Grozny.

### Venezuelan intellectual in defense of LaRouche

Juan Liscano, a well-respected Venezuelan intellectual who has been a friend of President Rafael Caldera since earliest childhood, wrote his regular column "Interval" in the daily *El Nacional* on Sept. 21 on the subject of Lyndon LaRouche, titling it "LaRouchean." The senior journalist Liscano explains that he just signed the open letter for exoneration of LaRouche, a political prisoner of George Bush, who, after his release under the Clinton administration, "immediately resumed his tireless political activity" on behalf of the countries oppressed by imperialism. Liscano praises LaRouche's leadership of *EIR* and its Spanish-language version, *Resumen Ejecutivo*. He singles out the special report on "Lord Palmerston's Multicultural Zoo" (April 15, 1994) as a "jewel."

"I have signed, with full cognizance, a manifesto asking U.S. President Clinton to exonerate Lyndon LaRouche. The accusations are not very credible. On the other hand, his anti-imperialist stances favor Ibero-America at a time such as this, of surrenders by politicians and businessmen. Let us recall: the denunciation of the 'plot' to destroy the Armed Forces; the unceasing calls for integration; the attacks against the links between drug trafficking and politics; the protests against the invasion of Haiti; the defense of President Caldera for his desire to solve Venezuelan problems without concessions to the IMF [International Monetary Fund] on matters of principle; the attacks on the economic system imposed on our countries and the resulting crisis in Mexico and Brazil; the support for Fujimori

in the face of [attacks by] political forces who had years in which they failed to govern Peru well. All of this awakens my support for LaRouche. Not so his religious and cultural views, which are too skewed by his Quaker evangelical upbringing."

### French minister: Algeria gave false leads

According to a report in the French regional newspaper *Nouvelle République du Centre Ouest* picked up on Sept. 23 by the Paris daily *Le Monde*, the French interior minister, Michel Debré, charged the Algerian secret services with giving false information aimed at blaming certain Algerian Islamic militants for the recent terrorist attacks in France.

Although the Interior Ministry officially denied the statement, Debré told the journalist that when the Paris subway bombing occurred, he feared that the authorities would quickly identify the wrong terrorists in order to simply calm the French public. He said that between the time of the assassination of Imam Sahraoui, the leader of the Algerian Islamic Salvation Front, and the Paris subway bombing, two Algerian sources created a trail leading to certain Islamic militants. One was the Algerian Secret Services, which gave information only to the French secret services and not the judicial authorities. This was suspicious in itself, since the Algerian secret services are known for not cooperating with their French counterparts. The second source was the Algerian daily *La Tribune*, which named five members of the Armed Islamic Group who supposedly carried out the bomb attacks. One of these, Abdelkrim Deneche, was arrested in Sweden.

*La Tribune's* information was deemed credible because the same newspaper had warned of the assassination of Imam Sahraoui. But according to Debré, it became obvious that this was a false trail aimed at Islamic militants who were potential interlocutors if Algeria were to be forced to negotiate with the opposition.

● **GOBINDA MUKHOTY**, a noted attorney, died at 68 of pancreatic cancer in France on Sept. 19. He was one of the first in India's human rights organizations to fight for the exoneration of Lyndon LaRouche. He was founder-president of the People's Union for Democratic Rights, a group formed to deal with excesses committed by the government during the 1975-77 emergency.

● **CHINESE** Foreign Minister Qian Qichen arrived in Moscow on Sept. 21 for a three-day visit. On the eve of his arrival, Russian Border Guards commander General Nikolayev welcomed newly signed agreements with China, pertaining to various sticky border issues.

● **AN ALL-PARTY** meeting on Kashmir has been agreed on by leaders from all sides to the dispute in Vienna, Austria, early in November. "The meeting will have nothing to do with any government," said Bhim Singh, chairman of the Jammu and Kashmir Panthers Party. "We will meet as members of a broken family. It's now a situation of either wits or war, and let us settle it by our wits."

● **DUTCH FARMERS** formed a "We Are Fed Up!" committee and streamed to a big demonstration of 7,000 in The Hague in mid-September, warning of a "major confrontation" if the government passes a law limiting phosphate levels in their fields, *Agra-Europe* reported in its Sept. 25 issue.

● **THE FIRST** thousand registered contributions to make the Federation of Nouvelle Solidarité, the electoral organization of Jacques Cheminade's presidential campaign, an officially recognized party of France, were collected over the Sept. 23-24 weekend, toward the goal of 10,000 by the end of 1995. Cheminade, an associate of Lyndon LaRouche, was one of nine candidates in the spring 1995 presidential race.

## 'Bunch of fascists' forbids debate on looting of Medicare

by Linda Everett

As the Newt Gingrich-Phil Gramm crowd in Congress was bragging about their own courage in reaching out and grabbing the "third rail" of politics ("touch it and you die!")—namely, Medicare—the first year of the Contract with America ended with such seditious members of Congress being branded by their peers as "a bunch of fascists."

Back in January, House Budget Chairman John Kasich (R-Ohio) privately told House Speaker Newt Gingrich (R-Ga.) that he couldn't deliver the Contract's promised tax cut *and* balance the budget in seven years—unless he could get massive savings out of Medicare. But senior citizens were already opposing cuts in Medicare to balance the budget, or to pay for what Rep. Sam Gibbons (D-Fla.) calls "an obscene tax cut" of \$245 billion for wealthier Americans. The Conservative Revolution pollsters came up with a marketing sales pitch to brainwash older Americans into accepting the largest Medicare cut ever in history, namely: The Contract with America would "save Medicare," give seniors real health care choices, and wipe out fraud.

When chinks in their public relations armor left them exposed, GOP "enforcers" went into high gear, jamming proposals through committees, without debate or hearings, doing whatever it took to avert attention from their looting of billions of Medicare and Medicaid dollars; their plan to let private corporations raid \$40 billion in pension funds from 11 million U.S. workers; their Senate Finance Committee plan to wipe out the Earned Income Tax Credit for 17 million low-income, working families (4 million of whom make between \$350 and \$750 a month); and to tax Social Security benefits received by 1 million widowed, retired, and disabled taxpayers, whose average gross income is \$9,580, and who care for 2 million of their own children or grandchildren.

As a result of this mobilization by the Gingrich crowd,

there is now such a confusing abundance of proposals and schemes circulating in congressional committees, that even those who are following the situation very closely are at a loss to say exactly what the status is of any given proposal. Congressmen are being asked to sign on to sweeping "reforms" without even seeing a written draft.

### The jackboots are out

The jackboot method became public on Sept. 20, when Rep. Sam Gibbons joined a closed-door session of the House Ways and Means Committee, where Republican members rammed through a procedure that let them hold only *one* day of hearings on their massive overhaul of Medicare. Gibbons, a 30-year member of the committee, had a prepared amendment asking for more hearings, but no discussion was allowed. Gibbons pleaded with Chairman Bill Archer (R-Tex.) "to please let me at least enter into the conversation with them about what we ought to do." Archer refused, and the GOP motion was read and passed.

Gibbons flung his proposal on the table, saying: "This is a pure railroad! Nobody can talk. Nobody can make any motions. You veto discussions. You're a bunch of dictators, that's all you are." Gibbons, a World War II veteran, charged: "I fought guys like you 50 years ago. You're all a bunch of dictators, a bunch of fascists!"

A day later, the GOP unveiled its Medicare plan, still without any details or legislation to study. They convened their single day of hearings on the plan—the very next day! House Minority Leader Richard Gephardt (D-Mo.) vowed to hold hearings on the Capitol steps, if necessary. "We will not let them rush it through in the waning moments of a single day of debate. We will stop any midnight massacre of Medicare."

The House hearings had few critics among the representa-

tives of insurance companies, managed care firms, health maintenance organizations (HMOs), the American Hospital Association, and American Medical Association who testified. Newt had already neutralized them. The American Association of Retired Persons could have shut this farce down in a blink, but the AARP has responded to the GOP's "Pearl Harbor" attack on Medicare, as though *it* had retired. Perhaps Newt threatened to eliminate their nonprofit status. Or the AARP, which draws mega-profits from its health insurance business for seniors, may simply think, as does Bill Gradison of Health Insurance Association of America, that the GOP Medicare plan "creates a business opportunity for private health insurers, especially for managed care entities."

One key GOP witness was Rolland E. "Guy" King, consulting actuary, Ernst and Young, former chief actuary with the Health Care Financing Administration, the federal agency that administers Medicare and Medicaid. He assured Archer that the GOP plan to save the Medicare Trust Fund with \$270 billion in cuts met the "criteria for soundness." Then King, who spoke at the May conference of the Council for Affordable Health Insurance, a free-market health insurance reform group that is tied to Gingrich and his ideas man, Grover Norquist, of the radical anti-government Americans for Tax Reform, admitted to Rep. Charles Rangel (D-N.Y.) that he had based his testimony on what he read in a newspaper, since there was no written bill!

### **Save Medicare by destroying it?**

The GOP says that \$270 billion in Medicare cuts will save the Trust Fund. They are cutting Medicare Part A, which is funded by the Trust Fund, by \$160 billion in payments to hospitals, nursing homes and home care, and all kidney failure programs in the nation. What they don't say, is that the \$140 billion they will cut from Medicare Part B, has nothing to do with the Trust Fund. Their cuts will destroy the future viability of the program.

Every working American pays directly into the Medicare Trust Fund (Part A), and into the general revenues that fund Medicare Part B. Sixty percent of all Medicare Part A is spent on hospitals and hospital services; the rest funds training of new doctors, research, capital costs, and hospital treatment of indigent and homeless patients. Everything is to be cut, with hospitals losing about \$75 billion in seven years, and another automatic \$8 billion in cuts to providers will be triggered, via the GOP look-back provision that goes into effect whenever spending exceeds the limit on fee-for-service expenditures. Medicare and Medicaid provide more than half of all U.S. hospital revenues, and Medicaid provides half of all nursing home revenues.

Besides a public health threat, hospital, clinic and lab closings will cause a string of massive lay-offs in the skilled health care workforce, a collapse in wages, and the loss in Medicare taxes, as well as other federal, state, and county tax revenues — which will then precipitate more cuts and fur-

ther loss of vital health care infrastructure.

Premiums for Medicare Part B, which covers doctor bills and laboratory tests, are based on a percentage of the overall costs of the program. The GOP plans will cut \$140 billion in Part B by cutting doctor payments, increasing out-of-pocket co-payments, and doubling deductibles and/or premiums. Medicare patients, 35% of whom have an annual income under \$10,000, and 70% having incomes under \$24,000, now spend 21% of their income on out-of-pocket health-care costs. Because Part B premiums are extracted directly out of Social Security checks, those living on Social Security will have to choose: food or health care.

The state Medicaid programs pay Medicare Part B premiums, all Medicare co-payments, and deductibles for tests, hospital and nursing home care, for impoverished elderly and disabled residents. Sen. Bob Graham (D-Fla.) told the Senate Finance Committee that Florida pays all Part B costs for 306,000 people, and nursing home/hospital costs for 52,000 elderly indigent and disabled people. Each Medicare cost increase is transferred directly to the state. If the older population increases, states may seek to eliminate Medicaid altogether, which House Commerce Committee Republicans voted to do on Sept. 22.

### **The states' 'new flexibility'**

Medicaid is the federal-state funded program that provides medical treatment, long-term care, shelter, medicine, and daily assistance to 32 million poor children, elderly, blind and disabled Americans. Sixty-seven percent of Medicaid funds go to the disabled and frail elderly; 39% funds acute care and long-term needs of 5 million blind and disabled beneficiaries, including 90% of children with AIDS. The GOP plan, passed with *no* public hearings, abdicates all federal responsibility to the states by sending Medicaid funds to the states in a block grant, thereby abolishing any individual's legal right to assistance based on income or disability. In motion after motion, the GOP ruthlessly abolished the 1987 federal nursing home standards that prohibit the restraining, drugging, or abusing of elderly nursing home residents, and abolished the spousal impoverishment law. Now, a person must sell their home, car, or farm to pay for a spouse's nursing home care provided by the state. Also abolished is a federal law assuring basic and preventive health care to children of families under the official poverty level; and a motion was denied to continue benefits for individuals who suffer from Alzheimer's disease and are eligible for state medical assistance.

Who supports such policies? Public relations for the Contract with America's rape of Medicare/Medicaid is run by the Coalition to Save Medicare, a group consisting of the health insurance, managed care and pharmaceutical industries, and business groups, which will win immense benefits. The group's key operators are its chair, the Seniors Coalition; Citizens for a Sound Economy; the Council For Affordable Health Insurance; and the National Taxpayers Union, whose

founder, James Dale Davidson, shares, with his business partner Lord William Rees-Mogg, a hatred for “wasting” government funds on high-tech infrastructure.

### More choice — for the insurers

The GOP plan promises you more choices with HMOs, managed care plans and Medical Savings Accounts (MSAs) — all scams in which the government hands over billions of Medicare dollars to private insurers who structure their cherry-picking plan for the healthiest beneficiaries who cost them the least in care. Such insurers usually refuse to insure mentally or chronically ill elderly or disabled people (which is why the nation began Medicare), so these patients will likely use Medicare’s traditional plan. But remember, the GOP capped these fee-for-service plans: The more the government spends, the sooner the GOP’s automatic \$8 billion in new cuts is triggered!

Gingrich babbles about saving \$70 billion over seven years by getting millions of seniors enrolled in HMOs. But, just last year, his mob opposed managed care in health care reform; their front groups sued the Clinton Health Care Taskforce, in an effort to destroy the Presidency. HMOs have been available to Medicare beneficiaries since 1982, but only 10% of seniors use them. The Medicare Beneficiaries Defense Fund hears thousands of complaints every year from Medicare patients about HMOs that deny or delay hospital care, which sometimes kills patients. The Consortium of Citizens with Disabilities also receives thousands of complaints on how managed care firms are harming the disabled. Yet, the GOP wants malpractice reforms that severely weaken a patient’s ability to attain coverage for HMO injuries. While the GOP gave hospitals and doctors the broad right to establish arrangements to compete with HMOs, their plan also created dozens of exceptions to laws that prohibit HMO-kickback schemes. Yet, Medicare HMOs are well known for a decade of illegal activities!

Despite Blue Cross, Blue Shield’s specious study which alleges that people with serious medical conditions prefer HMOs over fee-for-service plans, two national studies found that even non-elderly individuals with a chronic illness or disability, who are enrolled in HMO plans, have more problems with getting health care services and access to specialist care or diagnostic tests that their doctors think is necessary. Another study found that patients rated managed care twice as bad as fee-for-service plans on many of the same criteria.

Another GOP plan will dismantle a children’s disability program funded by Supplemental Security Income (SSI). The plan cuts payments to 225,000 of the program’s 900,000 children who have significant cognitive, emotional, or physical disabilities. It has eliminated specific medical criteria, set by the U.S. Supreme Court in 1990 in *Zelby v. Sullivan*, to be used with children to determine their impairments. Hundreds of thousands of children will be removed from the program, and thousands more will no longer qualify for help.

## LaRouche Presidential effort in new phase

by Mel Klenetsky

The 1996 Presidential campaign effort of Lyndon H. LaRouche has entered a new phase. First, the Federal Election Commission (FEC) is reviewing his application for matching funds, filed on Sept. 15, and second, the CityVote forums begin in Moscow, Idaho at the end of September and continue up to the 18-city straw poll scheduled for Nov. 7 — exactly one year before the next election for the four-year term of President of the United States.

LaRouche compares the Gingrich-led federal budget fight and the threats by Conservative Revolution stormtroopers as a comico-tragic re-enactment of the Babylonian king Belshazzar’s feast. House Speaker Newt Gingrich (R-Ga.) would drink to the free market gods of gold and silver, while slashing the living standards of the elderly, the poor, and the average working man and woman to ribbons.

In describing his own candidacy, Lyndon LaRouche does not see any rival candidate who addresses the reality that the whole financial system is about to come tumbling down. “As I’ve said, this is Belshazzar’s Feast re-enacted, but I think this time the script is being produced by the writers for ‘Saturday Night Live.’ It’s a farce. Because these guys aren’t paying any attention to reality,” LaRouche quipped. “When they haul the drunks out in the morning, what they will see is the whole system is coming down, and I am the only one who understands what the new rules have to be after the crash. The party is over. People better start realizing that the Persians are coming.”

The two major parties remain in full battle regalia, fighting out the budget issue. As Oct. 1 neared, the Gingrich Republicans were maintaining their blackmail threat to bankrupt the federal government by not raising the debt ceiling level if President Clinton does not give serious indications that he will vote for measures that will balance the budget by the year 2002. Florida Democrat Sam Gibbons, a World War II veteran, stormed out of the congressional Medicare debates saying, “I fought guys like you 50 years ago. . . . You’re all a bunch of dictators, a bunch of fascists!”

While LaRouche sees Gibbons’s outburst as a useful warming of the debate for the election campaign, he is critical of the lack of policy discussion. On his hour-long “EIR Talks” radio interview show Sept. 27, he defined his role in

the Democratic primary race from the standpoint of shaping the policy debate in the Democratic convention and in the next Presidency.

"It looks as though I'm carrying the other side of the ball of the Democratic Party on the Presidential hustings," LaRouche said. "There is no sign of a qualified Democratic rival to the President in sight, that is, who might win; and the only alternative, apart from what [House Minority Leader Richard] Gephardt [D-Mo.] may perceive for himself four years hence . . . is someone to come out with some ideas which will reorganize the Democratic Party in part, and reorganize a number of these independents who are out there, who hate the kind of stuff that Gingrich is pushing, to come in as a force into the Democratic convention next summer, and to play a role in shaping the politics *within* the Democratic Party, and within the government, come the post-November 1996-January 1997 installation of the new government."

LaRouche pointed out that his campaign will be a decisive factor because the competition is bankrupt in economic and strategic ideas. LaRouche noted that his policies are being seriously debated in Ibero-America, Mexico, Venezuela, Russia, and Ukraine, as the alternative to the complete collapse of the so-called Adam Smith system.

### **A third party option?**

On the heels of the highly publicized book tour of the former U.S. Chief of Staff, Gen. Colin Powell, who is being touted as a potential darkhorse for the 1996 Presidential race, Ross Perot announced on Sept. 27 that he would form an "Independence Party" which would field an unnamed Presidential candidate for the 1996 elections. Powell disclosed that Perot, the Texas billionaire who ran a spoiler candidacy in the November 1992 elections and got nearly 20% of the vote, had called him to tell him of his plans. When asked if he would run as a candidate for this party, Powell said he would consider it, although he added that it is very premature to say anything.

In his Sept. 27 interview, LaRouche said, "The independent party is not really an option. It's Republican Party vs. Democrats this year. Now, as in 1992, when Ross Perot played, in his own funny way, a useful part, there was a concern, then, to ensure that a plausibly psychotic George Bush, would not be reelected President. You can't have a raving nut of Bush's homicidal propensities, reelected as President. . . . And so, what they did, is they used Perot to pull off enough votes from Bush, to ensure that Bush was not elected. The result of that, was that Clinton moved in as the Democratic candidate, and succeeded. Now they're out to destroy Clinton. And this is all coming, essentially, from London."

### **It all comes from London**

LaRouche said that the Perot and Powell option is orchestrated by the same British crowd which in the 1950s gave

the United States the Anglophile Dwight Eisenhower, as President. According to LaRouche, it was the British government, through people like Bernard Baruch, who put General Eisenhower in power as President. Tex McCrary, who is on the "Citizens for Colin Powell" committee seeking to draft Powell to run, was one of the younger men then working for Baruch, Eisenhower's "owner" from the 1930s. "He owned his career," LaRouche said. "Eisenhower went over from being a follower of [Gen. Douglas] MacArthur, simply a military man, to becoming a more *political* military figure, at the suggestion of the sponsorship of Bernie Baruch. . . . So this kind of crowd is behind Colin Powell. And it's clearly orchestrated in the British and Canadian press.

LaRouche observed: "What's going to happen to Powell, is another question. But what he's obviously doing right away, is he's drawing off a lot of votes from these crocodiles and other cretaceous figures on the extreme right-wing of the Republican Party. That includes Bush's candidate, Pete Wilson, as well as Bush's discarded candidate, Phil Gramm, and that fellow from the Okefenokee Swamp there, the yet-unclassified Newt Gingrich. . . . One should not think, that there's much likelihood, at this point, of an independent becoming President. There are circumstances in which that could happen, but it's not going to come out of this sideshow."

### **Straw polls, debates, and matching funds**

One hundred days before the Iowa caucuses and New Hampshire primary in February 1996, a non-partisan, non-binding straw poll will be held in 18 cities across the country, on Nov. 7. LaRouche is on that straw poll and will be part of the scheduled nationally televised debates in St. Paul, Minnesota, starting on Oct. 6, on Oct. 22 in Spokane, Washington, on Oct. 29 in Pasadena, California, and possibly on Nov. 5 in Boston, Massachusetts.

On Sept. 15, LaRouche's campaign committee filed for \$146,650 in matching funds in 22 states. In 1992, the Federal Election Commission had denied LaRouche matching funds, but that decision was overturned by the U.S. Circuit Court of Appeals in the District of Columbia in July 1993. The appeals court's ruling that the FEC had no authority to deny LaRouche matching funds was upheld by the U.S. Supreme Court the following November. LaRouche and his associates have pointed to the political motivation behind that decision, which denied them access to matching funds during the 1992 campaign. They do not expect FEC opposition, this time around, given the court decisions.

The granting of matching funds is important to the LaRouche campaign not just because of the financial aspect. It will also help expand ballot access, since many states require matching funds to automatically place a candidate on the ballot. The CityVote debates and straw poll will help Lyndon LaRouche put his policy alternatives before the American population.

# World Forum Series: New Age kooks and political 'has-beens'

by Scott Thompson

Under the auspices of former Presidents George Bush and Mikhail Gorbachov and former British prime minister, now Baroness Margaret Thatcher, a series of forums are being held through November that will combine New Age kooks with these political "has-beens," ostensibly to chart the 21st century. The first of these events, the State of the World Forum, was held on Sept. 27 to Oct. 1. It was sponsored by the Gorbachev Foundation's branch in San Francisco, in order "to build new vision for the post-Cold War world." The Forum plans this series to be the first part of "a five-year process designed to build global consensus on the vision and priorities needed for the coming century."

While Gorbachov, Thatcher, and Bush will conclude the conference with their CNN-televised reflections on the Cold War and where to go from here, the interim conference will be four days of "roundtable discussions" in which the participants will include such New Age kooks as:

**Zbigniew Brzezinski**, who peddled menticide by endorsing the "artificial intelligence" dogma in cybernetics with his 1967 book *Technetronic Age*. Later, as presidential assistant for national security to President Carter, Brzezinski picked up the Bernard Lewis Plan (Lewis is a member of the British Arab Bureau) to foment an "Arc of Crisis," whose results included installation of the Ayatollah Khomeini.

**Hazel Henderson**, who is the author of New Age books such as *Paradigms in Progress*, a member of the World Future Society, and an associate of a medieval village run by the Cathedral of St. John heretical kook-factory known as Lindesfarne.

**Willis Harman**, who is now head of the Institute for Noetic Sciences. Earlier, he ran the futurology department of the Stanford Research Institute, and wrote *The Changing Images of Man*, the seminal work ushering outcome-based education into public schools. He co-founded the Esalen Institute, a New Age brainwashing factory which played a major role in launching the rock-sex-drug counterculture.

**Amory Lovins**, who popularized "Small is beautiful."

**Ted Turner**, a depopulation fanatic who hates Christianity and co-chairs the Gorbachev Foundation.

**Lester Brown**, a depopulation genocidalist who heads the WorldWatch Society and is on the board of the World Future Society.

**Maurice Strong**, a high-level British agent who organized the non-governmental organizations for the U.N.-sponsored Earth Summit in Rio de Janeiro in 1992 from a genocidalist, New Age perspective, a co-chair of the Gorbachev Foundation, and chairman of the Earth Council.

**Michael Murphy**, who is head of the New Age Esalen Institute that explores everything from Tavistock Clinic-initiated group brainwashing and sexual perversity to extra-sensory perception (ESP).

**Robert Muller**, a globalist education theorist formerly with the U.N., where he co-launched the genocidalist Club of Rome. The Robert Muller Schools set up by the Lucis ("Lucifer") Trust practice explicit satanism.

These are some of the "experts" that Gorbachov, the man with the "mark of the beast" on his forehead, has put together. Roundtable topics include: "The New Architecture of Global Security," "The Global Crisis of Spirit and the Search for Meaning," "Economics in the Twenty-First Century," "The Emerging Civic Society," and "The Environment." Each day, over four days, there will be a new focus within these topics. For example, panelists will contemplate their navels in "The Global Crisis of Spirit" category, examining such subjects as "Asian and Western Perspectives on Crisis and Meaning," followed by a concluding panel on "The Future of Desire: Consumerism and Spiritual Longing," in which Gorbachov will speak alongside Buddhist monk Thich Nhat Hanh.

## Bush's 'A World Transformed'

Following Gorbachov's mega-group grope, according to a spokesman for Bush, the George Bush Presidential Library Foundation and the Forum for International Policy will sponsor an Oct. 8-9 conference at the Broadmoor Hotel in Cold Springs, Colorado. Again, the primary theme will be the Cold War and its legacy for the future. Almost the same group of "has-beens" will be featured speakers at this day-and-a-half conference, namely: Bush, Thatcher, Gorbachov, and former Canadian Prime Minister Brian Mulroney. The title of the conference is "A World Transformed," and the 100 tickets cost \$5,000 each.

The Forum for International Policy, which is co-sponsoring the event, includes: former Acting Secretary of State Lawrence Eagleburger, chairman; and former Presidential Assistant for National Security Gen. Brent Scowcroft, president. Eagleburger carries heavy responsibility for helping to ignite one post-Cold War legacy, the genocide in the Balkans, along with Lords David Owen and Peter Rupert Carrington. Scowcroft praised the former world leaders in the conference, saying: "When the Cold War drama unfolded on the world stage, these were the central figures who shaped and guided events. . . . They were there. They are the authorities."

## Baker's foreign policy challenges

Finally, the James A. Baker III Institute for Public Policy will hold its first annual conference at Rice University on

Nov. 13-14, titled "Foreign Policy Challenges at the End of the Century." Baker, who was secretary of state during much of the Reagan-Bush administrations, co-chairs the Gorbachev Foundation.

The participants will include Bush; former Prime Minister Noboru Takeshita of Japan; former U.S. Secretary of Defense Richard Cheney; Gen. Colin Powell (ret.), who is also on a special list of 100 attending Gorbachov's World Forum; and former foreign ministers Hans-Dietrich Genscher of Germany, Roland Dumas of France, Alexander Bessmertnykh of Russia, Taro Nakayama of Japan, and Uffe Ellemann-Jensen of Denmark.

There will be three panels: Economic Reform in Russia and China, Politico-Military Factors and the Future of Warfare, and The Role of Cultural, Ethnic, and Religious Factors in World Affairs.

On Nov. 13, the first Enron Prize for Distinguished Public Service, made possible by a gift to the institute from the Houston-based Enron Corp., will be awarded. Enron is tied to Bush's ambassador to Moscow Bob Strauss, Bush, Baker, and Scowcroft, and it has been involved in mammoth "heists," such as trying to purchase Gazprom in Russia.

Amb. Edward P. Djerejian, director of the Baker Institute, commented, "This inaugural annual conference will provide policymakers, public officials, academics, students, and professionals representing a variety of fields with an opportunity to examine foreign policy challenges facing the international community today and as we approach the 21st century."

### **The opposition to development**

When Lester Brown of WorldWatch, who will be a panelist at Gorbachov's World Forum, was asked on Sept. 25 what he hoped would be the "consensus" to result from the meeting, he responded: "I hope that the Forum comes out committed to world population stabilization. Already, it is proving wrong that mankind has enough water for all purposes or enough seafood to eat. There are a number of other factors calling for reduction of population: biodiversity, deforestation, and depletion of aquifers. . . . Ted Turner is very concerned about overpopulation, and (hah hah) Jane Goodall will see it as the only way to save her chimps and great apes. Really, the pope is the only one who doesn't think that population growth is a problem. He believes in continuous development."

Asked if he had discussed the problems of population and the environment with the British monarchy's royal consort Prince Philip, Brown responded: "Yes, on several occasions. The Duke of Edinburgh is very concerned about environmental problems, including overpopulation. . . . I have [also] talked about environmental issues with her [Thatcher] several times, and I am sure that Margaret Thatcher shares my views on population."

New Age author Hazel Henderson is the "convenor" of

all four panels on "Economics in the Twenty-First Century" at the World Forum, including: New Indicators for Measuring Sustainable Development; Economic Transitions: Mixing Markets, Laws and Cultures; Globalization: Trends and Paradoxes; and Beyond Capitalism and Communism.

Asked how she planned to reach a "consensus" on economics at the forum, Henderson said: "We will have to rethink economics for a multicultural age. For example, in the New Indicators panel, we will examine several new systems. One new way has been adopted recently by the U.N., and its indices measure such things as infant mortality, the ratio between the civilian and the military sectors, and so forth. The World Bank is involved in developing a new system. And, I am with the Calvert Mutual Funds, which will be measuring the quality of life in the U.S.A. this spring.

"The panel on Economic Transition will discuss how all the world's economies are in transition. They are all mixed economies. Take the case of Russia and China, which are both going to a market economy. The problem with Russia is that it does not have the hundreds-year-old history of entrepreneurship as do the Chinese. So, China is making more progress. The President of Kyrgyzstan will be at the conference, and I hope to talk with him about this. It's fundamentally a question of culture. We must find goals and values different from capitalism.

"The panel on Globalization will discuss how this has been unable to positively affect poor communities. In fact, their economies have suffered. We need to discuss how to get micro-loans to these communities. Calvert has Special Investment Funds that have lent to Indian reserves."

Asked how she would go beyond capitalism and communism, her answer was local control: "There is only one way to get tangible results, when you go beyond capitalism and communism. That is to go from the local to the global."

Asked why Gorbachov chose her to be the convenor of all four economics roundtables, Henderson said: "I only met Mikhail and Raisa Gorbachov once at a forum in 1990, when he was already being ousted from power. . . . The reception was for the World Parliamentarians, and Gro Harlem Brundtland dominated events. The way Gorbachov chose me was that I came highly recommended by the Inter-Action Council of Helmut Schmidt, Pierre Elliott Trudeau, and other former heads of state. I have addressed them many, many times."

Asked about a book she is working on, she replied: "Its title is *Backing a Win Win World: Beyond Global Competition*. After all, even Adam Smith knew you had to have certain rules. Otherwise, I am with the Calvert Group, which is based in Washington, D.C. It is a family of mutual funds that have a social and environmental screen. Calvert is the flagship of several such funds commanding billions of dollars of investments. We were the first out of South Africa, and we were the first to go back in with the end of apartheid. All of these funds are pulled together by the Social Investment Forum in Boston."

## Foreign aid budget cut back by Senate

The Senate on Sept. 20, on a vote of 91-9, approved a \$12.3 billion foreign aid budget for the coming fiscal year. The bill continues a steady decline in foreign aid funding over the past decade.

The Senate approved the bill after Jesse Helms (R-N.C.) withdrew an amendment he had offered with Majority Leader Bob Dole (R-Kan.) that would have eliminated the Agency for International Development, the United States Information Agency, and the Arms Control and Disarmament Agency. Faced with a filibuster by Democrats, Helms agreed to withdraw it in order to pass the bill.

The largest share of the funds—more than \$5 billion—will continue to go to Israel and Egypt as part of the Middle East peace accords. The Senate placed stringent conditions, however, on U.S. aid to the nations of the former Soviet Union, and threatened sanctions against Burma unless it observes basic human rights and permits political freedoms.

The level of funding in the bill is \$2.4 billion less than the sum requested by the administration, but \$440 million above the amount approved by the House. The bill continues for one year the Middle East Peace Facilitation Act, which provides aid to the Palestinian Liberation Organization, an item which conservatives who are opposed to the peace process have threatened to eliminate. The bill also allows \$100 million worth of U.S. military equipment stocks to be sent to Jordan.

Lawmakers from both chambers must now work out the differences in conference committee, providing the administration with another opportunity to remove provisions it doesn't support, including one that ties a ban on aid to the former Soviet Union to

its sale of nuclear technology to Iran. Sam Nunn (D-Ga.), ranking member on the Armed Services Committee, said the sale was motivated by desperate economic times in the former Soviet Union, not a desire to arm Iran with nuclear weapons. He urged Congress to "make clear we disagree with this sale" and to "make clear it has some penalties attached . . . but not cut off all economic aid."

Patrick Leahy (D-Vt.), a senior member of the Foreign Operations Subcommittee, warned, "If we continue down this path, in a very few years, we will have no money to carry out foreign policy other than to fight wars." Secretary of State Warren Christopher, speaking before the New York Council on Foreign Relations on Sept. 20, said that the Senate cuts would force the State Department to close some 50 embassies and consulates, and require widespread furloughs and layoffs.

## Gore threatens veto of Interior bill

Vice President Al Gore said President Clinton would veto the \$12 billion appropriations bill for the Department of Interior and related agencies, in comments at the White House on Sept. 22. "If Congress sends the President the fiscal 1996 Interior appropriations bill as approved by the conference committee, he will veto it," Gore said. "This bill takes dead aim on this nation's most cherished natural resources."

The bill, which has been approved by conference committee, would significantly undo many of the environmental restrictions imposed by Congress during the last 10 years. It would lift a moratorium on mining claims on federal lands, speed up logging in

Alaska's Tongass National Forest, and weaken wildlife protections under the Endangered Species Act. It would cut 47% from the President's funding request for energy conservation and efficiency programs, and would impose a one-year moratorium on making additions to the Endangered Species List. It would also cut funding for the Bureau of Indian Affairs 18% below the White House request.

Gore claimed the legislation would "benefit special interests at the great expense of taxpayers," and that it "unfairly and inappropriately targets programs for Native Americans." The bill's mining provisions, he said, would give away billions of dollars of federally owned land and mineral deposits with little return to the federal treasury, and other measures would allow logging in some of the nation's most environmentally sensitive areas.

The administration has also indicated that it would veto separate budget reconciliation legislation opening up the Arctic National Wildlife Refuge to oil drilling.

## House would tighten sanctions against Cuba

The House on Sept. 20 approved by a vote of 294-130 a bill meant to sabotage administration attempts to establish a diplomatic rapport with the Cuban government. Secretary of State Warren Christopher has said he will recommend that the President veto the bill if passed in its present form, but the margin of passage was more than the two-thirds majority required to override a veto.

A central feature of the measure would allow Americans to bring damages suits in U.S. courts against firms

"trafficking" in property expropriated from them by the Cuban government. "Traffickers" and their families would also be barred from the United States.

The administration warned that lawsuits by Cuban-Americans would clog U.S. courts. The administration also argued that the measure would be difficult to defend under international law and could increase litigation risks for U.S. companies abroad. The bill also links U.S. aid to Russia to its ties with Cuba, and sets conditions for dealing with whatever transition government may eventually follow that of Fidel Castro.

Secretary of State Warren Christopher told Congress that the "trafficking" provision was already being used by the Cuban government to play on people's fears that Cuban-Americans would seize their homes and work places if the regime fell. Critics of the legislation warned the bill would give Castro another chance to "play the nationalist card" against Washington, and would further isolate the Cuban people and raise chances of a violent explosion and a new flood of refugees heading for U.S. shores.

In Havana, Cuban Foreign Ministry spokesman Rafael Dausa said the bill would not destroy the island's socialist system but would hinder possible solutions to the U.S.-Cuba conflict. "I don't think it's going to discourage foreign investment nor limit our economic recovery," he told a news conference.

During debate on the bill on Sept. 21, the House rejected, on a 283-138 vote, an amendment to punch a hole in the trade embargo against Cuba by allowing sale of medical supplies and food staples. The bill, the so-called "Cuba Liberty and Democratic Solidarity Act," would build on the embargo that has been in place through more than three decades of Castro's rule. It bars foreign aid to countries

that provide assistance to Cuba and, barring a presidential waiver, would reduce aid to Russia and other former Soviet republics by the amount they spend on intelligence facilities in Cuba. The bill would require the United States to oppose Cuban admission into international financial institutions such as the International Monetary Fund, until after a transition in power from the communist rulers.

### **Senate okays one-time arms sale to Pakistan**

The Senate voted 55-45 on Sept. 21 to allow a one-time waiver of a six-year ban on arms shipments to Pakistan. The waiver would permit Pakistan to take delivery of \$368 million worth of U.S. missiles and other military equipment held up by sanctions imposed in 1990 when then-President George Bush declined to certify that Pakistan did not have nuclear weapons.

The vote also paves the way for Pakistan to be reimbursed for, but not to receive, 28 Lockheed F-16A fighter aircraft it bought at the same time, something that President Clinton promised Pakistani Prime Minister Benazir Bhutto he would try to facilitate when she visited Washington earlier this year. The equipment package includes Harpoon surface-to-surface missiles, three Orion anti-submarine aircraft, Sidewinder air-to-air missiles, radar equipment, and parts for F-16s and Cobra helicopters. The entire package is worth \$1.4 billion.

Opponents of the waiver, citing the potential for the military sales to heighten tensions between Pakistan and India, said they would seek to reverse the vote. They accused Pakistan of misleading Washington about its intentions, because of its purchase

from China of missiles able to deliver nuclear warheads.

### **Farm subsidies backed by House committee**

A bill, the "Freedom to Farm Act," sponsored by House Agriculture Committee Chairman Pat Roberts (R-Kan.), was defeated in the Agriculture Committee on Sept. 20, when some Democrats joined with four Republicans to oppose the bill. Charles Stenholm (D-Tex.) warned that the measure would risk "devastating" effects on the farm economy."

The defeat of the Roberts proposal, which would have made \$13.4 billion in cuts in the farm budget, would leave intact current federal agriculture policy. It was a major defeat for the Conservative Revolution agenda, by farm-state legislators unwilling to make the major cuts mandated by the Contract with America's "deficit reduction" program. A less draconian Democratic alternative was also rejected.

Roberts is expected to modify the bill to bring on board some of the dissenting Republicans, several of whom are concerned with the fate of subsidies to cotton farmers. "Once my cotton farmers are accommodated with a program they are satisfied with, then I've said all along I'd vote for Freedom to Farm," Saxby Chambliss (R-Ga.) told Reuters. If Roberts fails to get a bill through committee, the farm programs will be taken up by the Budget Committee, which will be less keen on taking farmers' interests into account.

In the Senate, the bill is also in trouble. Although Agriculture Committee Chairman Richard Lugar (R-Ind.) supports the Roberts bill, he is facing tough opposition from Thad Cochran (R-Miss.).

# National News

## GOP's brutal health cuts too 'timid,' London says

The murderous reductions in health care demanded by congressional Republicans were far too mild for London's taste, the *Economist* declared recently. The British weekly, one of the major orifices of London finance, ran an editorial commentary under the headline, "Weak Medicine: Republican Plans for Medicare and Medicaid Did Not Go Far Enough."

The *Economist* complained that both the Medicare and Medicaid programs "have ballooned out of control since they were set up in 1965" — to provide health care assistance for the elderly and the poor. "They are too generous to the old, a group that is now less likely to be poor than the young. Medicare fails the test of cost-effectiveness. . . . Although some 40 million Americans lack health insurance, half of Medicaid spending goes not on health care for the poor but on long-term care for the old. . . . Set against these failings, the Republicans' proposed reforms, far from seeming abrupt and savage, look belated and timid."

Having no qualms about savage measures, especially against the United States, the *Economist* declared that "the government could experiment more explicitly with rationing. Oregon has succeeded in hugely increasing the number of poor people covered by Medicaid, including many more of those in work, simply by rationing the treatments it will pay for."

## Science quacks breathe hell-fire and ozone

A House subcommittee hearing Sept. 20, on the innocent but much-abused ozone hole, was dominated by scientific quacks protected by environmentalist lunatics within the federal bureaucracy. The ozone cultists insisted that their claims that industrial "emissions" cause global warming were no longer debatable, and did their worst to prevent any dissent from being heard.

The day-long hearing was convened by Dana Rohrbacher (R-Calif.), chairman of the House Science Committee's Subcommittee on Energy and Environment, to discuss "Stratospheric Ozone: Myths and Realities." That Rohrbacher had even scheduled such a hearing was denounced the night before, by Dr. John H. Gibbons, head of the White House Office of Science and Technology Policy, speaking to "environmental science" students at the University of Maryland.

"Amazingly, there are those today on Capitol Hill who don't want to believe that the ozone hole exists," Gibbons declared. "The scientific community has spoken time and time again, with a virtually unanimous voice, that the phenomenon is real, and the problem is immediate. . . . Yet, tomorrow, Congress will give a few vocal skeptics equal standing with the hundreds of scientists represented by the international assessments."

At the hearing itself, the representative from the Environmental Protection Agency displayed a large chart, which on one side listed 250 names of scientists who "think there is an ozone problem." On the other side, the list of scientists "who don't think there is an ozone problem" was limited to the names of the only two dissenting panelists at the hearing, Dr. Fred Singer and Dr. Sallie Baliunas.

Singer and Baliunas, who both countered the fraudulent premises of the ozone depletion theory, were then attacked by the panel's two leading proponents of the hoax: Robert T. Watson, of the Office of Science and Technology Policy; and Daniel Albritton, of the National Oceanic and Atmospheric Administration. They spouted lines identical to those in the leaflets handed out by Greenpeace, Ozone Action, and Friends of the Earth. Rep. Lynn Rivers (D-Mich.) barked that the dissenting scientists were unqualified, and had not published in journals approved by their peers. When Dr. Singer noted that he had submitted a list of 200 published scientific articles, Rivers snarled that the publications were not of acceptable "caliber and distribution."

Dr. Baliunas, a Harvard research astrophysicist who also chairs the Science Advisory Board of the George C. Marshall Institute, told the committee she had almost

decided not to appear — following threats from bureaucrats that funding for her research programs would be cut if she testified.

## Terrorist wave signaled by Unabomber manifesto

Massive media attention recently lavished on the so-called "Unabomber Manifesto" has set the stage for a new wave of environmentalist terrorist attacks. Beginning Sept. 19, when the *Washington Post* published it as a special eight-page pullout, the deranged call for a war against civilization was spread within hours, through Time Warner's World Wide Web and countless newscasts. Within days, a flood of "expert" commentary attempted to raise the Manifesto to the level of a profound philosophical treatise.

The *Post* claimed on Sept. 23, "Thousands — librarians, professors, teenagers, men wearing fatigues — have called or visited the *Washington Post* looking for extra copies of *Industrial Society and Its Future*." In a Sept. 25 commentary, the *Post* declared, "The Unabomber's larger message, a romantic Green ideology, may have some appeal to people who fear developments like global warming. But it may also resonate among people thought to be at the very opposite end of the political spectrum: rugged individualists resisting the encroachments of urban life and government. Mr. Unabomber, meet Mr. McVeigh," referring to Timothy McVeigh, who is charged with involvement in the Oklahoma City bombing.

The *Post* also compared the Manifesto to "the 'Port Huron Statement' (which marked the birth of the New Left in 1962)," adding that the Manifesto "may well wind up being influential in a similar way in galvanizing a militant Green movement — with a broader appeal to Americans who simply want to be left alone."

The high-level coordination among major media, as well as the ideological "signature" evident in both the Manifesto and the commentaries, point to British intelligence operations — and specifically to Prince Philip's World Wide Fund for Nature. The *Post*

● **ROBERT BYRD** (D-W.Va.), speaking on the Senate floor Sept. 22, denounced House Speaker Newt Gingrich's (R-Ga.) threat to force the U.S. government into default as "arrogant brinksmanship." Byrd said the attempt to blackmail President Clinton into accepting the Republicans' budget cuts was an "outrage," and the attempt of "one party to put its own agenda ahead of the best interests of the American people."

● **PRIVATEERS** in Congress are trying to revive the ancient Babylonian system of tax-farming, under a bill to turn over federal tax-collecting authority to private companies. In pagan Babylon, the system licensed armed thugs to loot the population to the ground. The Gingrichite Republicans' "pilot program" would initially restrict private collectors to a single region, and withhold the power to seize property.

● **FEDERAL S&LS** "will not exist" by 1998, House Banking Committee Chairman Marge Roukema (R-N.J.) declared at a Sept. 21 hearing, speaking for a bill to revoke their charter — and the requirement for insuring their deposits. The scheme would force them to join the dog-eat-dog world of commercial banks, to qualify for federal deposit insurance.

● **COCAINE** usage causes damaging chemical changes in the brain, scientists at Brookhaven National Laboratory reported Sept. 8. With the aid of positron emission tomography, researchers confirmed that cocaine affects the user's ability to control both repetitive and impulsive behavior, and may also lead to permanent deadening of other functions of the brain.

● **NEWT GINGRICH** (R-Ga.) told an eight-month-old baby, at a Capitol Hill bash Sept. 27 on the first anniversary of the Contract with America, "There's finally a generation of elected officials who care enough about your future to endure some change now, endure some pain now."

chose to highlight the following "message" from the Unabomber's ravings against mankind's scientific and technological progress: "The positive ideal that we propose is Nature . . . *wild* nature: those aspects of the functioning of the Earth and its living things that are independent of human management and free of human interference and control. And with wild nature we include human nature."

Beyond all the pseudo-debate over how much violence is acceptable in bringing this "ideal" about, the *Post's* concluding message is simple enough: "Our decisions about technology are going to be made by people and movements outside our current political system."

## Archer leads House raid on private pension funds

A pension-looting scheme backed by Rep. Bill Archer (R-Tex.) cleared the House Ways and Means Committee Sept. 19. Archer, who chairs the committee, expects his legislation to open the door for corporations to take tens of billions of dollars from private pension funds.

Archer presented the Orwellian argument that his bill would help balance the federal budget, since the swindle would boost income for corporations so much that they would owe billions more in federal taxes. The added loot can be taken out of "overfunded" pension plans, Archer claims.

In 1990, Congress imposed a 50% excise tax on corporate withdrawals of money from pension funds, in reaction to the wholesale looting of pensions during the 1980s by Michael Milken and other junk bond bandits. The Pension Benefit Guaranty Corp. (PBGC), the federal agency which insures pensions, estimates that \$20 billion was drained from pension funds in those years. Many pension plans were terminated, while others were left floating on worthless annuities purchased from junk peddlers.

Archer's scheme would cut the 50% "anti-Milken" excise tax to a mere 6.5%, with no tax at all during the first six months. PBGC executive director Martin Slate told the Sept. 21 *Washington Post* that the bill

would establish an "open season on pensions." Slate said that \$30-40 billion would have to be removed from pension funds over the next seven years, in order to generate the \$9.4 billion in new corporate income taxes Archer projects his bill would yield.

If a looted pension plan is unable to meet its obligations, the PBGC steps in and pays the benefits, and the taxpayers foot the bill. Assistant U.S. Labor Secretary Olena Berg called Archer's proposal "a straight-out raid" on pension funds.

## GOP candidate wants more gold in major pots

Multi-millionaire Malcolm S. ("Steve") Forbes, Jr., editor of *Forbes* magazine and heir to his father's vast fortune, announced Sept. 22 that he would contend for the Republican Presidential nomination as "a man of the people." He was promptly hailed as a man of nearly Churchillian stature by Emmett Tyrell, editor of the *American Spectator*, the recycled propaganda rag of the British Hollinger Corp.

Forbes kicked off his campaign by calling for eliminating all capital gains taxes, and substituting a 17% flat rate for the graduated income tax. Both measures would considerably add to the loot which the privateers of the Conservative Revolution hope to steal and distribute among their wealthiest supporters. Forbes even plans to spend \$25 million of his own money to finance this new crusade.

Tyrell, in his Sept. 23 column for Rupert Murdoch's *New York Post*, gushed that Forbes is the man to lead the United States into the upcoming "era of peace." A peacetime economy demands economic growth, said Tyrell, claiming that Forbes would return America to the heyday of deregulation in the early 1980s — supposedly interrupted when capital gains taxes were raised in 1986.

Forbes's campaign team includes members of the staffs of North Carolina's Republican senators, Jesse Helms and Lauch Faircloth, both of whom have retailed wild British slanders of President Clinton.

## Editorial

### *A climate of disease*

Under circumstances where one of the leading agenda items of the U.S. Congress is paring down medical benefits to the poor and aged, it should not be too surprising that there has been a decrease in life expectancy, and a rise in the rate of infection—at least, among the poor and elderly. Translate this to a global scale, and we see the rise of pandemics from cholera, to hemorrhagic fever. Meanwhile, the number of AIDS cases continues to climb, threatening in Africa to become a genuine population catastrophe.

The Sept. 25 issue of *Newsweek* reported on a meeting between the President of Ghana, Jerry Rawlings, the World Bank, along with other organizations, on the topic of the uncontrolled spread of AIDS. According to this report, nearly 70% of those infected with the HIV virus now live in Africa; in Ghana, one out of every 20 people is HIV-positive, while in Uganda, 30.5% of all pregnant women are infected with the AIDS virus.

Yet this is only the tip of the iceberg. Africa is an underpopulated continent, but most of the world's population lives in Asia. AIDS had long been rampant in Thailand, but now we learn that India also has a spreading epidemic. It is not an exaggeration to say that we are not in danger of *overpopulating* the Earth, but quite to the contrary, the drastic increase in epidemics, unless it is reversed, can easily *depopulate* the world.

Many studies have shown a correlation between the upswing in disease and the destruction of infrastructure. This of course, is especially so with waterborne diseases such as cholera. Poor nutrition is also a factor in the spread of epidemics, even in the case of AIDS, as is suggested by overlaying a map of the spread of AIDS in Africa with areas with selenium-deficient soils.

Under these circumstances, it is not condoms, but massive development programs that are needed, along with major public health measures—accompanied by a serious effort to develop new means of treating diseases.

But instead of taking seriously the implications of this pandemic spread of viral diseases, the National

Academy of Sciences sponsored a Sept. 11-12 Conference on "Human Health and Global Climate Change," which in effect argued for an even more drastic destruction of the economic superstructure necessary to support healthy life.

They did this by making the incredible assertion that the recent increase in the spread of disease is directly correlated to an increase in—"global warming"! The scare is based on claims that climate change will warm the United States and lead to the spread of these diseases, including malaria, cholera, dengue fever, Ebola, Rift Valley fever, and what not (including many as yet undiscovered emerging diseases), into northern latitudes.

Their proposed "remedy" was not to take the obvious, tried-and-true measures which have defeated diseases in the past, nor to promote the frontiers of research in the field of optical biophysics, but instead to urge that further dramatic actions be taken to reduce industrial emissions. In other words, they propose a further reduction in the infrastructure of productive economies globally.

The conference brought together climate hoaxsters as well as infectious disease experts, to paint a truly frightening picture of the re-emergence of known deadly diseases, as well as the emergence of new ones. As early as 1965, Lyndon LaRouche warned of the dangers of the occurrence of just such a biological holocaust, unless measures were taken then to check the speculative economy which was parasitizing on the physical economy and preventing an adequate rate of growth.

Even though the Universe is not entropic—contrary to the pagan "Gaia" ideology spread by the British House of Windsor—a failure to provide an increasing throughput to the biosphere as a whole can cause an entropic crisis such as occurred in the Dark Ages. The effects of such a catastrophe, LaRouche warned, could extend over an entire century.

So it is not "global warming" that is creating a climate of disease, but rather activities such as this disgraceful environmentalist conference supported by the National Academy of Science.

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