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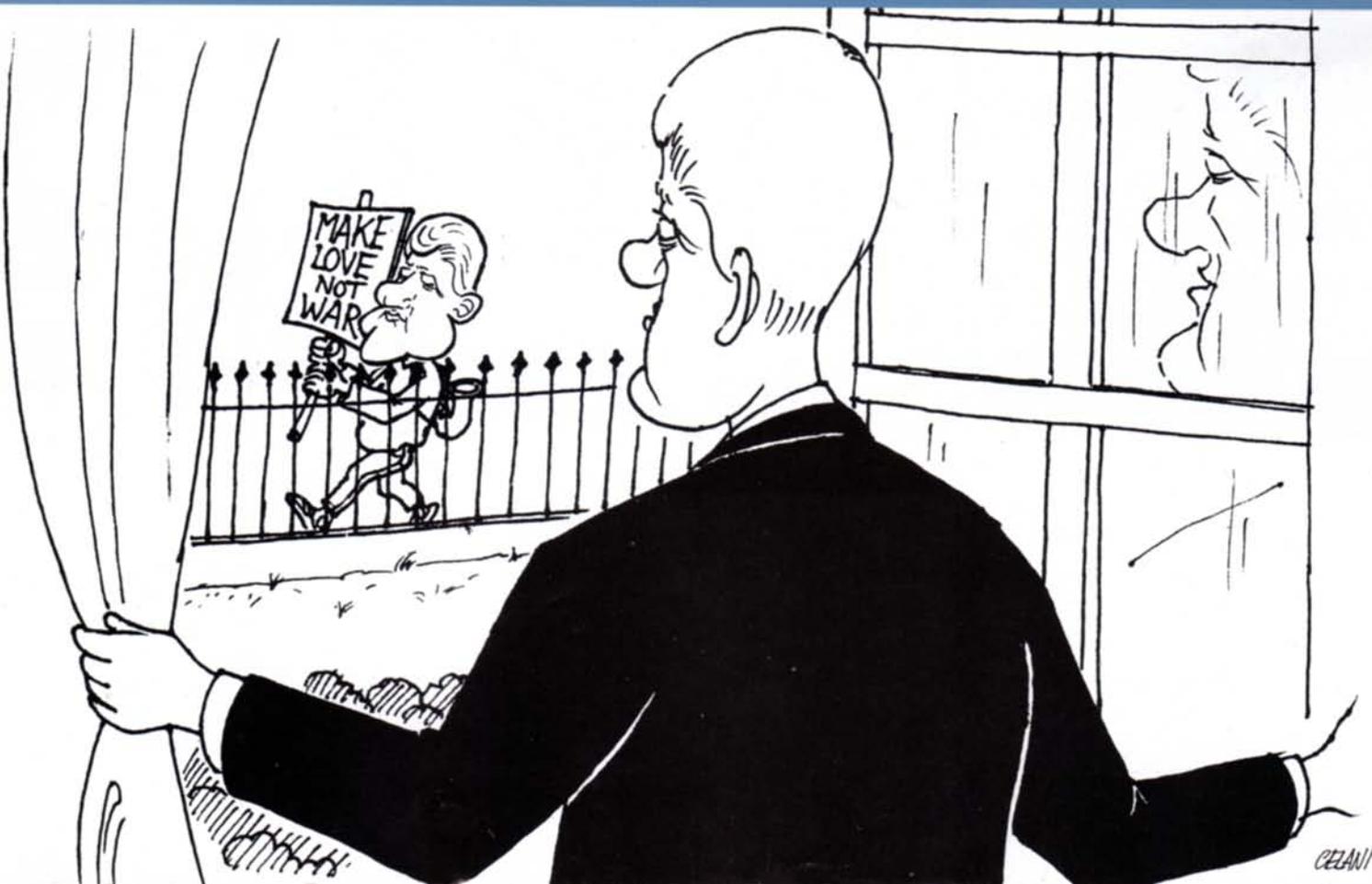
Executive Intelligence Review

February 27, 1998 Vol. 25 No. 9

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Suharto: IMF plan 'not a roaring success'
Toward a partnership of the U.S.A. and China
Netanyahu conspires with the 'Elmer Gantry' crowd

**Will British assaults on
the Presidency succeed?**



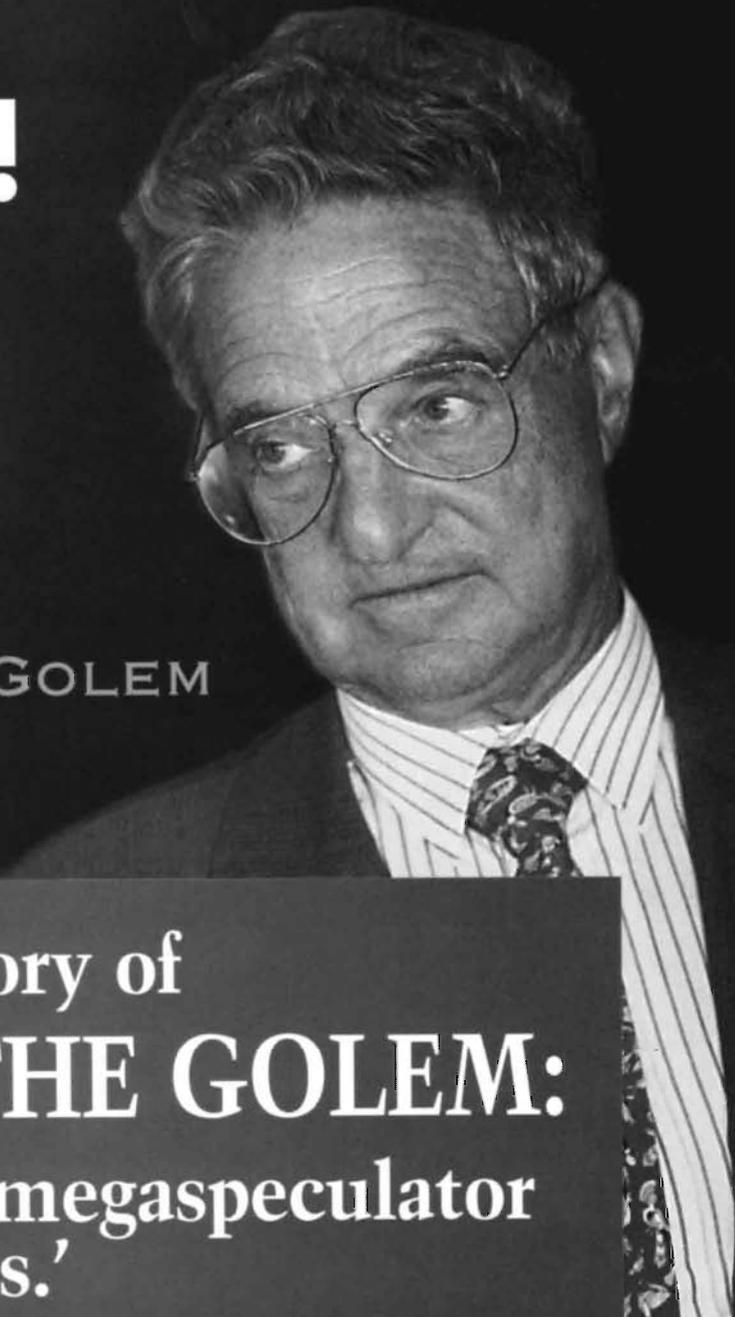
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From the Associate Editor

By the time our readers receive this magazine, you may very well know what we do not know, as we go to press: whether the British operation to goad President Clinton into an insane military strike against Iraq will have succeeded. As Lyndon LaRouche wrote in *EIR* of Feb. 13, if Clinton continues to be duped into launching such an attack, “the global chain reaction would soon create the conditions under which a new, successful impeachment drive could be launched against a globally self-isolated Clinton himself.”

In this issue, we provide extensive documentation of both sides of that two-pronged British assault against the U.S. Presidency.

What if this vicious operation succeeds? LaRouche was asked recently whether a “fallback option” exists. Under current circumstances of world financial and political crisis, there is only one fallback option, and that is LaRouche himself.

“I think that by the end of March,” LaRouche said, “presuming I’m not dead, or something like that, that you will find that my influence, globally, is manifestly increased greatly, including in the United States, among people who realize how crazy this is, and somebody’s got to stop it.”

Even if Clinton survives, his policies will not work. Though an intelligent man, he does not have the personal and philosophical qualifications to be the kind of President, like an Abraham Lincoln or a Franklin Roosevelt, who could lead the United States and the world out of the crisis. Therefore, LaRouche continued, “his function is to be the President, to be the Chief Executive Officer of our state, and to act like it, and to exert those powers, and utilize them. But other people have to make the policies, because he is *not* qualified to make the kind of policies, in the kinds of areas where policy decisions have to be made. *I* am the person qualified to shape the policies. I understand the situation, as he has not. He’s not been trained to understand the situation.

“So, the job is a division of labor. He has to be the Chief Executive Officer. He must make the decisions, and he must carry them out. But, he must have a new concert of advisers who give him the policies which he could not independently formulate competently himself. And, that’s what the fallback option is.”



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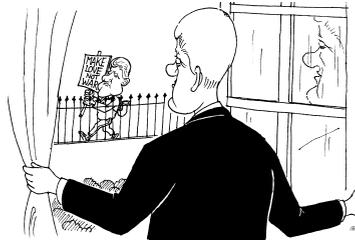
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Indonesia's Suharto: 'IMF is not a roaring success'

by Gail G. Billington and Marcia Merry Baker

In mid-February, even as the praises were being sung of the International Monetary Fund (IMF), at the annual meeting in Washington, D.C. of its sponsor, the official Bretton Woods Committee, the message from Indonesia, the world's fourth most populous country, came through loud and clear: The IMF is finished. Events in Indonesia, and other nations of East Asia make that obvious.

What now?

On Feb. 13, the same day as the Bretton Woods Committee met in Foggy Bottom (the State Department), Indonesian President Suharto delivered a message to President Clinton in a phone call placed from the White House to Jakarta. According to press accounts of the private conversation, Suharto conveyed, that "the current IMF program hasn't been a roaring success." Suharto asked Clinton, where is the alternative, "because what you've got here now isn't working"?

Indonesia may be farther down the path of disintegration under its \$43 billion IMF bailout, than some other locations, but other IMF "bailout victims" are close behind—Thailand and South Korea, followed by Russia. Indonesia is at a standstill, particularly on its \$74 billion in private corporate sector foreign debt, for which a de facto debt moratorium went into effect in January. On Feb. 19, IMF Managing Director Michel Camdessus was in Moscow, announcing details of a new, harsh IMF package for Russia, to last through 2000. In fact, there are trillions of dollars of unpayable financial claims of all kinds, in various locations all over the world, all coming due on an accelerating timetable. The financial system itself is blowing out, and the IMF is the problem, not the solution.

In the absence of coordinated emergency actions to replace the IMF system, a series of stop-gap initiatives are being discussed or implemented in East Asia. Efforts range from trying to jump-start trade through trade-insurance and finance agree-

ments, to using regional currencies more, in trade and barter.

On the urgent question of stabilizing currencies, in particular the Indonesia rupiah, the hoary "currency board" idea—the old British colonial practice—is being promoted. This got a ringing endorsement from the *Wall Street Journal*, in its Feb. 19 lead editorial, "Rally Round the Rupiah." (See p. 6).

In April, finance ministers from 22 countries will meet to discuss global financial reform, which should be made to take up the task of a "New Bretton Woods" system. A pre-meeting of deputy finance ministers in Washington on Feb. 17 was addressed by U.S. Treasury Secretary Robert Rubin, who stated: "It is enormously important to the economic well-being of all of our nations that we work together to strengthen the architecture of the international financial system so that we can make the most of the opportunities and minimize the risks. . . . Among the topics that I expect will be an initial focus are: promoting efficient functioning of global markets; steps to increase disclosure and transparency; strengthening financial systems, both globally and in individual economies; national policy management to help avoid crises and deal with crises that occur; the role of the international community in financial crisis; and appropriate burden-sharing by the private sector, especially with respect to the so-called moral hazard problem, so that investors and creditors bear the full consequences of their decision."

In reality, trying to "manage" the financial crisis, by continuing any such IMF-era practices as floating exchange rates, guarantees disaster.

Scrap the floating exchange rate system

Japan's delegated executive to the IMF headquarters in Washington, Yukio Yoshimura, told an audience at the Wharton School of Business on Feb. 13, that the current floating

exchange rate system followed by most Asian countries cannot be sustained “over the medium term.”

In an interview with “EIR Talks” weekly radio broadcast, Lyndon H. LaRouche, Jr. situated this point: “We are now getting on the track toward a new eruption of the same financial crisis, but the last one was an earthquake of 4 on the Richter Scale. The next one will be about 6. We’re going to have a new explosion in East Asia and Southeast Asia, very soon. . . . It’s very probable that this will occur by the second half of March, if not earlier. . . .

“ . . . Two characteristics will prevail. Number one . . . that every reform introduced by the IMF or other institutions into East and Southeast Asia thus far, has been a failure, and that these reforms, so-called, must be immediately scrapped, or else the whole thing goes.

“The second feature of this, . . . [as] Japan officials have said, is that the underlying problem here, is not simply the economic factors and financial factors: The underlying problem here is the system which was introduced implicitly by President Nixon on Aug. 15-16, 1971, and actually established then at the Azores IMF conference, and later in 1975 at the Rambouillet . . . international monetary conference. This so-called floating exchange rate monetary system, which has been the new IMF system in effect since August of 1971, but, more specifically, since 1972; this system is the cause of the problem. So you have to scrap the whole system. . . .

“Why? Because the floating exchange rate system made it possible for parasites, looters, raiders, like this George Soros, people whose activities would have been illegal and jailable back before 1971; these pirates have been set up, largely out of London, set up, and are the people who have triggered the entire East Asia crisis, from the attacks on Myanmar and Thailand, which came in the spring of this past year, 1997, up to the present time. . . . This thing is not going to function, and it’s these kinds of pirates, like Soros, who have to be put out of business. That means we have to return to the kind of monetary system of relatively fixed parities and limited convertibilities, capital controls and financial, import-export financial controls, which we had back in the 1950s, which continued, if it was in a somewhat modified form, up until 1970-71. . . .

“If we *don’t* go back to that system, in other words, if we don’t stop globalization, if we don’t stop this rabid free trade policy, if we don’t eliminate this open market, this free market kind of stuff, that is, the kind of thing that they pushed in North and South America, with the Common Market proposal, if we don’t stop that, if we don’t reverse the fast track, and go all the way back to the no-track, in a sense, of 1950 IMF rules, then we’re not going to get out of the system.

“So, what’s going to happen, therefore, is you’re coming to a point, in March, April, or something like that, of this year, in which all of the games, including the games played by the Clinton administration of this financial system, are going to blow up. . . .

“The effect of the collapse and disintegration of Indone-

sia, would mean that you would suddenly set off a \$2-3 trillion or more immediate financial crisis in Eurasia. You collapse, in that area, the investments, the assets, and the trade of Western continental Europe with that part of the world. You thus set forth a shock wave into the European financial system, which results in the spread of the European crisis. You also hit, of course, heavily, particularly our West Coast business community, which depends very largely, directly or indirectly, on trade with East and Southeast Asia.”

Too many holes to plug

Despite frantic stop-gap attempts, there are too many holes, to plug the financial disintegration. Asian central bank governors meeting in Bali, Indonesia in mid-February, renewed discussions of an Asian Monetary Fund, and made a special appeal for the Group of Seven meeting in London on Feb. 21 to address the Asian crisis. The week of Feb. 16, German Finance Minister Theo Waigel made a personal tour of the region ahead of the London G-7 meeting. He announced pledges of additional assistance to Thailand and Indonesia, which add up to little more than token sums. At a press conference in Indonesia, Waigel asserted, “There is no alternative to the IMF reform program.” He added that President Suharto agreed to re-think adopting a currency board.

In South Korea, a potential detonator of world financial explosion exists in the form of derivatives losses, but the IMF still pursues bailouts, as usual. The leading Seoul daily *Hanguk Ilbo* reported in February that South Korean banks and brokerages lost up to \$5 billion in 1997 on derivatives trading. SK Securities Group is now engaged in a major lawsuit with J.P. Morgan Bank over a \$300 million derivatives bet that went bad. Derivatives losses in Asia are powerful enough to blast holes through the \$100-plus trillions of derivatives contracts worldwide.

What is the IMF doing? On Feb. 18 the IMF announced an emergency disbursement of \$2 billion for South Korea (part of bringing to \$15.7 billion, the total advanced out of the \$57 billion bailout package). Conditionalties include reducing GDP annual growth to under 1%, or negative; retaining 30% interest rates; and accepting 1 million layoffs. That same week, South Korea’s currency, the won, dropped 11%. Some \$10 billion in private sector foreign debt comes due at the end of March. Only \$24 billion of private debt was rescheduled by early February, with another \$100-140 billion in private foreign debt of the huge *chaebol* conglomerates outstanding.

But the biggest crisis could be Japan, in spite of its recent 30 trillion yen domestic bank bailout package. “Japan will be very vulnerable from now until end of March fiscal year,” observed a senior European financial source. “The Feb. 20 government package of measures to deal with the banking problems will be a disappointment to the markets,” when the “bailout” design is to push the Nikkei stock levels up above 18,000 where it closed a year ago March. In fact, there is pressure to push the index down below its present 16,700 levels.

Currency boards: going back to the methods of British colonial rule

by Richard Freeman

In recent weeks, speculator and economics professor Steve Hanke, representing a group of Thatcherite monetarists led by Sir Alan Walters, has held several discussions with Indonesian President Suharto, in an attempt to pressure him into adopting a currency board. While packaging the scheme as a step toward restoring the stability of the Indonesian currency, the rupiah, in reality, the currency board, true to its British imperial origins, would take away Indonesia's economic sovereignty; impose austerity conditionalities, harsher than those that could be imposed by the International Monetary Fund (IMF); and contribute to the social instability that could break up Indonesia, the fourth most populous nation in the world.

Technically, the currency board reduces a nation's currency to an extension of an international reserve currency—usually the dollar or pound sterling—by limiting the nation's domestic currency issuance to the amount of foreign currency the government holds.

For the moment, it looks as though Hanke's mission of getting Indonesia to adopt the currency board immediately, will not succeed. President Clinton informed President Suharto in a Feb. 13 phone conversation, that he believed that the currency board could cause serious problems, and hinted that the United States would withdraw funding of its portion of the IMF bailout package for Indonesia, if Indonesia went through with the plan. IMF Managing Director Michel Camdessus also expressed disapproval, although qualifying that he does not disagree with the currency board idea as such, just its specific application in Indonesia at this time.

On Feb. 18, German Finance Minister Theo Waigel, who was visiting Indonesia, indicated that the currency board proposal has been shelved for six months. It is not clear whether President Suharto agrees with the idea, or was just flirting with it in order to express his disapproval of IMF conditionalities in Indonesia, which threaten to blow up the country.

However, one thing is certain: The currency board proposal is quite dangerous. Choosing between it and the IMF program, is like selecting between arsenic and cyanide. Further, behind Hanke's huckster appeal that the currency board will "bring currency stability," is a larger agenda: to bust up any possibility of the emergence of a New Bretton Woods monetary system, as conceived by Lyndon LaRouche, which would establish fixed exchange rates—not, as with the currency board, between individual currencies and a fixed dollar

supply, but globally among all nations, within the context of a global monetary system that would finance infrastructural and industrial development.

By contrast, the British monarchy's prized monetarists such as Hanke, and his mentor, former Thatcher adviser Alan Walters, are laying the groundwork for what they imagine to be the world after a financial crash, a world whose nation-states have been turned into plantations that produce raw materials, agricultural goods, cheap manufacturing parts, and through which the debt will be collected and the country will be run by an administrative monetary arm, called the currency board.

These currency boards will reduce nations to the colonial status, for which the currency boards were created in the first place.

Most nations will not willingly adopt a currency board. This brings up the second aspect of Hanke's work: running the currency speculation that forces nations, such as Indonesia, to consider currency boards. Hanke and his Toronto, Canada arbitrage/hedge fund group, the Friedberg Group of Companies, were among the principal speculators that drove the Indonesian rupiah from 2,433 to the dollar on July 10 of last year, to 9,425 today, a fall of 74%. Then, like a mafioso, Hanke made Suharto "an offer he couldn't refuse," to stop the fall in the rupiah.

The workings of currency boards

As stated above, a currency board limits a nation's domestic currency issuance to the amount of a specific foreign currency it holds. This destroys a country's economy in several ways. First, it sharply limits the currency in circulation, and thus economic growth. The reason is clear: If the dollar is the currency against which a nation's currency board issues currency, and the amount of dollars that the country holds is small, then the country must cut back the amount of its own domestic currency.

(Normally, the currency board will not hold dollars as such, but rather dollar-denominated interest-earning instruments, such as Treasury bills.)

Second, according to Hanke, the currency board is run by foreign financiers, not the country itself. In a 1993 book, *Russian Currency and Finance*, Hanke makes this explicit: "Since any human institution, no matter how rule-bound, is

administered by people and can be changed by people, the model currency board constitution [for Russia] includes a provision that a majority of the board of directors be foreigners. That will help prevent the Russian government from bending the rules. The foreign directors should be appointed by Western commercial banks, or perhaps the IMF if the IMF lends some of the initial foreign reserves of the currency board.”

The country is left with no sovereign authority to issue credit for anything, whether financing budget deficits, or for industrial and agricultural growth.

Third, a currency board enforces severe austerity and obliges a nation to deregulate and globalize its economy, including privatizing its patrimony of state-owned electricity and water utilities, port authorities, industries, and mining companies which the state uses to foster economic growth. In a Dec. 12, 1995 speech before the monetarist Heritage Foundation, Hanke praised the currency board in Argentina, one of the few countries to have one, because it produced “a coherent program to cut public spending and to privatize and deregulate its economy.”

Fourth, the policy of the nation imprisoned with a currency board currency is reduced to fulfilling the whims of the private bankers, who control all available credit. Since a country must have dollar reserves against which it pegs its own currency, it does everything to attract dollars into the country and prevent their fleeing. The objective of the country becomes one of a cheap goods exporter, which avoids essential capital goods imports—because they are too costly and use up valuable dollar reserves—while pliantly developing stock and real estate markets, which attract hot foreign capital, while sucking out wealth from the physical economy.

Finally, under a currency board, a currency is always kept, according to free market strictures, “fully convertible,” meaning that it is always subject to the threat of currency warfare. This keeps the country with a currency board in line.

British imperial origins

The currency boards today bear the fine imprint of their origin, as instruments of British colonial control of subject territories’ credit and finances.

The principle of the currency board was provided by the British Bank Charter Act of 1844. The first currency board was established in the British African colony of Mauritius. The oldest continuously running currency board is on the Falkland Islands (Malvinas), which was established in 1899. Of the 70 or so territories that have had currency boards at one time or another, more than 85% are former British or former French colonies.

In an essay on the formation of currency boards in the *New Palgrave: A Dictionary of Economics*, Sir Alan Walters wrote happily about the good old days of colonialism: “Once ubiquitous in the [British] colonial regimes of Africa, Asia and the Caribbean, currency boards now survive only in such

small countries as Singapore, Brunei and Hong Kong.” These were the golden times, as the local currency board’s currency “served as a stable means of exchange and as a store of value in those largely inflation-free days of colonial occupation.” Walters laments that, “As colonies became independent states in the 1950s and 1960s, they generally eschewed the currency board system and formed Central Banks to manage their currencies, ostensibly for ‘development purposes.’ ”

Case study: Argentina

Less than a dozen nations, most of them very small, have currency boards today. The biggest nation of this group, which is therefore held up as a model, is Argentina. During the late 1980s, as a result of speculation, Argentina’s financial system was reeling: In 1990, its inflation rate grew by 2,314%, its M3 money supply grew by 719%. This created a condition of ungovernability, in which the Mont Pelerin Society circles around Walters pulled a political coup, and installed a currency board. The Argentina peso was pegged to the U.S. dollar, eventually on close to a one-to-one ratio. The economy was “dollarized.” In Argentina, the leader of this currency reform, with a modified currency board, was then-Finance Minister Domingo Cavallo. During 1995-96, Hanke was an official adviser to Cavallo.

It is true that the country held to a fixed dollar-peso exchange rate, but the method—destroying the physical economy—should make anyone think twice when they hear about the “model success of Argentina” since 1991. A few examples give a flavor of what really happened.

- Between 1981 and 1993, expressed on a per-household basis, Argentina’s steel production fell by 7%; grain production by 27%; cement by 33%; and meat by 35%. The trend since 1993 has been much worse, although it has not been quantified yet.

- In late 1994, the Mexican peso was devalued, spreading what became known as the “tequila effect.” In the first quarter of 1995, dollar flight capital started to leave Argentina. Because the currency board stipulated that the Argentine peso supply was unalterably pegged to the dollar supply, this required a sharp contraction of the domestic money supply. Between January and March 1995, Argentina’s currency supply, M3, contracted by 12%. Yields on peso-denominated bonds shot up to 39.2%. To raise revenues, Argentina increased its value-added tax from 18% to 21%. Only a \$7 billion rescue package, with \$5 billion pledged by the IMF and World Bank, and an acceleration of the privatization program to bring in dollars, restored financial, although not economic, stability.

- Over the last five years, to raise dollars, in large part to provide money to its currency board, Argentina sold off much of its state-owned patrimony, in particular in oil, telecommunications, and sanitation companies, to financier sharks for \$20 billion, a fraction of their true value. Argentina also sold portions of its banking system, and today, British Common-

wealth banks control 54% of the assets of Argentina's banking system.

- Between 1993 and 1996, Argentina's combined foreign and internal dollar-denominated debt shot up from \$101 billion to \$159.1 billion. Even some monetarists are alarmed by this product of the "Argentina miracle."

- The official poverty rate is 18%, one out of every five workers; unofficially, it is much larger.

Spreading the currency board

During the past year, the Thatcherites launched their war of speculation against currencies and stock markets in Southeast Asia.

In this, Steve Hanke played a leading role. In 1991, Hanke joined the board of directors of the Friedberg Group of Companies (FGOC); in 1996, he became vice chairman. The FGOC is a high-risk fund, with currency arbitrage and hedge fund divisions. It was founded in 1971 and has a total of \$800 million in assets under management. As with most high-risk

Who is Sir Alan Walters?

It is lawful that Alan Walters would be at the center of the currency board movement. He is one of the most rabid monetarist opponents of the American System of economics, which is based upon the concept of developing the cognitive power of the human mind and the dirigistic powers of the state to promote economic development.

Born in 1926, Walters graduated from Oxford, and in 1981, he was one of the chief architects of British Prime Minister Margaret Thatcher's economic revolution. *The Iron Lady*, a favorable biography of Thatcher by Hugo Young, reports: "Early in January [1981], Mrs. Thatcher took on an economic adviser, Alan Walters, who secured more influence in less time at the heart of the government than anyone in a comparable position before him. . . . He became her trusty guru."

In 1981, Walters pushed through £3.5 billion of budget cuts, and an increase in personal, gasoline, and other taxes. Interest rates soared; unemployment leapt above 15%. The British oligarchy sacrificed what remained of its own physical economy as an international example. Britain became strictly a post-industrial economy. The City of London, which had always been the world's dominant financial center, took off to spread speculation around the world. For his work, on Thatcher's recommendation, Walters was knighted by Queen Elizabeth II.

investment funds, it can borrow — i.e., use leverage — at a ratio of 10:1 to 15:1, meaning it can deploy, at any one time, up to \$8-12 billion. The Hollinger-owned *Toronto Globe and Mail* wrote that "Friedberg invented the futures industry" in Canada.

In its fourth-quarter 1997 report, the company's Currency Trading Division wrote: "It was a far better quarter than we had ever imagined it would be. . . . The rapidly depreciating Malaysian ringgit provided almost 50% of our total gross profits, with another 25% attributable to bear strategies (selling calls and outright forwards) in the Japanese yen. The remaining profits came from . . . short positions in the Thai baht, the *Indonesian rupiah* and the Czech koruna" (emphasis added).

Also during the fourth quarter of 1997, the Friedberg Global Opportunities Fund, Ltd. "maintain[ed] the aggressive short [selling] position in Japanese banks [stocks] established [during the third] quarter." In particular, it shorted the stocks of medium-size Japanese banks. In a Sept. 22, 1997 conference call, FGOC founder Albert Friedberg, talking about the very large problem of Japan's medium-size banks, cooed, "Nothing has been done to resolve this problem. And when the problem comes to the floor and you start seeing more and more of these banks fail, you might get a situation similar to a bank run."

After having wrought this havoc in Indonesia and throughout Asia, the duplicitous Hanke told the Dec. 29, 1997 *Forbes* magazine, "Don't blame the bankers. Don't blame the market system. The governments are the villains." Then Hanke approached Suharto, offering to sell him "protection" through the currency board.

On March 6, 1997, Hanke was made an adviser to the President of Bulgaria, Petar Stoyanov, to set up a currency board in that country. The board was imposed when many Bulgarians were at the point of starvation.

On Jan. 30, 1998, Hanke told the U.S. House Banking Committee: "On Oct. 6, 1992, the U.S. Congress passed legislation that directed the IMF to use U.S. quota contributions to establish currency boards, if appropriate (Public Law 102-391, U.S. Statutes at Large, Vol. 106, p. 1636). Although this legislation was a step in the right direction and motivated the IMF to become more 'currency-board-friendly,' it did not go far enough. The U.S. Congress should not advance further replenishment funding to the IMF unless the Congress imposes conditionality on that funding. Specifically, the Congress should not provide replenishment funding to the IMF, unless the IMF mandates currency boards for developing countries that receive IMF credits. This would require the IMF to do what it did with Bulgaria in 1997: a currency board or no IMF credits."

At the moment, the plans of Hanke, Walters, et al. are on hold in Indonesia. But the British financier oligarchy which runs this crew, still has their plan on the agenda for several other countries.

Putting a saw to the leg of one's chair

Opposition to the European Monetary Union is increasing, but the German government wants to push ahead with the project, as Rainer Apel reports.

U.S. Defense Secretary William S. Cohen brought the issue up in his Feb. 8 keynote to the 34th "Wehrkunde" conference on security policy in Munich, Germany. He said: "Europe has said it wanted to play a larger role in world affairs and in European security. . . . But with a larger security role comes the responsibility to put forth the resources and attention to do the job. But many in Europe seem distracted from this task, perhaps, in part, due to the focus on its pending monetary union, a process launched by the signing of the Maastricht Treaty six years ago today."

Cohen's remarks show that also Americans are getting worried about where the monetary union project of the Europeans will lead, and, indeed, there is cause for concern. What Cohen addressed, as putting restraints on Europe's defense industry, is also true for the civilian sector: Out of loyalty to the budgetary restrictions imposed by the Maastricht Treaty, the European Union governments are unwilling to put forward the resources for the revitalization of industrial investments, and for the creation of new jobs for the close to 20 million officially registered jobless in the 15-state union. The ever-rising jobless rates have undermined all government propaganda for the European Monetary Union, to an extent that more than 60% of all Germans are skeptical that the EMU, which the government wants to begin with the introduction of the single EU currency unit, the euro, in January 1999, will improve anything—if it will work at all.

More and more people are warning against a monetary union project that may exist on paper, but will fall apart in reality, the minute it is put into effect. These include neo-liberal economists who usually support the Bonn political establishment,

For example, an open letter by no fewer than 155 economic scientists from Germany was published on Feb. 9 in well-placed newspaper ads, including in the *Frankfurter Allgemeine* daily and the London *Financial Times*. The letter, even though it is written from a neo-liberal viewpoint, is a devastating assessment of the EMU project, as it is being stubbornly pursued by the German government.

Headed by professors Wim Koesters of Bochum, Manfred Neumann of Bonn, Renate Ohr of Hohenheim, and leading Mont Pelerin Society member Roland Vaubel of Mannheim,

the economists state in their letter: "There is no alternative to European integration. . . . However, the euro is coming too early." The authors of the letter argue that the euro will not enter the stage as smoothly as planned, as public finances are now more rotten than ever before. "The consolidation of public budgets has made progress. Nevertheless, it has not advanced enough, especially in large countries like Italy, France, and Germany. The process of consolidation started too late and half-heartedly. In spite of an unusually low level of interest rates, hence reduced costs of debt service, and in spite of numerous examples of creative accounting, the core countries have not succeeded in reducing deficits markedly and sustainably below the 3% reference value. Moreover the average debt ratio of the member states has not come down since 1991, but has risen by 15 percentage points. As a result, it now exceeds the 60% reference value of the Maastricht Treaty by a large margin. This is contrary to the spirit of the treaty."

They conclude: "The current state of economic affairs is most unsuitable for starting monetary union. An orderly postponement for a couple of years—supplemented by conditions on further progress with respect to budgetary consolidation—has to be seriously considered as a political option. Postponement must not be seen as a political catastrophe"—i.e., not the kind of doomsday catastrophe which the government and its propagandists are painting on the wall, to calm down the critics.

The 155 names under the open letter indicate that a broad revolt is under way against the government's economic policy, and this not only has effects on the campaign for election of the national parliament in Germany, and thereby, pro-EMU Chancellor Helmut Kohl's chances of re-election, in September. As the government chose to respond to the growing criticism of its policy with stonewalling and defamation tactics, what has been a revolt so far, could turn into a revolutionary movement for an entirely new economic policy. The economic situation in Germany, its jobless figures, its corporate bankruptcies, the tax revenue base, and the budget situation, are all worsening. Germans are getting fed up not just with this particular government, but with the way politics in general has worked in recent years—including the role played by the

Social Democratic opposition, which supports the EMU as much as the Chancellor does.

Legal challenge to Maastricht

The letter of the 155 economists, which has received much (though not always positive) comment in the media, comes less than four weeks after an even more important initiative to stop the EMU. On Jan. 12, a legal initiative was presented to Germany's constitutional court in Karlsruhe, by four prominent professors, Wilhelm Noelling, Wilhelm Hankel, Albrecht Schachtschneider, and Joachim Starbatty. Their case is based on well-founded charges that at least four important articles of the Constitution of Germany are violated by the EMU and its envisioned transfer of sovereignty: Article 14 (guarantee of property), Articles 20 and 28 (guarantee of the social welfare system), and Article 38 (sovereign, democratic rule).

In interviews with the press on Jan. 13, two of the initiators, Noelling and Hankel, both of whom are former members of the German central bank council, explained why they chose to take the government to court. Noelling told the daily *Sächsische Zeitung*: "We think that the future currency will not be a stable one. What is behind this, naturally, is concern about the future of the EU as an economic zone. In the EU, economic

growth has not been satisfactory for a long time, now. This is true still today. The jobless figures have massively increased, and the same is going on with the state debt." Hankel told the daily *Tagesspiegel* that what motivated them to launch this legal case, is concern that "probably the most important article of the German Constitution, Article 38, which means that no German government can have a mandate to govern against the nation," is violated by the government's EMU policy. Hankel also referred to Articles 14 and 20, which define Germany as a social welfare state, as being undermined by the clauses of the Maastricht Treaty which would ban sovereign economic initiatives on the part of the 15 EU member states, to fight mass unemployment and corporate collapse. The EMU, in its present design, is a script for deepening economic depression and grand-scale expropriation of social rights and savings, Hankel and Noelling argued.

While the promoters of the EMU and the 1999 timetable are arguing that the monetary union and its single currency, the euro, would bring "stability," the four plaintiffs argue that the result will be quite the contrary. The official optimism of the government, the four plaintiffs argue in their 330-page document for the court, "has not taken into account, that the growth rates for 1998 and beyond will have to be lowered, significantly, because of the financial crisis in Asia." The plaintiffs refer to the Asian crisis, and the fact that frightened investors do not chose the German mark, nor the future euro, as a safe-haven currency, but prefer the U.S. dollar; in their view, this indicates that the EMU will not be a stable monetary zone, nor will the euro instantly turn into a world reserve currency.

While the German mark has in the past been one of the world reserve currencies, beside the dollar, and has come close to occupying 20% of global currency transactions, the ecu, the precursor to the euro that is already being used as a parallel currency unit inside the EU, never has been able to account for more than 2% of global transactions. Therefore, to conclude that the euro would be accepted by the global financial markets at a rate 10 times higher than the unfortunate ecu, and that it would reach the 20% that the German mark has been able to reach, is a dangerous delusion, the plaintiffs argue. If, however, the international financial markets reject the euro, as a currency reflecting the weak economic situation of the EU, the world market value of the new currency would be low, and would constantly require market interventions by the future European Central Bank. This vicious cycle, Noelling has explained in interviews, would force the EU taxpayers to constantly inject tens of billions of dollars, to keep the world market value of the euro stable. Having to defend the EMU against speculators like George Soros, by central bank interventions and drastic increases of interest rates, the EU countries could end up like Indonesia or South Korea, watching their currencies and national economies plunge into nowhere. Europe would not be "the most important financial

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center of the world,” as the German government argues, but rather it would turn into one of the financial crisis hotspots of the world.

Future prospects

Now, the scenarios portrayed by the four plaintiffs before the constitutional court, and by the 155 economists as well, are all based on the assumption that the world financial system as such will continue to exist, and that tensions inside the system, among the Americans, Asians, and Europeans, will increase. And, what is also important, neither the four plaintiffs, nor the 155 signers of the open letter, have presented a convincing, well-conceived design for an economic alternative to the EMU. It is a revolt, a movement for pulling the emergency brake against the EMU, but not yet a movement for a sound alternative.

If, however, the financial and monetary system collapses during the next weeks or months, the EMU project is even more monstrous and off-the-mark. The EMU comes along with a system of brutal budgetary and credit restrictions, with penalties for those member governments and regions that fail to meet the austerity standards. As incapable as the EU is of fighting the economic depression today, the less will the EMU and its euro be able to lead Europeans out of a full-scale disaster. All the instruments in the arsenal of classic national economics are banned under the EMU Maastricht regulations. A Europe of the EMU would, therefore, be like a big hole cut into the hull of the *Titanic*, making it sink even faster.

Now, cynics—of whom there are quite a few, among the experts here in Europe—argue, “Let them go ahead with their EMU; it will be blown apart by the economic realities, sooner or later, anyway.” Those who feel more responsible for the future of Europe, however, can only work to prevent the EMU from going into effect, and to replace it with a better design for European economic, financial, and monetary cooperation. Concerned Europeans must study the proposals of the LaRouche movement, such as the Eurasian Land-Bridge program, for a program of economic reconstruction financed by banks that operate with anti-monetarist methods of issuing productive credit. An alternative to the EMU begins with the restoration of economic sovereignty of each of the 15 EU member states, with the priorities placed on the creation of well-paid jobs and the protection of the industrial base and the social welfare systems. An alternate design begins with capital market controls and penalties against speculators and short-term transactions, and with incentives for productive, and long-term credit programs. These are some of the main components of the economic revolution, which has to liberate Europe from monetarism, now. As more and more Europeans are beginning to lose their loyalty to this monetarist system, there is, for the first time in the postwar period, a good chance that such an economic revolution can succeed.

Legalized gambling spreads its tentacles

by John Hoefle

In 1996, some \$586.5 billion in legal wagers was placed in casinos, racetracks, off-track betting parlors, video poker machines, state lotteries, bingo games, and charity events, up from \$550 billion in 1995 and \$483 billion in 1994, as legalized gambling continued its assault on the American population. The revenue of companies in the gambling business—or “gaming industry,” as this parasite prefers to call itself—rose to \$47.6 billion in 1996, up from \$44.4 billion in 1995.

Were the revenues of the gambling companies lumped together as “U.S. Gambling, Inc.,” the company “would rank 11th in the 1996 *Forbes* Sales 500 behind AT&T (\$52.18 billion) and ahead of Texaco (\$44.6 billion),” according to *International Gaming and Wagering Business*, a gambling trade publication which publishes the yearly survey of the gambling business from which the above figures were taken.

The United States has seen an explosion of legalized gambling over the last decade or so. Today, all states except Utah and Hawaii allow some form of legalized gambling, with casinos, riverboats, and the aptly named “cruises to nowhere” popping up all over the country. According to Harrah’s 1997 *Survey of Casino Entertainment*, 176 million people visited U.S. casinos in 1996, including at least one member of 32% of all U.S. households.

Propaganda barrage

Paving the way for the spread of gambling has been a full-scale propaganda barrage designed to hide gambling’s role as a major money-laundering arm of the British Empire’s international narcotics cartel, which *EIR* has dubbed Dope, Inc. Modern corporate gambling has its roots in the money-laundering operations set up by the chairman of the board of organized crime, Meyer Lansky, and continued with funding from the dirty-money operations of Drexel Burnham Lambert’s Michael Milken.

To hide this unsavory reality, the gambling racket has attempted to transform itself into the “gaming industry,” and take a place in the pantheon right next to mom, apple pie, and Chevrolet. Las Vegas has restyled itself as a family vacation resort, the “Orlando of the West,” only safer and cleaner.

Leading this propaganda campaign is the American Gaming Association (AGA), whose board and membership roster includes some of the largest financial institutions in the country, including Merrill Lynch, Goldman Sachs, Bear Stearns,

Salomon Brothers, and Donaldson Lufkin & Jenrette. The AGA has taken great pains to deny “the myth that organized crime owns, operates, or even influences casinos,” and to insist that not only is there no link between gambling and crime, but that gambling actually benefits the country.

In March 1997, the AGA released a study by the accounting firm Coopers & Lybrand, conducted to show the economic benefits of gambling. According to the study, employment in the “gaming industry” grew by 46,000 jobs, or 16%, during 1996, while non-agricultural jobs grew only 2.2%, and service-sector jobs grew 3.5%. Of the 178,000 casino employees surveyed, more than 8.5% said they had left the welfare rolls as a result of their casino employment, and some 16% said they had used their casino jobs to replace unemployment benefits.

The dark side

Not everyone agrees with this rose-colored view of gambling. According to a study by University of Illinois at Urbana Prof. John Warren Kindt, for every \$1 in revenue a state receives from gambling, it must spend \$3 for social services and criminal justice agencies to cover the damage done by gambling. Other studies have shown that about 5% of all gamblers become compulsive gamblers, and that 90% of compulsive gamblers eventually turn to crime to support their addiction. Twenty percent of compulsive gamblers have filed for bankruptcy as a result of their gambling losses, and statistics indicate that some 10% of all bankruptcies are linked to gambling losses. The American Insurance Institute has estimated that 40% of all white-collar crime in the United States has its roots in gambling.

Dope, Inc. as a whole, including its gambling and other subsidiaries, is by far *the* major crime problem in the United States today. Many of the arguments used to push gambling, also apply to drugs. *International Gaming and Wagering Business*, in a press release announcing its 1996 Gross Annual Wager study, asserts that, “given the growth of gaming and its complete integration with the U.S. economy, a workable national gaming policy is necessary. The fact that consumers like commercial games, says the study, raises an important question: How workable are public policies that use state power to repress consumer demand?” This is the same argument used by the drug legalization lobby: If people want crime, let them have it.

In December 1997, the AGA released another study, “Casinos and Crime: An Analysis of the Evidence,” by the Chicago law firm Altheimer & Gray, to refute studies which suggest links between gambling and crime; it asserts that “communities with casinos are just as safe as communities that do not have casinos.” Such an approach brings the vision of Sherlock Holmes to mind, prowling the sidewalks around the casinos, searching for crimes with his magnifying glass, completely oblivious to the larger picture.

El Niño does what? Surely, sir, you jest!

by Dr. Robert E. Stevenson

Oceanographer Stevenson is executive director of the Vega Society, and a consultant based in Del Mar, California, who trains NASA astronauts in oceanography and marine meteorology. He was secretary general of the International Association for the Physical Science of the Oceans during 1987-95, and worked as an oceanographer for the U.S. Office of Naval Research for 20 years. Interviews on El Niño with Dr. Stevenson and other experts were in the Sept. 19 and 26, 1997 issues of EIR.

Someone in August 1997 started the rumor that a great, perhaps even the greatest of all El Niños was growing in the equatorial waters of the eastern tropical Pacific Ocean. From the national, controlled news media there began to come dire warnings, startling in their severity, that this El Niño would create weather catastrophes, not only across the United States, but around the world as well.

To 99% of the population, the news was rather intriguing, but to most the response was, “Huh! What’s an El Niño?” The answer was not readily forthcoming, because few in the news media knew anything about this “thing.” Even so, the national television 6 o’clock news teams soon began to show images on the screen purported to be derived from satellites showing the growth and extent of this expanding, natural ocean menace. No one in the viewing audiences knew what they were seeing, but by putting violent reds, yellows, and blues in the images, the network “anchors” were able to build fear of a coming, uncontrollable calamity through their nightly “El Niño Reports.”

Some scientific institutions began to provide information, to give news briefings, and to permit their “scientists” to appear as experts in television news programs. And, in the midst of the growing hoopla, the famous cable Weather Channel, normally a conservative group of professionals who offer excellent weather information to the country, began to offer a twice-daily “El Niño Status.”

(Interestingly, no scientists in the United States, or in other countries, who had worked on the growth and dissipation of El Niños, the possible manners of origin, and the difficult task of determining their influence on weather, were involved in any way in the hoax-like cries of potential growing catastrophe.)

Concern grew by leaps and bounds amongst the citizens, and city, county, and state officials in the regions predicted to take the brunt of this El Niño (“Whatever it is,” responded the perplexed Mayor of Solana Beach, California). El Niño “summit meetings” were held by governors, by U.S. Senators, with even the Vice President of the United States in attendance. None of these summits was quite productive, mainly because no one was really sure what might happen in the way of rains, storms, floods, snow, or ice. As one state climatologist said to the Governor, “Well, sir, we are really not sure where, when, or if.” The Governor was not happy; an understatement of the day!

Rational scientists step forward

It wasn’t long before the “voices of reason” tried to be heard. These were scientists who had worked on the intriguing natural phenomenon: the aperiodic warming of the surface waters in the eastern tropical Pacific Ocean we call El Niño.

Some of them were veterans of the ten-year program called “Tropical Ocean/Global Atmosphere,” during which oceanographers, meteorologists, climatologists, physicists, chemists, and biologists from 51 countries around the world cooperated to investigate the manner by which tropical ocean and atmospheric features and their interactions contributed to global weather, climate, and the variations in the qualities and the movements of the vast equatorial oceans. It was the greatest scientific effort ever attempted to study the mechanism by which the tropical climate/weather evolved and was modified.

All of men and women involved in this decade-long program knew well the El Niño phenomenon: the warming of the waters off Peru and Ecuador, usually taking place in the winter months, and how those warmer-than-normal temperatures can, and sometimes do, extend beyond those coastal waters.

These competent, many of them renowned scientists, knew of the tropical rains in Chile to Peru during the onset of an El Niño, the apparent relationship to drought conditions in the outback of Australia, the delay in the summer monsoon rains in Indonesia, Malaysia, and India, and other probably non-related weather conditions in Africa that have been, without cause, attributed to an El Niño. None of these strident claims of calamity were unknown to the science of marine meteorology.

In September 1997, in an effort to bring some sense to the wildly growing propaganda, *EIR* published interviews with Dr. James J. O’Brien, director, Center for Ocean and Atmosphere Prediction Studies, Florida State University, and with this writer. Dr. O’Brien is, without question, the number-one El Niño “guru” in the world today.

Together, we pointed out the usual consequences of a warming of the sea-surface waters in the eastern tropical Pacific, none of which fit the catastrophic claims being made by

the media, certain offices of the U.S. government, and some scientists who have an agenda other than scientific truth and dedication to the well-being of the U.S. population.

We noted that it’s clear that there is something else, at a longer time scale than any prevailing El Niño, modulating the oscillation between the warmest and the coolest sea-surface temperatures in the Pacific Ocean. And, that nobody has a clue what that really is.

There are periods, as in the 1940s, when no tropical warming events took place for 12 years, or so. Then, there are other decades, such as the 1970s and early 1980s, when the oscillation is in a nearly regular four-year mode. Interspersed, as in the early 1970s and 1990s, are “flat” periods, when the tropics are mainly cold. There are not even hypotheses on the table of what might be the modulating function(s).

Furthermore, we noted that El Niños change the location of the major convection over the tropical Pacific which, in turn, changes the jet streams that dominate the weather over the United States in the winter. When the sub-tropical jet becomes more dominant than usual over North America, it typically enters the continent across Mexico. As a result, the most consistent impact during an El Niño is that northern Mexico and southern Texas are rained on, and the southeast United States has a little extra rain with slightly cooler temperatures because of the persistent cloud cover.

We said that to call for catastrophic floods in California is really an iffy prediction. Southern California is not usually an El Niño impact region. If the sub-tropical jet stream stays in its normal pattern, down in Mexico, California will be dry. If, on the other hand, the jet should wiggle northward, southern California will get wet. It should be made clear, though, that there is no way to forecast those jet-stream wiggles.

In October, we reported: There is no question, the surface waters have cooled from their high in July; to an even greater extent than they did in August. Overall, the eastern tropical Pacific has cooled by an average of 2°C (3.6°F) by Oct. 2, in the entire area where sea-surface temperatures (SSTs) had been noted to be warmer than the long-term mean. The highest temperature anomalies are now at +2°C, rather than 3-5°C, above normal.

At that time, I wrote, in the *New Federalist* and to NASA, that, “It is clear that the ‘greatest El Niño of them all,’ ain’t gonna produce any unusual weather! It seems logical, therefore, to consider that the winter of 1997-98 in the United States, Canada, and Mexico will be close to normal; not even what it was in Grandpa’s Day.”

Then came the winter of 1997-98

Through the last week of January 1998, the winter weather had been about as benign as one could desire. Nearly every vestige of any El Niño claims disappeared from the airways, the TV-ways, and the written news media. The television

networks, and CNN, had to rely on Saddam Hussein, White House female interns, and the approaching Super Bowl football game to bring their idea of significance to the nightly news. Even the newspapers got caught up in the demise of the Asian stock markets and banks in place of the “greatest of all El Niño catastrophes” that seemed no longer viable.

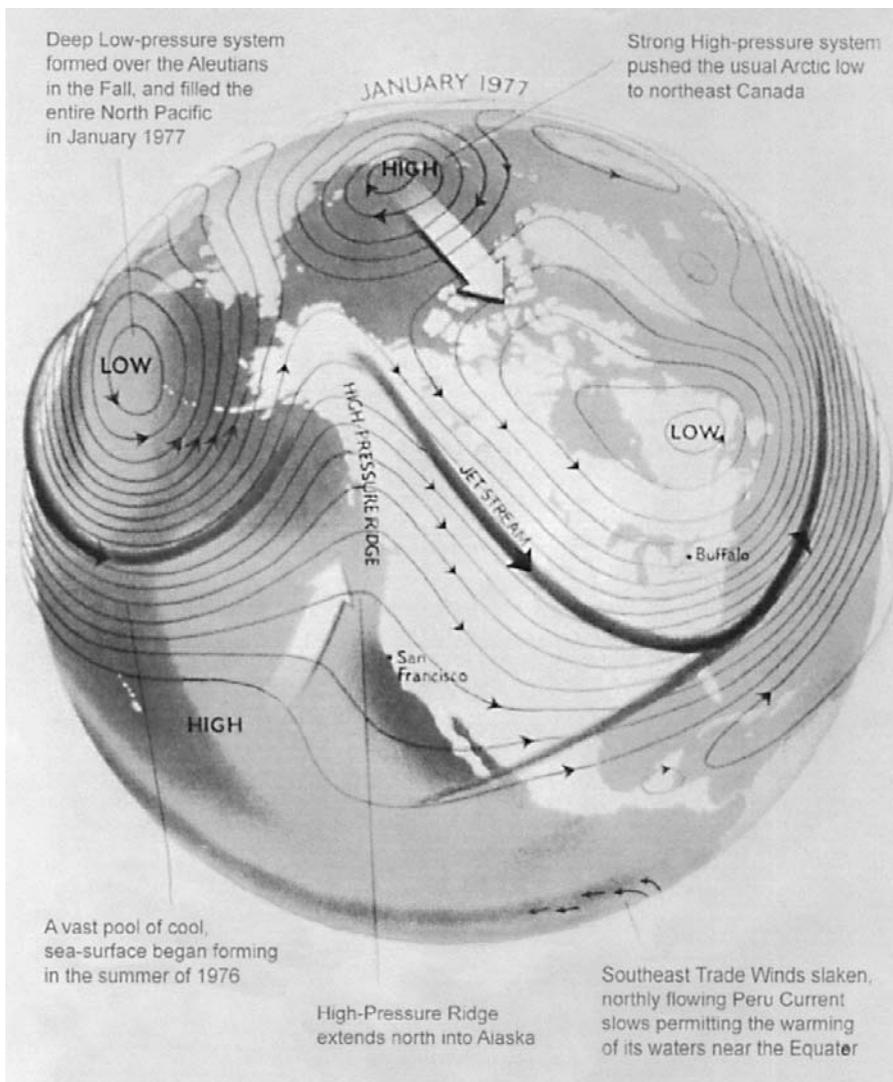
Then, yes then, the rains came to California, the snow to the mid-Atlantic States (Beckley, West Virginia received 32 inches of snow in one night), vicious storms to Florida, the southeast, and some howling nor’easters to the East Coast. And, the El Niño doomsayers came back out of the woodwork. “You see,” they chortled gleefully, as they watched videotapes of houses sliding down hills, towns flooded up to the roof tops, and the electricity off for hundreds of thousands of customers, “we told you it was coming. We warned you El Niño was returning!”

Ah, but once again, the media “town criers,” none of whom have a clue as to what an El Niño really is, and their supporting “scientific fellow travellers,” were dead wrong. Oh yes, there were storms, there was rain, and there still is rain coming down, and there was, and will be, snow. But none, other than that in the Gulf of Mexico, originated, or was created, by the warm waters of the eastern, or central, or western tropical Pacific Ocean. That is, the warm-water event in the eastern tropical Pacific Ocean that took place in 1997, and was diminishing in the early months of 1998, had no impact on the winter weather in North America this season.

Well, what did produce our weather this winter?

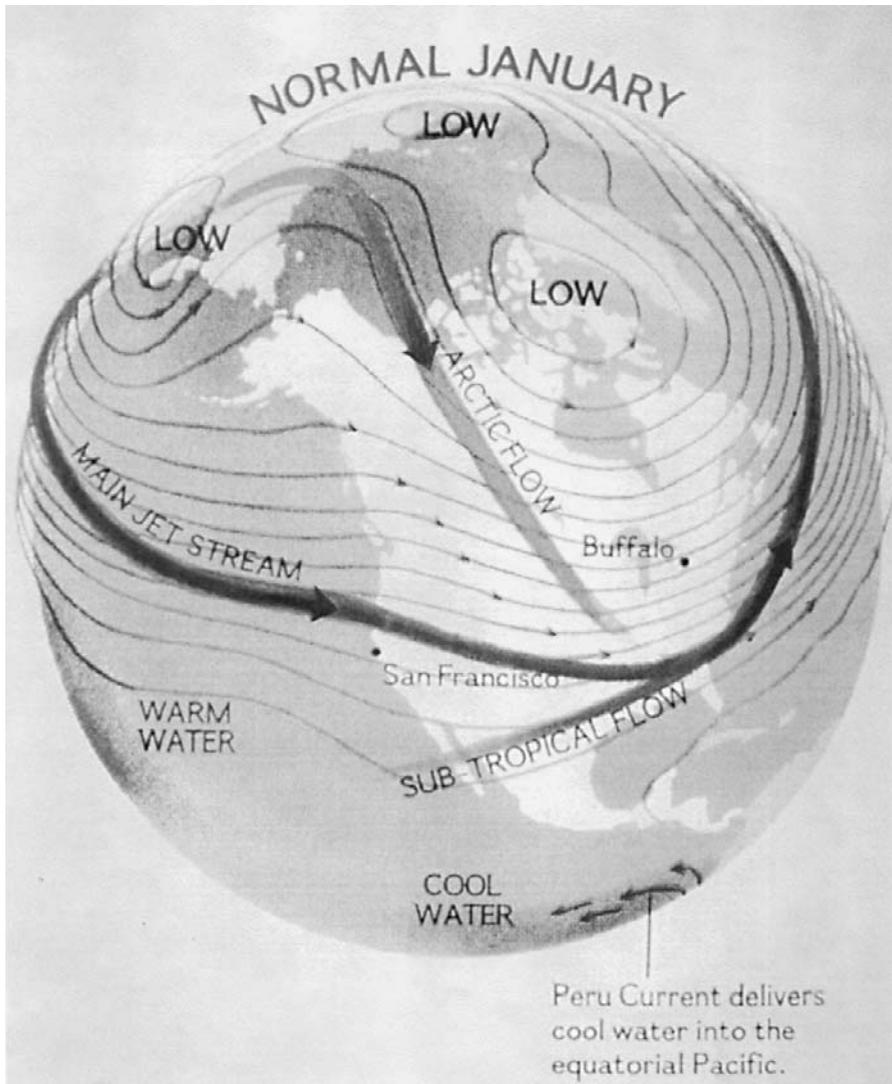
We must have a little bit of history in order to bring sanity out of the chaos we’ve been hearing.

In early 1980, Dr. Jerome Namais, Scripps Institution of Oceanography, former director, Long-Range Weather Forecasting, U.S. Weather Bureau, was finishing his report following the completion of the great, international, ten-year-long North Pacific Experiment (NorPax). The work, funded by the U.S. National Science Foundation, Office of Naval Research,



National Oceanic and Atmospheric Administration, and similar groups from Japan, Australia, New Caledonia, Canada, and the U.S.S.R., had provided scientists and members of national forecasting centers, a vastly greater understanding of the interactions between the ocean, the land, and the atmosphere than had ever been available. For the first time, it seemed logical to Dr. Namais that enough has been learned to permit suitable winter-weather forecasts.

The decade of the 1970s had provided all of the oceanographic and atmospheric variations the scientists could want, including the strong El Niño of 1976-77. As a result, Dr. Namais, with early help from the late Dr. Jacob Bjerknes, and from Dr. Klaus Wyrtki, Prof. John Isaacs, and Dr. Warren Wooster, was able to put together a set of basic, winter jet-stream patterns. It seemed his analyses covered all types of ocean/atmosphere conditions possible during a North American winter.



Left: The jet-stream pattern over North America in January during the occurrence of a strong El Niño. Right: The average jet-stream locations over North America during a normal winter.

The jet streams during an El Niño winter

The most extreme winter jet-stream patterns that Dr. Namais and his colleagues considered possible were observed during January 1977, a time of absolute drought along the entire West Coast of North America. Although this was the extreme, it was pointed out that every El Niño winter would have similar, yet probably more subdued, jet-stream patterns than had taken place in the 1976-77 winter.

There would be high-pressure over the western United States, maybe Canada. There would be an arm of the jet stream driving south into the eastern United States from the very polar regions, and there would be a strong component of the tropical jet stream crossing Mexico, the Gulf of Mexico, and meeting the southerly flow of the main jet, east of the southeast coast of the United States.

Under El Niño conditions in the eastern equatorial Pacific, the only chance for any tropical impact on the United

States would be in the southern and southeast states. It was considered unlikely that the sub-tropical jet stream would wiggle far enough north to impact the southwestern United States.

The jet streams during a normal winter

From a vast array of data, from the Pacific, Indian, and Atlantic ocean regions, Dr. Namais and his mates were able also to describe the average jet-stream pattern for a normal winter. It would be the winter when there was the usual distribution of warm and cold surface waters in the Pacific Ocean, along with a typical arrangement of high- and low-pressure systems in the mid- and high-latitude atmosphere of the Northern Hemisphere.

The normal winter jet streams flow across the Pacific Ocean and the United States in a meridional fashion; that is, basically from west to east, with but small excursions to the

north and south. All cyclonic, low-pressure storms that form over the North Pacific Ocean, move eastward to the United States, entering the West Coast mainly between San Francisco and Seattle. These cold cyclones then continue across the United States toward the southeast, with a southeasterly push by a rather mild jet from Canada. The sub-tropical jet usually meets the main jet over Atlanta, Georgia and/or Montgomery, Alabama.

In contrast to the El Niño pattern, once the normal-winter main jet reaches the southeast states, it turns northeast, moving directly along the East Coast until it finally turns into the North Atlantic off Newfoundland. Consequently, when a nice little low-pressure system forms over Georgia, where the two jets meet, that storm, rotating counter-clockwise, travels up the East Coast, becoming a “nor’easter,” so familiar to all who live in the Carolinas and northward to southeast Canada. If the nor’easter moves far enough north to interact with frigid Canadian air, an “ice storm” is the obvious result.

So, how was your winter of 1997-98?

Now, my question to all of you reading this article is: What kind of winter storms have you experienced this year? Just think about them for a few minutes. Snow storms? Yes. Ice storms? Yes. Rains? Yes. Has any such weather ever happened before in the United States, in this century, or even in this half-century? Yes!

Then, you might ask, “Why do those folks on the Weather Channel, who are seemingly knowledgeable about meteorology, continually claim that the meridional flow of the winter jet streams are ‘typical of an El Niño year?’ ”

The bottom lines about the storms of the winter 1997-98 are 1) only the Gulf Coast and the southeastern states have received rain originating from the tropical eastern Pacific; 2) the rains drenching the West Coast of the United States and Canada have all originated in the North Pacific, some in the Gulf of Alaska; 3) the relatively mild winter temperatures are *typical* of a normal winter in the United States and Canada, because the entering storms are all from the mildly cool North Pacific, and although the flow from northern Canada has its usual frigid temperatures, its southerly flow is greatly diminished; 4) the damaging ice storm that hit the northeast states and southeast Canada was certainly not borne of any forcing from the sunny, warm tropical Pacific, but was a strong nor’easter, moving up the East Coast until it encountered frigid air from Canada (it was a weather condition that has happened many times in the past); 5) there is not a shred of evidence in the files, or out of them, that a warm tropical Pacific Ocean and a cold North Pacific/Atlantic enhances the strength of the west-east flow of the jet streams; 6) even were that an issue, the north-south sea-surface temperature gradients were less in 1997-98 than in other years of the 1990s; and finally, 7) the greatest rains, and floods, both in the west and the east of the United States

during the 20th century, have all occurred during years when there was no El Niño!

Flooding in non-El Niño years

Such major floods took place in 1902-03, 1915-16, January 1934 (southern California), January 1937 (the famous flooding of the Ohio and Mississippi river valleys), March 1938 (the greatest flood of the century in southern California), January 1955, Jan. 18-26, 1969 (major devastation in southern California), July 19-20, 1977 (Johnstown, Pennsylvania), Feb. 13-22, 1980 (widespread flooding in southern California and Arizona), Dec. 18-26, 1991 (Texas), Feb. 9-15, 1992 (southern California), and not to forget the powerful flooding of northern and central California March 8-15, 1995.

There are more than these that I’ve listed. This is sufficient, however, to give you the certain appreciation that the claims of devastation by El Niño in 1997-98 has been pure hype by the popular media. The hoopla has garnered a few money-hungry fellow travellers, and even drawn in some scientists who should know better than to fall for such a patently false, high-pressure promotion.

On the other hand, the pervasive “El Niño hype” has been useful, on occasion. Whenever we speak an irrational phrase, or make a stupid move, it has been helpful to say, “Oh, El Niño made me do it.”

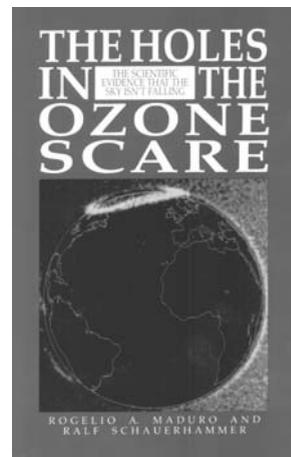
U.S. environmental groups were given millions of dollars in the past five years to spread scare stories about a man-made ozone hole that would cause cancer on Earth.

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Police chiefs are pushing dope

The brass have apparently adopted the “harm minimization” scam of the Queen’s favorite dope-pusher, George Soros.

The campaign to decriminalize drugs, particularly cannabis (marijuana), has been given new impetus with the release of a report by the Australian Bureau of Criminal Intelligence (ABCI, presided over by the Police Commissioners of Australia’s six states and two territories), which suggests “liberalizing” laws prohibiting marijuana use, in favor of redirecting police attention to “harder” drugs. The impetus for the ABCI’s 1996-97 *Australian Illicit Drugs Report*, is the supposed impotence of police law enforcement. But, in the foreword, the ABCI reveals that the report is based on “harm minimization,” a fraud popularized by megaspeculator George Soros’s Drug Policy Foundation.

In the foreword, the ABCI Board of Control chairman, Victorian Police Commissioner Neil Comrie, writes: “Demonstrating the commitment of Australian law enforcement to the National Drug Strategy, the report approaches the subject of illicit drug abuse by taking a harm minimization stance.” Defined in 1992, the National Drug Strategy is Australia’s official stance on drugs, and is based on the harm minimization doctrine, which had been adopted in 1985 by the Department of Health.

The harm minimization approach has been resisted by the nation’s law enforcement bodies. This was most evident in Victoria in 1996, when vigorous opposition to a proposal by Victorian Premier Jeff Kennett to decriminalize marijuana, promoted under the guise of harm minimization, came from the Victoria Police, especially the police union.

The ABCI report indicates that, of-

icially, police resistance to harm minimization is weakening. In an experiment under the supervision of Commissioner Comrie, the Victoria Police have been giving warnings to first-time marijuana offenders in the Melbourne suburb of Broadmeadows, rather than making arrests. Police in four states—Victoria, Western Australia, South Australia, and Tasmania—have given officers the discretionary power not to charge drug overdose victims, on the basis that such instances are a “health,” rather than a police, issue.

The excuse offered for partial decriminalization is that Australia is suffering record numbers of deaths from heroin overdoses, which skyrocketed from 70 in 1979 to more than 600 in 1996—in large degree because of savage cuts in law enforcement budgets. A mini overdose epidemic broke out in Sydney in January, when the average daily number of overdoses jumped from 13 per day to over 30, a jump attributed to an unusually pure batch of heroin hitting the streets. But incredibly, the police commissioners’ have rejected the view that marijuana is a “gateway” drug—a so-called “soft” drug that leads to use of harder drugs like heroin and cocaine. Instead, the ABCI report claims that there is little crime associated with marijuana use, and that decriminalization “could result in a big reduction in the resources committed to controlling the drug.”

In reality, harm minimization is still meeting fierce resistance from rank-and-file police officers, whose views are represented by the police unions. In an interview with the *New Citizen* on Oct. 17, 1997, Australian

Federal Police Association secretary Luke Cornelius lambasted the role of the banks, which stand to benefit greatly from decriminalization. “Financial institutions in Australia today cannot guarantee or be sure their money is untainted. It is a sure bet that every financial institution in Australia . . . is happily dealing in, and engaging in transactions which involve tainted money,” he said. “Financial institutions, in turning a blind eye to this real problem of dealing with tainted money, are conspiring with organized crime in Australia to the extent that the very integrity of the economic fabric of this country is under threat.”

As a 1996 *EIR-New Citizen* investigation proved, the main source of funds to promote harm minimization has been the major banks, through the Australian Drug Foundation. The ADF is funded by Australia’s four major commercial banks: ANZ, National Australia Bank, Westpac, and Commonwealth Bank, as well as the central bank, the Reserve Bank of Australia.

In August 1997, the Police Federation of Australia and New Zealand stated in a resolution that drug trafficking is a criminal problem “not capable of being dealt with by any means other than law enforcement,” and that “suggestions that law enforcement budgets can be reduced if drug laws are reformed are fanciful and dangerous.”

Australia’s police forces have also been under heavy attack, notably in New South Wales, where, under the guise of cleaning up “corruption,” a British cop, Peter Ryan, was imported in 1996 to head up the force. Ryan dismantled the drug squad, and began calling for the legalization of dope. Similarly, the Western Australian police force, which has been strongly opposed to drug legalization, is under heavy attack for alleged corruption. The intelligence section of the Victorian force is also under attack.

Business Briefs

Agriculture

Boost food output to combat world hunger

Prof. Friedrich Huelsemeyer, from Kiel, Germany, demanded that food production be intensified to cope with a growing world population and threat of world hunger, at the annual meeting of the German Agricultural Association on Jan. 14 in Munich.

The production potential of the European Union (EU), which accounts for more than 40% of the world milk trade and 25% of meat, is indispensable to reach this aim, Huelsemeyer said. In light of a growing world population and the tremendous task to feed it, he described the widespread skepticism against a "green revolution" in the industrialized countries as "outright despicable of human beings" and stressed the "tremendous importance of technical and scientific progress in farming."

Turning to his field of expertise, milk production and developments on the world milk market, Huelsemeyer said that the current agricultural policy of lowering milk production in North America and the EU will lead to undersupply. Despite efforts to expand production in Oceania, the production deficit will reach 30 million tons of milk equivalent in 2005. Total worldwide production of milk was 539 million tons in 1997.

Russia

New, aggressive tactics in sporadic labor unrest

Wages are still not being paid, in state sector as well as private firms throughout Russia. Following warning strikes, workers in some locations have started to attack management with the "lock-in" tactic, initiated on Jan. 27 at Kuznetskaya mine in the Siberian Kuzbass coal region. There, *Nezavisimaya Gazeta* reported, miners who were owed wages from as far back as mid-1995, blockaded mine director Ternovykh in a conference room; police and city officials refused to intervene. With the miners threatening to halt traffic on a nearby highway, an OMON special forces unit came and arrested Ternovykh on Jan.

31, charging him with endangering the lives of miners. The mine director was evidently on cozy terms with the mine's foreign shareholders, Prosystem GmbH, an Austrian firm, and a Liechtenstein-chartered holding company. The mine was the first in Russia to be privatized.

On Feb. 3, workers at the Kovrov instrument-making plant, in the Vladimir region, picked up the miners' tactic. Unpaid since last June, they locked the managers of the enterprise in their offices, then later released the plant's chief engineer "on parole" to go seek money from the local authorities.

Also on Feb. 3, some 3,500 people, most of them defense industry workers, demonstrated in Yekaterinburg, protesting unpaid wages. Interfax-Eurasia reported that the rally, under the auspices of the nationwide Action by Trade Unions to Defend the Rights of Workers, was in preparation for a planned protest at the Yeltsin-Kohl-Chirac summit scheduled in the city on March 25-26.

Labor

Trade unions organize against Rio Tinto

A three-day international trade union conference aimed at organizing an international campaign against the British Crown's mining giant, Rio Tinto, was held in Johannesburg, South Africa, on Feb. 7-9.

The conference had been organized by the International Federation of Chemical, Energy, Mining and General Workers Unions (ICEM), which has 20 million members in 113 countries. Its Australian member, the Construction, Mining, Forestry and Energy Union (CMFEU), has had running battles with Rio Tinto for over a decade, and is presently locked in a life-and-death struggle with Rio Tinto in Australia's coal fields. Many other countries, including Norway, Portugal, Brazil, and Namibia, are becoming fed up with the escalating industrial unrest caused by Rio Tinto's inhuman workplace methods.

On the down side, ICEM, in order to create a high public profile, invited former Australian Prime Minister Bob Hawke to address the conference. Ten years of Hawke-led sub-

servience to International Monetary Fund programs have devastated industry in Australia, and recently Hawke publicly supported the union-smashing tactics of Australian Prime Minister John Howard.

Central Asia

Kyrgyzstan President boosts New Silk Road

Kyrgyzstan will flourish with the "New Silk Road," as it did with the old one, Kyrgyzstan President Askar Akayev told the German daily *Frankfurter Allgemeine Zeitung* on Feb. 3. Kyrgyzstan has few natural resources, "but it once flourished thanks to the Silk Road, before the long-distance trade route was replaced by the sea route," he said.

Akayev said that he hopes for a revitalization of the old trans-Asian connections, of the "excellent relations, during the past 3,000 years," of the Kyrgyz people with the Chinese. Foreign trade with China has increased from 2% to about 20% since 1990, and last year, a second Silk Road route was re-opened through Osh, which runs parallel to the route that passes through Bishkek, the capital of Kyrgyzstan. By 2000, the Osh-Bishkek highway will be restored (with Japanese and other loans). Further, a "Central Asian Bank" has begun to work in Almaty, in neighboring Kazakhstan, and it is funding dozens of projects.

This year, Tajikistan will join Kyrgyzstan and Kazakhstan as an active member in the Central Asian Union, and Turkmenistan will get observer status.

Finance

Buffett buys large hoard of silver

Warren Buffett, owner of Berkshire Hathaway and a billionaire, who last year drew funds out of his company's stock portfolio to buy a large amount of U.S. Treasury zero coupon bonds, is now buying silver, *BusinessWeek* reported in its Feb. 16 and Feb. 23 issues. This move would seem to indicate

that Buffett is positioning himself for a major shake-out of the world's stock markets.

From July 1997 to Feb. 3, Buffett had amassed 130 million ounces of silver, worth \$850 million, representing about 20% of annual world production. One reason that investors are buying silver rather than gold as a hedge, is that central banks are both selling gold on the open market and, more importantly, lending (in the trade, called leasing) huge amounts of gold to hedge fund speculators, who are using it to short gold and force down its price. But few central banks hold any silver, and thus it cannot be brought onto the market to force down the price.

The hoarding of silver by Buffett and a couple of other unnamed large purchasers, has sent its price up to around \$7 per ounce, its highest level in years. In India (which in 1997 accounted for 16% of global silver demand, making it the second largest silver market after the United States), silver traders are now selling silver for the higher price, rather than turning it into jewelry.

Trade

Ibero-American trade deficits are growing

As a result of declining commodity prices, and the Asian financial meltdown, Ibero-America nations are suffering rapidly growing trade deficits. This led the Feb. 12 *Wall Street Journal* to the not very startling conclusion that the region will see "currency turmoil and financial difficulties later this year." Larger trade deficits are also swelling current-account deficits, and together with lower rates of foreign investment, this "could set the stage for another round of [currency] devaluations."

Mexico is hurting because of the oil price decline, and Argentina recently raised the estimate for its 1997 trade deficit to \$4.7 billion, up from \$4 billion, because of lower commodities prices and a 27% rise in consumer goods imports. Chile's trade deficit, which was \$900 million for 1997, is expected to increase to \$3 billion, because of the drop in copper prices.

However, HSBC Markets' economist Gray Newman said recently, "We are just starting to see the third phase of the Asian

contagion, and that is increased exports of manufactured goods from Asia. We haven't seen the total impact of this by any stretch of the imagination." He warned that many economists are underestimating the rate of trade deterioration in the region. As an example, he reported that many Mexican producers are complaining that Asian producers are taking U.S. market share from Mexico in commodity steel products.

Physical Economy

German banker warns of financial bubble impact

Prof. Hans-Jürgen Krupp, the president of the state central bank of Hamburg, Schleswig-Holstein, and Mecklenburg-Vorpommern, and a member of the Central Banking Council, warned about the inflationary impact of the financial bubble on the real economy, at a bankers' meeting in Hamburg on Jan. 14. "In contrast to the low inflation rates in the real economic sector, there is a fundamentally different development taking place in the financial markets. Here, the rises in value (from a real economic standpoint, it can be debated whether these really represent rises in value) seemingly have no limits," he said.

Krupp referred to last year's 47% rise in the German DAX stock market index, and similar developments in the United States. We have probably reached the limits of this process, he said, and now liquidity is having problems finding enough highly profitable investments. This has led investors to take higher risks. Therefore, he said, we have to question whether the expansion of financial asset prices "really corresponds to the creation of new value, which could meet the people's expectations regarding the reliability of their investments." More "fundamentally new questions" have to be raised: "Are there processes in the financial sector which are comparable to inflation? What is the difference for someone, if the price of his stock portfolio is rising, or the price of his real estate? The latter we call inflation, the first not." This leads to new questions for monetary policy, Krupp added, such as "whether such processes are interfering with the safekeeping function of money."

LAYOFFS by U.S. companies during the fourth quarter of 1997 were 152,854, a 33% increase over 1996, and the highest fourth quarter level in four years, the Feb. 16 *BusinessWeek* reported in an article entitled, "Will Downsizing Ever Let Up?"

GERMAN Bundesbank President Hans Tietmeyer warned of "systemic risks" of "global dimensions" in the financial system, in Hamburg on Feb. 5. But, he said, there is no *Patentrezept*, or cure-all, for the crisis. Helga Zepp-LaRouche's campaign for Chancellor of Germany became famous for a proposed *Patentrezept*.

THE AUSTRALIAN government's new industrial laws aimed at depriving workers of their right to strike, laws authored by the Mont Pelerin Society, are forcing unionists, especially in the Maritime Union of Australia, to put their homes into their wives' names to thwart potential legal action against their personal assets.

UKRAINE averted a blowup of state finances before the March parliamentary elections, when, on Feb. 11, it offered its first Eurobond issue at a record 16.2% interest rate. The issue proved that there are still a large number of gamblers: Despite being nearly double the originally intended amount, the \$420 million issue was all bought up.

ENERGY PRICES in the United States must rise dramatically, to meet the greenhouse gas emissions targets agreed upon in Kyoto, Japan, Jay Hikes, head of the Energy Information Administration of the Department of Energy, told the House Science Committee on Feb. 4.

SOUTH KOREA'S rate of corporate bankruptcies rose 1,000% in December 1997 over a year earlier, due to the financial crisis and International Monetary Fund policies. The Feb. 15 *Washington Post* reported that a Korean government think-tank forecasts 53,000 bankruptcies this year, compared to 16,000 in 1997 and 10,000 in 1996.

The contribution of the U.S. and China to the 21st century

by Helga Zepp-LaRouche

The following is the keynote speech by Mrs. LaRouche on Jan. 18, at the Martin Luther King Day Conference of the Schiller Institute and International Caucus of Labor Committees, in Arlington, Virginia. The full title of the speech was "The Contribution of the United States and China to the 21st Century; How Does the World Treat Its Prophets?"

I want to speak to you about the financial crisis, which is unfolding right now with breathtaking speed. As a matter of fact, there is a growing panic spreading around the globe. Last week, you had panic buying, not only in South Korea, but in Indonesia. And I want you to get a sensuous idea of what is happening to these poor people in Indonesia, where tens of thousands of people were storming stores, plundering, taking everything out, and, people did it despite the fact that the military had announced that they would crush any resistance, any riots, any social upheaval. The police so far have restrained from intervening, because obviously, once that happens, and a bloody crushing of this panic occurs, we are in a completely different ball game.

So, people fear for their lives, in Indonesia, in South Korea. But this panic is not only occurring in Asia; unlike in the United States, where the articles are still very few, and only one or two appear, in the *Washington Post* or in the *New York Times*, in Europe, on a daily basis, the articles become wilder and wilder about the reality of the crisis. People are realizing that this is not going to be contained to Asia.

You have articles daily, like the following in *Handelsblatt*, a leading economic daily in Germany. Just a couple of days ago, they wrote: "Let's assume that the collapse of the large investment bank, Peregrine, in Hong Kong, was only the beginning. What if other banks and investment houses go bankrupt in Asia, especially in Japan? What if the hoarding in Indonesia develops into a serious political-social upheaval?" Well, that is already the case. "What if the IMF programs don't function? What if the export orders collapse in the G-7 countries? What if the Asian



Presidents Bill Clinton and Jiang Zemin, Oct. 29, 1997. During a visit to Beijing in September, Helga Zepp-LaRouche told her Chinese interlocutors that the fate of the whole world depends on the United States and China working together to reorganize the world financial system.

countries default on their debts? What if the U.S. stock market collapses because major corporations have to announce major losses?"

These are no wild concoctions. Several of these possibilities are happening already, simultaneously. Nobody knows where this downward spiral will end. Who could have imagined, only half a year ago, that five Asian currencies would lose up to 70% of their value, in only a few months? People in Europe realize that this is going out of control very fast.

The international financial institutions are divided presently into two factions. There's the majority faction, which says, let's go for a bailout: pump money, pump liquidity, no matter what the consequences. And, as Lyn [Lyndon LaRouche] said yesterday, and has warned repeatedly, this means that the world is heading towards hyperinflation, Weimar style, like 1922-23.¹

I can assure you: Everybody in Germany, even of my generation, has a very vivid memory of this. I have, among the things I got from my parents and from my relatives who died, these bills: 1 billion Reichsmark notes, or 1 trillion Reichsmark notes. And, they don't mean anything any more. And, as you know, in 1923, the whole thing stopped, when people stopped printing money, and they just used blank white paper, and people would write whatever they liked in the end, because it became so absurd. And then the system ended. So,

1. Lyndon LaRouche's speech to the conference was published in *EIR*, Jan. 30, 1998.

people have a very vivid sense of what that means.

Then, you have a minority faction of people who say, this pumping of money has, in a certain sense, been our policy since 1995, since the famous Halifax summit, and that is exactly what brought us to this point, so it is no solution.

So, the dominant policy right now, is, save the banks, no matter what. And what several of our top-level contacts in Europe, in Germany, Switzerland, Denmark, Italy, and so forth, basically agree upon, is that what will happen in the next weeks and months, into the second quarter, is, you will have the paradox of simultaneous horror shows: of inflation, of deflation (meaning a stock market collapse), and a depression of the real economy.

Just this week, you had the following articles. One of the leading economic newspapers, *Wirtschaftswoche*, had a front-page banner headline: "Panic!" Just "Panic!" and then subtitles: "Will Asia Drive the Whole World Into the Abyss?" "On the Brink of Disaster," "New Shocks Out of Asia Will Hit Wall Street and Worldwide Stock Market." And they predict that up to the end of March, there will be a huge wave of bankruptcies in Japan, despite the fact that this pumping of money into the system is going on.

A psychological shift

The mood is shifting fast. The same newspaper has an editorial by their lead economist, saying, "Stupid and nasty: This is how you describe the IMF actions in Asia. Isn't it an outrage that the taxpayers now have to pay for the failed

speculators? This is disgusting.” “The only question is,” he asks, “what is more disgusting: their nastiness, or their stupidity?” This is a conservative economic newspaper in Germany talking about the IMF. I find this rather remarkable.

This week’s *Economist* says, “In Japan soon, some very big names will go under. Should the IMF be abolished?” And then you have, all of a sudden, a whole chorus of people who attack the IMF, among them such shining examples of economic wisdom as Al D’Amato, Jeffrey Sachs, Milton Friedman, Henry Kissinger, and George Soros.

Some of our contacts in Europe, in a very serious way, say, “Well, Mr. LaRouche was right. His analysis has been fully confirmed.” And, more and more parts of the elite realize that this will not be gotten under control any more, that the crisis will fully escalate, and that we are heading towards a very, very big catastrophe. Several people in top-ranking positions—and I mean really top, top, elite-type people in Europe—agree with us, that in 1998, what we will see is not only a financial and economic chain-reaction collapse, but that such a chain-reaction collapse will also occur in the political field, in the social field, and, especially, psychologically, in the population.

This will have a special effect in Asia, because in Asia, over the last 10, 15 years, people were in a psychological situation where—let’s say in Thailand, or in Indonesia, or in Malaysia—they had the feeling that they would slowly get out of the mud. They were living in very poor conditions, very miserable conditions, but that slowly, step by step, their lives would improve. And they’re now confronted with the fact that they are being thrown back into the mud. And this creates an extremely explosive mass psychological situation, and it is expected that this will lead to social explosions.

In all soberness, one has to expect that the military will slam down. As I said, in Indonesia, they have already announced that they intend to do that. In 1965, when the Sukarno government came to an end, there were 650,000 casualties, as a result of this.

But, this will not only happen in Asia, but a new psychological factor will come into play in Europe and in the United States, because what we have been discussing for many years, is that for 30 years, the elites in the United States, in Europe, and elsewhere, have become completely arrogant. They thought they could get away with everything, to manipulate the masses, to create fake issues, to treat the people as if they were stupid. And, the same blindness with which they are now treating the financial crisis, has made them equally blind to the psychological phenomenon going on within the population. So, one has to expect gigantic upheavals, from a psychological standpoint, in eastern Europe, in Russia, in Europe in general, in Latin America.

Unfortunately, this will not be nice. This is not something to hope for, or to wait for. Look at Poland, for example, where, through a strange incident, the police killed a youth during a sports event, some fighting occurred, and now you have had,

for days and days, violent clashes between the youth south of Gdansk, in a very poor region of Poland, one of the regions which was destroyed by the flood. All of a sudden, this erupts. The same thing in France, where the government is extremely nervous, because the unemployed are starting to occupy the unemployment offices. They are now being backed by the trade unions and by the students, and the situation is extremely volatile.

But, look at the world. The Balkans is a powderkeg. Every expert in Europe expects that the next war will start in Kosova, that upheavals will spread from Montenegro into Macedonia, and that also the whole Balkan peninsula can erupt again. The Maghreb: Look at the horror shows in Algeria; but the situation in other countries is also extremely fragile.

So, for 30 years, the elites have been living in what one can describe as a cocoon of irrationality and arrogance. And they have lost contact with the suffering of the people. And now, most of these elites have a sense, *they do know that something big is coming*. But, they are not responding. Instead, they are saying, “Let’s close our eyes. Let’s put our elbows out, and let’s march through, as we were marching through before.”

The systemic crisis

So, you will have a situation which refers to Lyn’s concept of the 1% of the population who think: people of outstanding intelligence, courage; mavericks, people who are not politically correct. And, they will respond, and, in part, they’re responding already. The majority of the leading institutions will become even more hardened in their politically correct line, because they are the ones that are responsible for the crisis which has occurred. And our job will be to catalyze this 1% to be the leadership for the people in all of these countries.

And, we are not in a bad position, because, I can assure you, in the last weeks, in particular, starting actually with the end of October, people called our offices in Wiesbaden and elsewhere—from Africa, from China, from Latin America—and they all would say, “LaRouche is a prophet. His authority has been absolutely confirmed.” Because people remember who has been talking about the systemic crisis.

Remember that in 1994, Lyn put out the Ninth Forecast, in which he predicted—and he said, “I’m very careful with my prognoses”—that we are now heading into a period of the systemic disintegration of the financial system. Then he reiterated that in the summer of 1997, and he was the only one who predicted that this systemic collapse would start in October. People have a short memory, but, if you remember, last August—and you can go to the library and look it up—the *New York Times*, the *Washington Post*, all of these papers, had articles stating that now that the “Golden Age” of eternal stock market gain has erupted, that there will no longer be business cycles, that you can forget about the real economy, that there will always be stock market increases, and so forth.

But then, in May, there was the beginning of the crisis in

Thailand. And, as it now is becoming clearer by the day, it was George Soros, the principal agent of the British Empire and his Quantum Fund, and Mr. Robinson from the so-called “Tiger Fund,” who started this whole present collapse, with an attack on the currency of Myanmar. And then, because Thailand disapproved of what was going on, they punished Thailand. And, that was the beginning of the unravelling.

Then, in August, there was the beginning of the trend change: the first stock market collapses in the markets, the first rumblings. By the end of August, you had hectic meetings of central bankers and private bankers, in Wyoming in the United States, in Switzerland. They met, and said, “We have everything under control. The markets are stabilized, nothing will happen.” This lasted for about two weeks.

The perspective in Beijing

In mid-September, I, and a delegation of the Schiller Institute, went to Beijing, and for about 10 days, I had the opportunity to address seminars, institutes. I gave a lot of presentations, one-day seminars on this analysis, and I had a lot of discussions, presenting Mr. LaRouche’s analysis to these various institutions.

What I told people in Beijing, was that they should see that the Southeast Asian crisis—which, compared to now, in mid-September, was still relatively mild—that this Southeast Asian crisis was not a regional crisis, but that it was only the regional expression of a global crisis, and that the problem was, the reason why it happened, was that the so-called “emerging market funds,” which had poured, in the last five years, enormous amounts of money into Southeast Asia to get what they called “top gains,” hot money trying to get the maximum profit, that this began to collapse, because of a mixture of these currency speculations by Soros and other mega-speculators. But also, that was combined with the selling pressure of some of the emerging market funds, which had suffered losses, and were under selling pressure, trying to recover those, and that became like a domino effect.

I further pointed out that the Southeast Asian crisis was linked to a Japanese banking crisis, in which the Japanese banks are sitting on \$1.7 trillion in bad loans. That’s a lot of money! Not only was this the case for Japan domestically, but Japan has a very large exposure to Southeast Asia, and when Southeast Asia defaults, then that hits the Japanese banks. Then you have the problem of the collapse of the real estate industry, the real estate market in Japan, which means that the mortgages are devalued, and therefore, the banks have additional pressure from that side. Plus, you had already in the last year the beginning of a real depression, because, in the second quarter, industrial production in Japan went down by 3% which, projected to an annual basis, would mean that Japan would have an industrial collapse of 12% in one year.

I furthermore warned that the Southeast Asian crisis was not isolated to Southeast Asia and Japan, but that you had new “Mexico crises” in eastern Europe, in the Czech Republic

(another IMF “model case”), Slovenia, Poland, Hungary, but that also, new such crises would happen in Latin America, especially Brazil. And most dangerous of all, Russia, where the state is bankrupt. You will see, in the next period, a huge banking crisis, because the Russian state is bankrupt, the banks are bankrupt, and this will become very, very ugly.

But, this is all peanuts, because the real problem is the derivatives bubble of \$100 trillion coming due in the next months. And, this all has to be seen as one problem. It’s not a problem in Asia, and a problem in Europe, and a problem with the derivatives. But it is what one of the directors of the Swiss central bank, Dr. Gehrig, called (and I like this word in German) the *Klumpenrisiko*. It means an integrated risk, because all these different market segments are interrelated, and once you have a collapse in one market segment, it immediately jumps to others, and they are all interlinked.

So, the danger, therefore, is two things. On the one side, a chain-reaction collapse. Or—and maybe both at the same time—hyperinflation, Weimar-style. And, I told people in Beijing that all of this would become apparent in October. I also told people that this would set the environment for the coming summit between President Clinton and President Jiang Zemin in October. And I said: “Please do not concentrate only on the bilateral agenda, as important as it may be for your country; but I predict that the financial disintegration represents the most important security threat, both to the United States and to China, and therefore, the two countries have to collaborate.” If China and the United States do not work together to solve this, the world does not have a chance, because they have the same enemy, the British Empire in its present form, the British Commonwealth and the City of London, and together, they have to be strong enough to defeat this monster, which controls large parts of the world’s strategic raw materials, food cartels, and so forth. I predicted that if these two countries would not work together, there would be a collapse like there was in the fourteenth century.

I can assure you that the response of these Chinese leading institutions was extremely attentive, and it was much more serious than last year, or in 1996, when I went to Beijing in May, to participate in the conference on the Eurasian Land-Bridge, where people also responded with great interest, and were very open, and so forth. But, it had not occurred to them that China would be affected by this. And this was completely different now, because Soros’s attacks on Hong Kong had started, and people realize that this is starting to hit China directly. However, *nobody*, I can assure you, nobody thought that this would become a really serious problem. Maybe a nuisance, maybe something one had to guard against, one had to be alert against, but not at all that it would be of such a dimension.

A typical response was, “Well, what you are saying is very bold. After all, you are predicting the collapse of the financial system. This is very courageous. But if you are right, then you have done a great service to mankind, to warn China

of this danger.” So, people took it with interest, favorably, but I don’t think they really completely believed it. However, it was put on the record, that that was our assessment.

People at that point still had a very positive perspective. Because when I was in Beijing in September, the 15th Party Congress was also going on, at which President Jiang Zemin made a very, very optimistic speech about the future of China. Based on the enormous success of the economic reform in China, he outlined the fact that between 1990 and 1994, there was an average growth rate in China of 12.9%, and in eastern China, even 15.5%. And, an enormous success since the beginning of the Deng reforms. So, Jiang Zemin laid out the perspective of doubling the GNP as it would be by the year 2000, between the year 2000 and 2010, which is quite enormous: within 10 years, an increased GNP to double that.

Jiang Zemin said that this would be the policy of China, so that people could enjoy an even more comfortable life. He also announced that by the middle of the next century, China’s modernization program would be accomplished, and, by and large, China will have become a prosperous and culturally advanced country. It was the Chinese perspective to overcome the underdevelopment of the inner regions, and reach the level of the industrialized countries, to put all of China on the level of the United States and Europe.

It was very clear that President Jiang Zemin’s speech at that point showed that the priority of policy for China, is nation-building: to make life for the citizens better.

The battle heats up

Then, during my stay in September, you remember that something else occurred, namely, that there was the annual conference of the IMF and the World Bank in Hong Kong, where the famous fight between Dr. Mahathir of Malaysia and George Soros started, in which Mahathir correctly accused Soros and the mega-speculators of destroying, within weeks, what Malaysia had tried to build in 40 years. And Mahathir called Soros a criminal. The *Wall Street Journal*, at that point, had articles in Asia and in Europe, claiming that LaRouche and *EIR*’s Soros report² were behind Mahathir’s attack, which may be true, or not be true, but it was clear that the LaRouche issue was in the middle of this fight in Hong Kong in September.

Mahathir’s answer to these accusations was extremely important, because he said that these mega-speculators, like Soros, obviously never knew what it means to run a country. They don’t understand that what these hyenas, these sharks, these criminals are doing, is destroying the life and the happiness and the existence of millions of people, within days.

This was the circumstance of my trip to China in September. And I had warned that by the end of August, the systemic crisis would unfold, and that the fate of the whole world would

depend on the U.S. and China working together to reorganize the financial system. From there, I went to India, also to meet extremely interesting people, especially from the Gandhi period, and then I came back to the United States.

United States caught by surprise

But, what happened when I came back to the United States? Well, something very bad happened, because the United States government was not concerned about this crisis. They were not concerned about this analysis, and in the Congress nobody wanted to discuss it. Nobody in the Congress was interested in what I had to say. And now, these people have created an interagency task force of the kind normally only put together in times of war, and they are running all over the place, sending emissaries to Indonesia, to Malaysia, to Korea. Now, administration officials acknowledge that the scope of the Asia meltdown caught them by surprise.

Well, if a government is not able to prevent harm to their own people, maybe they shouldn’t be the government. The *Washington Post* had an article just two days ago, saying, “The State Department in particular is very sensitive to criticisms that Secretary of State Madeleine Albright has been insufficiently attentive to the potentially wider damage from the economic turmoil.” And then they wrote that her spokesman was quick to say, no, no, Mrs. Albright did pay a lot of attention! She even participated in a conference call on the Asian situation while basting her Thanksgiving turkey! If the image of Madeleine Albright at the ASEAN meeting, singing to the tune of “Don’t Cry for Me, Argentina,” about the little ASEAN Asians, was an insult all by itself, and disgusting; then think about Madeleine Albright basting her turkey and saying, “Oh, yeah. What do we do?” You get the picture.

By the end of October, the crisis hit. Wall Street started to collapse. As of Oct. 27, the crisis was on. And I said “Good Lord!” Because I had predicted that this would happen, and Jiang Zemin came on the 29th, so I was really on the hot seat. But I knew that Lyn’s method was right, so I didn’t take a very great risk.

Then the summit came. President Jiang Zemin came to the United States, and this was a very great success. And it went as far as it did, because the United States and China did establish a strategic partnership, which is, after all, the absolutely necessary condition to reorganize the world situation. And, even though they didn’t make the content public, there were reports that they did discuss the financial crisis.

But the problem is, when you do something in a crisis like this, *real leadership means momentum*. You cannot rest on your laurels, you have to keep going. And this summit was two and half months ago, and the momentum is completely lacking. So, what was supposed to be a whole process of summit consultations, especially to be continued at the APEC summit in November in Vancouver, was completely inadequate, because in Vancouver, you remember, Clinton made this absolutely horrible speech, in which he said that the fi-

2. “The True Story of Soros the Golem,” April 1997.

nancial crisis in Asia is only a “glitch.” I mean, you cannot be that far off. It’s just not permitted.

In the meantime, the reality was, that between October and now, the world was probably at the brink of meltdown conditions five times. The first time on Oct. 27, the second time, after the Hokkaido Takushoku Bank failure, the third time after Yamaichi bankruptcy, the fourth time on Dec. 23, when Rubin intervened in the South Korean crisis, and then on Jan. 9, when Clinton called Suharto on the telephone.

The problem is that in the strategic partnership between the United States and China, the U.S. partner is floundering all over. And, as long as the United States does not stop supporting the IMF, and does not denounce Soros as the enemy of mankind, the world will not get through this crisis alive.

Impact of the crisis in China

On the other side, in China, the view about the seriousness of the financial crisis has been dramatically changed. During a Dec. 9-11 Central Economic Work Conference in Beijing, Executive Vice Premier Zhu Rongji stated, according to press reports at the close of the conference, that the Asian financial crisis was more serious than expected, and that China had not foreseen any such developments in these countries. Then, starting with the Central Financial Work Conference on Nov. 17-19, one high-level conference after the other was held on this issue. And the entire Chinese leadership participated in almost all of these conferences: President Jiang Zemin, Prime Minister Li Peng, Executive Vice Premier Zhu Rongji, and many members of the State Council, the cabinet of China, and the top party leadership. The subject of all of these conferences was the urgent lessons to be drawn from the catastrophes in the Asian countries.

At the November conference, President Jiang Zemin warned that “China is facing new issues, with no foreign example to follow, and should a financial storm be triggered, all of China’s reform and development would be hit, and this would also lead to very serious social difficulties. In the case of such a financial crisis, China should not expect foreign aid, since it would not submit to the imposition of conditionalities.”

Now, in all the recent statements, high government officials are now no longer speaking of an Asian crisis, but they all speak of a global crisis, which would be cause for extreme concern. The Chinese government has formulated 15 measures to guard China against the effects of this crisis, and these include tightening central bank control of a regional administration, establishing a mechanism to deal centrally with bad debt, clean up international hot money, get it out of China and keep it out of China. The demands of the WTO [World Trade Organization] to speed up plans for a free convertibility of China’s currency, the renminbi, will not be met.

But, the *New York Times*, the *Wall Street Journal*, and the *Washington Post* are all gearing up, saying that the speculators say China is next. And, from our overview of various sources, there is right now a regrouping of the hedge funds,

which, after all, control an aggressive capital of well above \$1 trillion, and are positioning themselves to launch new attacks on Japan and China, but especially on China. They say China will have to devalue its currency soon. Because of the collapsing Asian currencies, China will no longer be in a situation to be competitive in respect to its exports. They will lose the exports in the Asian markets, and they will lose foreign investments, and so forth and so on. So, it is war. *Soros has declared war against China.* That is the reality.

Now, how dangerous is this? First of all, the good thing is that the Chinese currency is not convertible, and that has been one of the reasons why China has been relatively insulated against these attacks. Then, the bad debts of the state-owned industries: It would be completely insane to treat these as if they were in the same category as the bad debt of, let’s say, Japan or South Korea, because this was debt which was incurred in the context of the Five Year Plan, and was debt to the government. Therefore, it has the same quality as, let’s say, the debt in the former D.D.R. [East Germany], where the big mistake, when German unification occurred, was that the Western banks took over this debt, which was from a communist system, and they converted it into debt of the German reunified state: \$400 billion, for which the German taxpayers have to pay, at the profit of the banks. So, China should not treat this debt in the same way. The result of this, by the way, is that today unemployment is 50% in eastern Germany.

You have a gigantic effort by the British to force China to open up the markets, to become a member of the WTO, and to open up and capitulate. And I am pretty sure that the Chinese government is on the highest alert, to do everything in their power to prevent this from happening.

I want to show you a couple of graphs and maps to illustrate the problems that China is looking at. Just look at coal, electricity, rail transport (**Figures 1 and 2**). You can see that you have incredible growth rates since 1978. Coal had an increase of 100%; electricity, 300%; rail transport, 100%; cement, 600%; steel, 200%; chemical fertilizers, 220%; plastics, 400%.

Figure 3 shows refrigerators in millions, washing machines, TV sets.

Figures 4 and 5 show that already in 1978, the caloric intake was not deficient. People in the United States, I am told, always say to their children, “You have to eat everything on your plate, because of the starving children in China.” This is actually not true. If you say India or Africa, it may be true, but even in 1978, there was food self-sufficiency in China. But you can see the incredible increase in this period. Cereals up 50%, meat 400%, which is very important, because this is the intake of protein of the population. Concerning meat, the increase is very significant (**Figure 6**). In 1978, you had 25 grams per day, and in 1995, you had 110 grams per day. I think that’s not much less than you have in the United States, or in western Europe.

Figure 7 shows China’s economic regions. As you can

FIGURE 1
Energy and transportation in China
 (index 1980 = 100)

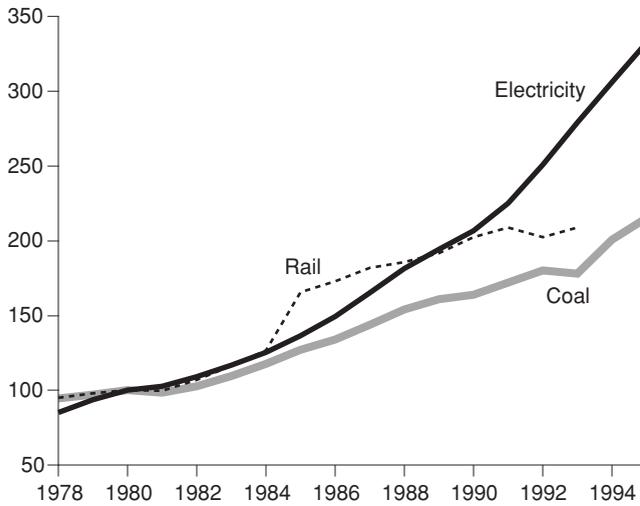


FIGURE 2
Industrial raw materials
 (index 1980 = 100)

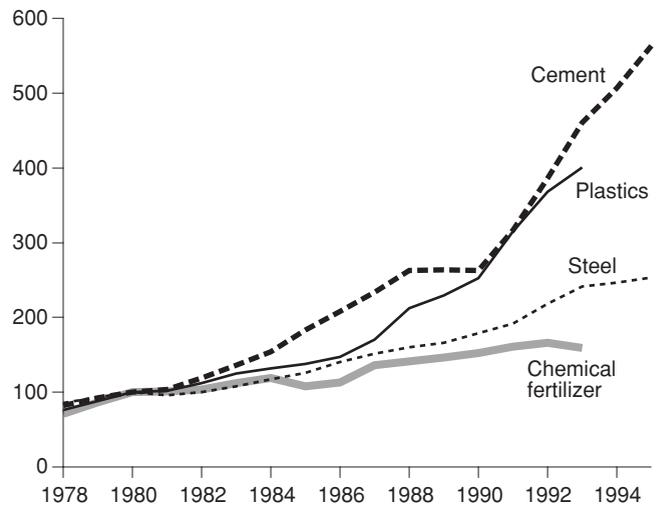


FIGURE 3
Consumer durables production
 (millions of units)

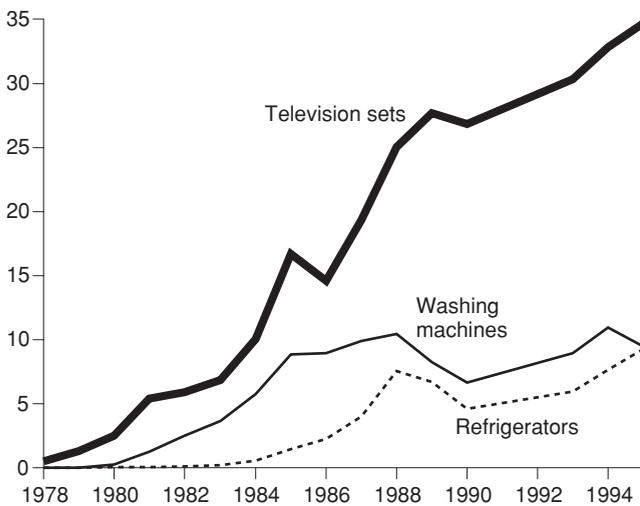
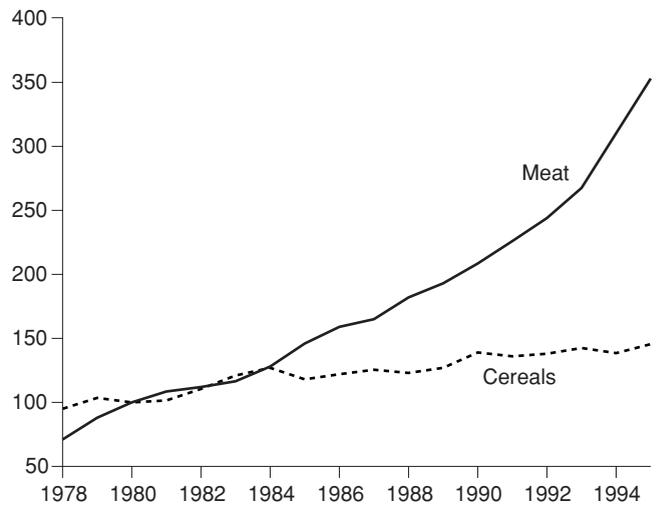


FIGURE 4
Food production
 (index 1980 = 100)



see in **Figure 8**, the GDP in the eastern developed region went up by 15.5%. But even in the western parts, it went up 9.15%.

Figure 9: This is the GDP now, differentiated in the different provinces. You can see that Shanghai is the biggest one, followed by Beijing and Tianjin.

Figure 10: The problem is that the foreign investment in China (these figures are from 1994), went almost entirely into

the eastern region, namely, 86%. In the central region, only 9.5%, and in the western region, 3.7%.

Figure 11: If you look at the different economic regions, you can see that the coastal region is the developed one, and then you have the central region and the western region, which has the least development. This is realized foreign investment in millions of dollars, figures of 1995.

FIGURE 5

Total cereals production

(calories per capita per day)

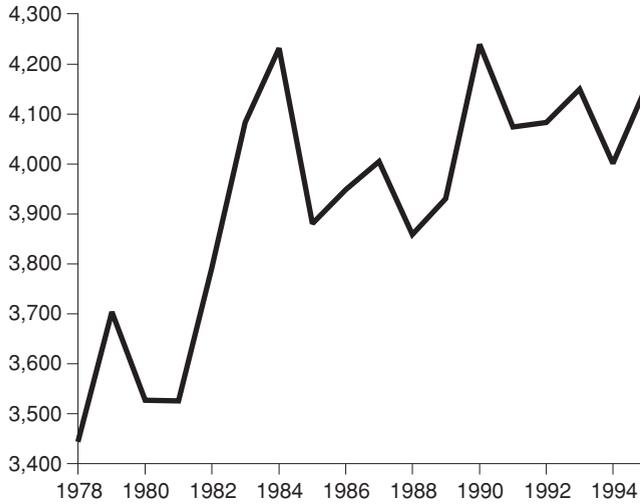


FIGURE 6

Meat consumption

(grams per capita per day)

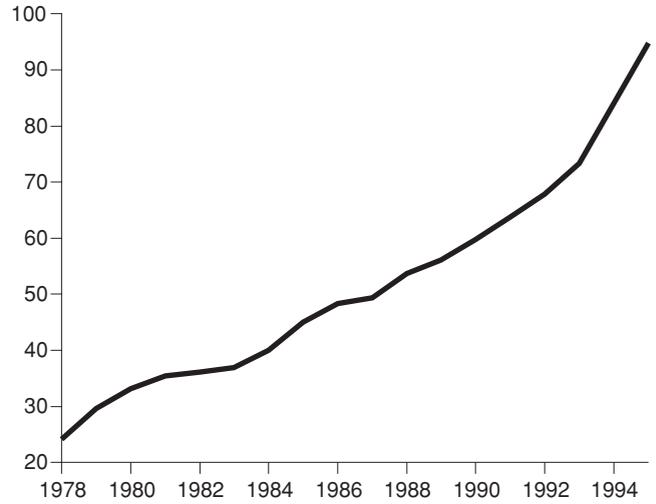


Figure 12: This is foreign trade as a ratio of the GDP in the Chinese provinces. Now, this differentiation and this inequality of development, where you have very developed western and southern parts, and less developed interior parts,

means simply one thing under conditions of this crisis: that the policy laid out by the Chinese government at the May 1996 conference, is more important than ever before, namely, that China now must shift away from being dependent on the

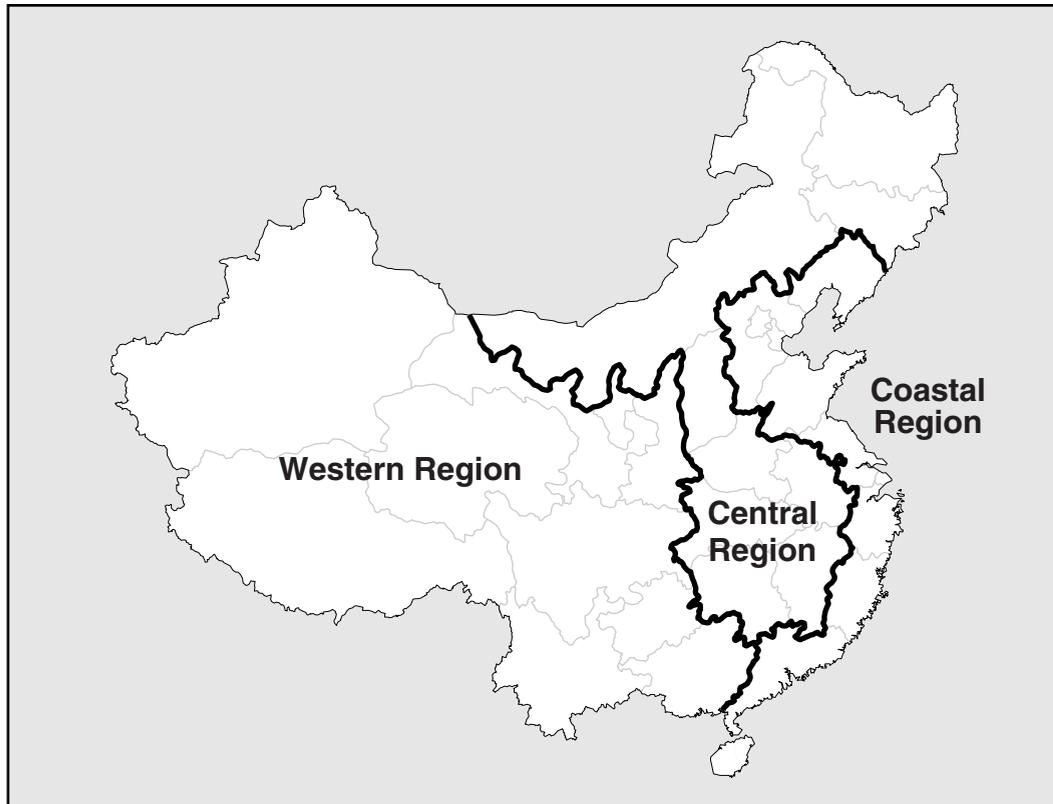


FIGURE 7

China's economic regions

FIGURE 8

Five-year growth of GDP, by region

(yuan per capita)

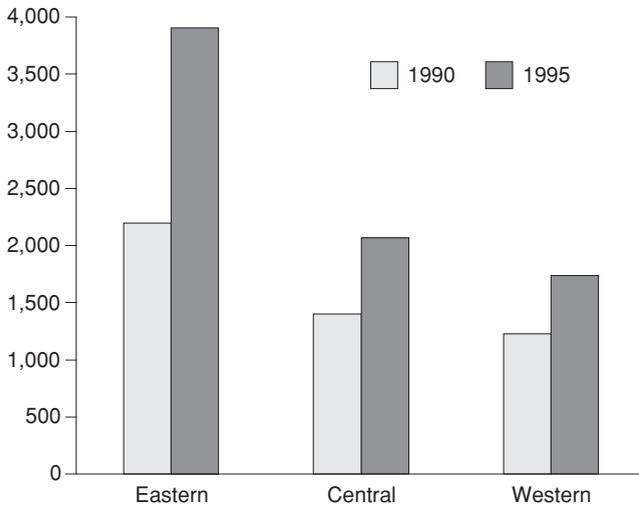


FIGURE 9

Growth of GDP in selected provinces

(yuan per capita)

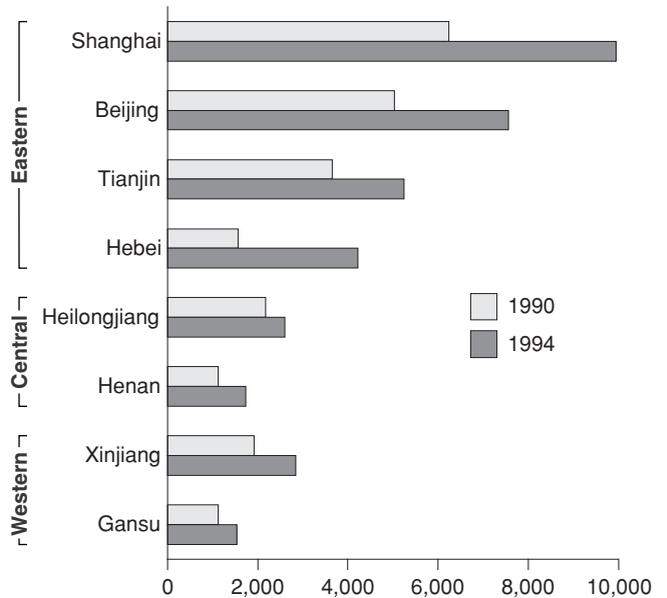
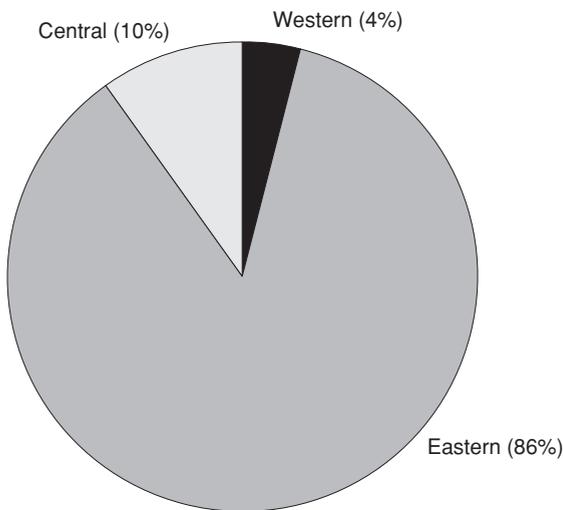


FIGURE 10

Foreign investment in China in 1994



export income from consumer goods, because China, in a condition where the world market is collapsing, cannot count on making its income by short-term consumer goods exports.

Until this crisis is over, China will be hit in this area, there is no question about it, and it has been hit already, because the short-term consumer goods and related exports will go down. It is very obvious that if you look at this map of China, they need capital formation, and to shift from the reliance

upon exporting consumer goods, into infrastructure and related development internally.

And the question is: Will foreign investors invest in China or not? I can only tell you that if you look around the world, China right now is the only safe place for investment. While the world around China is collapsing, stability is exactly the strength of China. Therefore, people should invest into a growing domestic market, not for production from an external market. There must be investment in long-term infrastructure development. This, at the same time, is also the way to deal with unemployment, because every part of China does need infrastructure. And obviously, this is the way to deal with it.

On the question of why should anybody in Europe or in the United States, invest in a domestic Chinese market: People have to shift their thinking, because the incentive, obviously, is not short-term money return, not so-called top gains, but a long-term security relationship with the largest market in the world. For a private business, or for private investors to have a position in the largest market in the world, where the greatest growth potential is (at least until India straightens out and develops a policy to develop all of its population, China will be the largest market), therefore, the key emphasis has to be on machine-tool design. And China needs partners who do have a such a capacity, so that it can develop its own machine-tool-design industry as quickly as possible.

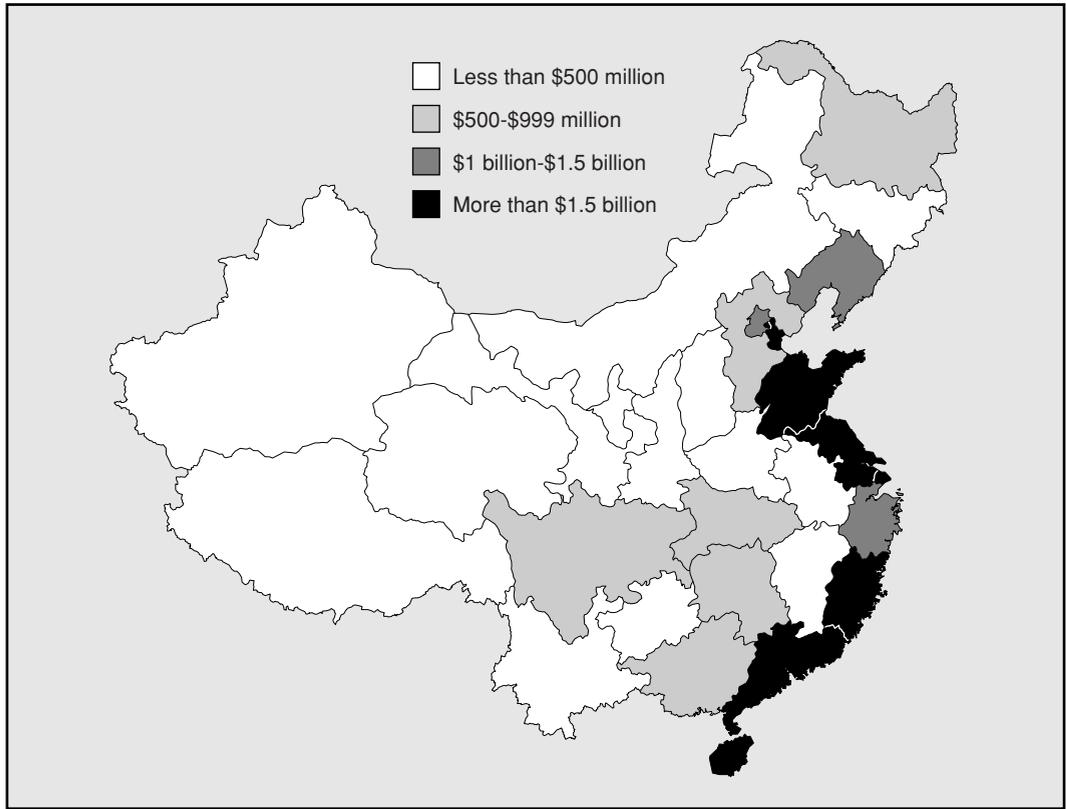


FIGURE 11
Realized foreign investment in China, 1995

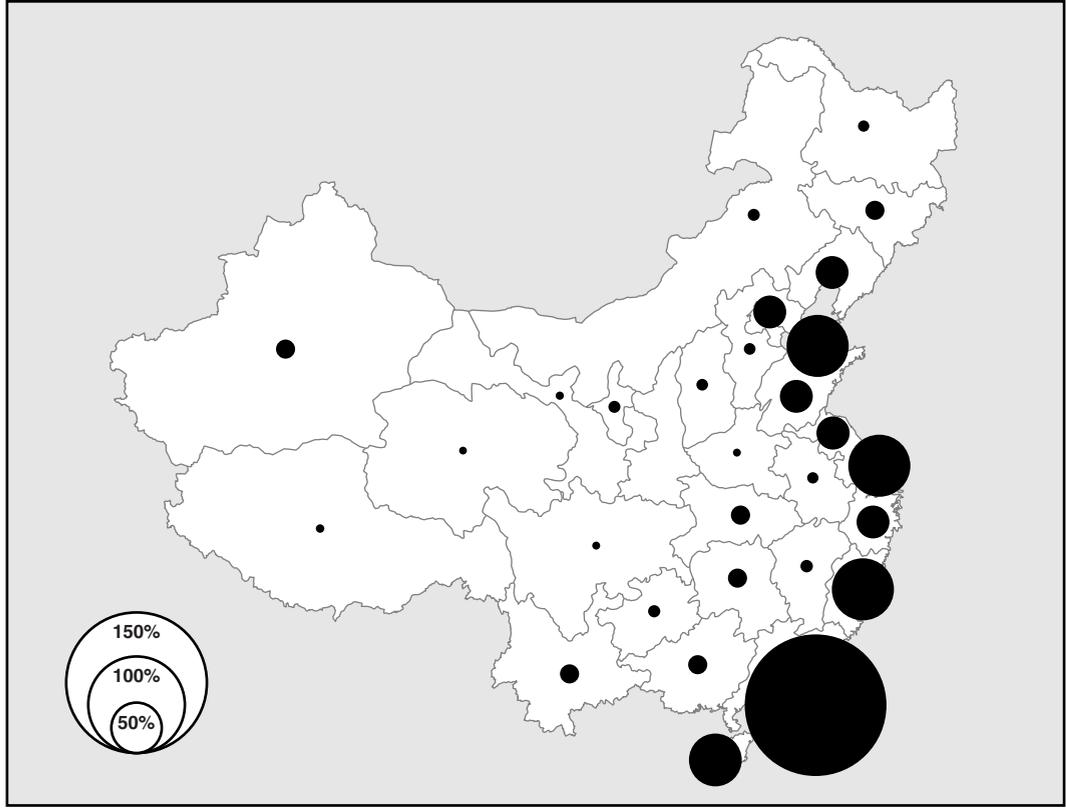


FIGURE 12
Foreign trade as a ratio of GDP in Chinese provinces, 1995

What has to occur in the coming reorganization, therefore, is that governments should adopt a policy of fostering the development of the largest market in the world. And this is not some minor thing, but it is an investment in the future of everybody.

The challenge of Nemesis

Let me introduce another dimension to the discussion of this drama. Because of the paradigm shift of the last 30 years, the introduction of the New Age rock-sex-drug counterculture, the elites were proceeding from the assumption that anything goes, that they can do whatever they please. “We have no accountability to the people. The people are simply the stupefied sheep who will swallow everything we impose on them. We can trample on their lives and happiness, and it doesn’t matter. We are the gods of Olympus, the oligarchy who will decide life and death.”

Well, it turns out that these days, this is an illusion, and that there is such a thing as Nemesis, or what was called Nemesis in the Greek tragedy. What is Nemesis? It is a higher law, which will bring the evil ones to justice. It is what Schiller, in his poem “The Cranes of Ibykus,” calls the Erinyes. Remember, this was the story where the poet Ibykus gets murdered, and there is nobody to help him, so he says to the cranes which fly overhead, “You cranes, you be my avenger.” And eventually, when the poets and everybody else are gathering in the big stadium, including the murderers, and the Erinyes, signifying the gods of revenge, come marching by, they create such enormous emotional tension that the murderers reveal their own guilt, and say, “Oh, these are the cranes of Ibykus! Timotheus, Timotheus!” And naturally, because people loved this poet, they say, “What! Why Ibykus?” And they recognize that these must be the murderers. And the murderers are put on trial.

In Beijing, when I was there in September, it was two weeks after the murder of Princess Di. You remember what an incredible wave of sorrow there was all over the world. Also in China; to my surprise, people did notice and care about this. And at that time, Lyn put out the analysis that the death of Lady Diana would be the beginning of a Pearl Harbor effect of changing the view of the people.

Why? Because Diana—I must admit, I did not pay much attention to her, I just dismissed her as nobility, and I didn’t pay attention. And I was quite surprised to see that the perception of the large masses around the world was different. People looked at her obviously as a beautiful princess, and identified with her, because she showed an incredible compassion for the poor and the disadvantaged. And, when she was killed, all of a sudden, the fairy tale was gone. And people realized: “Hey, we are poor! We have no future, we have no hope.” And they looked at the monarchy, and immediately people said, “Oh, this evil Queen! Maybe they have motives to kill her—this coldhearted, horrible person.” And all of a sudden, the “People’s Princess,” as they called her, was gone, and people realized, especially in England, that they were just the

miserable subjects of the British Empire.

And this had an instantaneous effect, most notably in the Arab world, because people started to suspect: “Hey, wait a second, if Princess Diana was about to marry an Arab, and an Arab, an Egyptian, would be the stepfather of the future King of England, *that* is the motive.” People didn’t have a problem in understanding that.

So, Lyn ordered the special *EIR*, “Will the Windsors Survive the Death of Princess Diana?”³ and he said we have to focus on the French government’s cover-up. The French government, up to the present day, is doing everything to cover this up.

But Nemesis does exist.

In Greek tragedy, Nemesis is the goddess of justice. It’s the higher law of retaliation, which is efficient in history. It’s a moral power, which has to do with natural law. It does not act always immediately, so that every concrete crime is immediately followed by a concrete punishment. Its functioning has some aspects of twilight, of eeriness, and it does not seem to respond for a long time. But then, when challenged in a certain way, it comes down with a vengeance. Nemesis in Greek tragedy, or in Schiller’s tragedy, hints, in an eerie way, at the reality that *there is a divine plan for the world, which is outside and above the evil intrigue and malign designs of criminal minds*. It is that force which ruthlessly limits any arrogance of self-deification of the self-proclaimed gods of Olympus.

British harbor terrorism

I’m convinced, as was Lyn in September, that the murder of Princess Diana was such a challenge of Nemesis, that by the British oligarchy slaughtering, murdering Princess Diana, they triggered something, which brought the long history of British crimes to the barrier, to flood over.

Several things came together.

One year ago, in January 1997, a Conservative member of the British House of Commons called Nigel Waterson introduced in the House of Commons, the so-called Conspiracy and Incitement Bill, which would have banned individuals from residing in Great Britain who plot and carry out terrorist actions abroad. The bill was proposed in the aftermath of the scandal over the British giving a safe haven to the Saudi terrorist Mohammed al-Masari, who openly bragged about the bombing of the U.S. military sites in Saudi Arabia in June 1996.

This bill didn’t go anywhere, because it didn’t get enough votes. But, in the committee which threw out the bill, Labour MP George Galloway, a close collaborator of Lord Avebury, who is the top terrorist controller in the House of Lords, made the following very remarkable speech. He said, “The bill will change political asylum in this country in a profound and dangerous way. It will change the state of affairs that has

3. *EIR*, Sept. 12, 1997.

FIGURE 13



A nineteenth-century French cartoon shows an Englishman roasting his beef over the charred ruins of Europe.

existed since Napoleon's time. . . . We are all in favor of controlling terrorism in Great Britain. Surely, not a single honorable member has any truck with terrorism here, but we are talking about terrorism in other countries, and what is defined as terrorism by foreign dictatorships, where there is no democratic process. . . . Inevitably, in conditions of extreme repression, the leadership of such movements will gravitate towards countries such as ours, where freedom and liberty prevail. The bill will criminalize such people, even though they have not broken any law in Great Britain. . . . I repeat the cliché, which is a cliché only because it is so obviously true, that one man's terrorist is another man's freedom fighter."

Galloway lied, because this is British policy, not only since the time of Napoleon, but for centuries: British policy has been to deploy terrorists to destabilize countries, and to overthrow their governments. The most infamous representative of this policy, as you know, was Lord Palmerston, the British prime minister who was behind the 1848 revolutions against France, Austria, and the Ottoman and Russian empires.

Figure 13: This is an Englishman roasting his beef over the destruction of the European continent. This was a cartoon in a French paper at the time. At that time, King Leopold of Belgium, the uncle of Queen Victoria, said about the policy of Palmerston that, "In England, a sort of menagerie of Kosuth [and other representatives of the Young Europe move-

ment] are kept, to be let loose occasionally on the continent, to render its quiet and prosperity impossible."

Then French diplomat DeBussy declared at the same time, "There wasn't a revolt started in England, nor a conspiracy hatched, without the audacious and criminal complicity of British agents."

Over the course of 1997, more and more articles appeared in the Arabic press, reflecting the *EIR* coverage, that Great Britain is harboring terrorism. Then came the assassination of Princess Diana on Aug. 31, and there was a profound impact. And all of a sudden, the ugly face of the British monarchy was revealed. So, you had the coverage, "Britain is harboring terrorism," the murder of Princess Diana. And then came the terrorist attack in Luxor, in which 62 people were killed.

And then, something very, very important occurred, which is that Egyptian President Mubarak made the historic accusation that the terrorists responsible are living in Great Britain, Afghanistan, and other countries, where they are being financed. And Egyptian diplomats have requested that they be deported and extradited to Egypt to face trial. Since 1992, there have been 25 such terrorist attacks in Egypt, killing 92 people altogether. And now, the Egyptian government is saying Great Britain is responsible. *Al-Ahram*, on Dec. 15, had an article saying that the Egyptian government may take the British government to the International Court at The Hague for harboring terrorism. And just yesterday, *Al-Ahram* had a long analysis written by one of our members.

In the meantime, this has spread. The Organization of Islamic Countries' conference in Teheran had a discussion about this fact, and passed a resolution that Great Britain is harboring terrorism, which was discussed and signed by 56 states. The Arab League meeting in Tunis, at the beginning of January, also adopted unanimously the Egyptian resolution denouncing this harboring of terrorism, and 20 more states joined this. It is most interesting that in Teheran, the resolution against British harboring of terrorism was introduced by none other than Dr. Mahathir of Malaysia, who made the connection between using terrorism and the use of economic fire to destroy Islamic states and economies.

The truth is coming out.

The whole point I'm making, is that this is leading to tremendous changes in the region. For example, Egypt is no longer claiming that Sudan is behind the 1995 murder attempt against President Mubarak, and they also say that similar such false accusations against Iran should be withdrawn. Mubarak is now moving to try to cool the conflict with the southern Sudanese rebels, and is fighting for Sudan's unity. The Islamic state parliamentarians met in Luxor, and again there they discussed the British being responsible.

Now, you have to imagine that 60 or 70 countries are waking up to the true goal of the British Empire. *The problem is, this is not yet discussed in the United States.* So the U.S. government, in a question by *EIR* to the State Department at a regular press briefing with their spokesman, James Foley, got the following answer. He said, "I really think it's a prepos-

terous assumption on your part. We have a thoroughgoing and very productive security and terrorism dialogue with Great Britain.”

This is the British special relationship in action, and this must be reversed. If this is not reversed, there is no hope for civilization. And I was absolutely dismayed when I heard that Blair was coming to Camp David for a three-day working session, where you have Clinton, Gore, Blair, and they also invited [AFL-CIO President John] Sweeney. The whole reason that they dumped Major and put in Blair, is because they figured they needed a new packaging, so that they could re-establish the “special relationship” between the United States and Great Britain, which had suffered a lot, because President Clinton, fortunately, has a very good understanding about the evil nature of the British. But they figured that if they put out this new package, with Blair, then this is a way of tricking the U.S. So we should be on top alert, because this is extremely dangerous.

However, Mr. Galloway, the infamous member of the House of Commons, I think is the Timotheus of present history, because he put on the record again, that Britain is itself admitting that they harbor terrorists acting against other countries.

Another element of truth which is coming out, is that the Algerian government itself is behind the massacres there. And there were articles even in the German press, saying, isn't it a miracle that these so-called Islamic fundamentalists who kill all these people, *never* attacked the oil fields? Yet, if they wanted to bring down the government, wouldn't they destroy these first? So, we know that the Algerian government is completely backed by Paris and London in this.

This is the strategic reality. Because only if the United States and China understand that they have only one common enemy, the British Empire, is there any hope. And one of the areas which is extremely dangerous, and I just want to highlight it, is that there is a new effort by the British to repeat the Great Game in Central Asia, in the region of the Caspian Sea, because there are very large natural gas and oil reserves there. As a matter of fact, it's suspected that 15% of world oil reserves and 50% of world natural gas reserves, are located there. And the problem is that after the disintegration of the Soviet Union, there is a very unclear legal situation in this region. So, the British are predicting that in 1998, the fight for Caspian oil will be the next flashpoint, even leading to larger wars. So, we should just remember, that that is exactly what British Petroleum and Shell, and others, are doing in Nigeria, and what other multinationals are doing in the Great Lakes region of Africa.

The enemy is the British oligarchy

We have to understand one thing: What we see right now from the British, is not new. There have been no new features in British policy for 400 years! They know the system is coming down, and they are the first ones to take down their own riches, if they can hope to control the situation after-

wards. Soros triggered the crisis in Southeast Asia. These countries were vulnerable, because, as Mr. LaRouche warned, their economies were not based on sound economic principles. But, [the British] will lose money in this context. They will take down things, but they don't care.

When will people finally wake up, and understand what a monster the British Empire is, in its totality? Given the fact that we have people here from many countries, I would like to point, once again, to the nature of the British, because if people don't understand that the British are the enemy, there is no hope. And once again, the British have forced a war upon us, so we had better look closely at what kind of an enemy we are dealing with.

The British policy today, has to be understood in the context of the last 400 years. And the only reason why they succeeded again and again, was because of the incredible blindness and stupidity of others. The first thing one has to understand about British policy, is that they always will try to hide and cover up the true direction of their policy. They will never say what they're up to. As a matter of fact, the infamous Disraeli said, “Our influence can be made the strongest when its driving force is not recognized.”

Such sophistication, however, did not exist in earlier times. In the time of Drake, England regarded piracy as its very own domain. Remember that the British Empire started to become the empire, by simply robbing foreign ships, burning them, killing their crews. And in 1587, Drake destroyed, in Spain alone, 150 Spanish ships in large depots in Cadiz. When Philip of Spain tried to punish the British pirates, England didn't say that piracy was the issue, but posed as the defender of the Protestant faith. Drake's famous sailing around the world, was just one huge piracy, and he came back with a tremendous amount of loot.

The problem is, Drake is still regarded as a hero in Great Britain today, and British policy has remained the same. In 1651, Cromwell implemented the famous Navigation Act, forbidding foreign ships from bringing goods into England or out of England. This was a death blow, at that point, against the Dutch sea trade. And then, Cromwell demanded that all other ships had to lower their flags in greeting the passing English ships, which was a sign of the recognition of English sea domination already 350 years ago.

Cromwell also demanded the right to search all commercial ships of neutral countries in times of war, and used that as a pretext to confiscate them. When the Dutch Admiral Trompe refused to greet the British flag in this way, Cromwell ordered the attack on the Dutch fleet, and this war against the Netherlands continued until 1674.

England always saw itself as the police of the ocean, with the right to impose the “Pax Britannica” on the world. But also, one should be extremely attentive to the British policy of alliances and friendship treaties over the centuries, which always had only one purpose: to consolidate the British Empire. *Remember that still in 1940, Great Britain had 611 colonies, dominions, protectorates, and mandates. At the begin-*

ning of World War II, England controlled 35 million kilometers, which was 119 times the size of its own territorial extension, seven times as large as the Roman Empire, and twice as large as the Russian Empire. The policy of alliances essentially was to let others bleed for yourself. And if one looks back at the various treaties England signed, it was always to the disadvantage of these partners. Remember the Methuen Treaty in 1703, which ruined Portugal; the Asiento Treaty in the Peace of Utrecht between England and Spain, in which England reserved the right to bring a certain number of African slaves into the Spanish colonies every year.

When others made a breakthrough, or developed something, England always moved fast to steal it, as in the case of the Suez Canal. When the architect and inventor of the Suez Canal, Lesseps, in 1855 came to London to find capital for his Canal Society, Palmerston declared the project to be a swindle and a concoction, and against British interests. But after the Suez Canal was opened in 1869, the British view changed very quickly. When Ismael Khedire of Egypt got into financial difficulties, England grabbed 177,000 shares of the Suez Canal. And when there was unrest against Ismael, England sent its fleet to restore order. In 1882, the English Navy sent soldiers, and 15,000 infantrymen under Admiral Hoskins occupied the Suez Canal, occupied the buildings of Lesseps' society, and blocked international sea traffic. When this traffic was reopened, the canal, and Egypt, were English.

Hashimoto of Japan just gave an interview to *The Sun*, in which he praised the English talent which has produced so many things. The reality is: England, the British Empire, have discovered nothing. They are the most untalented people in the whole world. They only have made careers as pirates and such things, and unfortunately, they were able to use other people. If you look at the crimes of the British in Africa, where, for example, in 1873, in the horrible war against the Ashantis, a highly cultured people who had the misfortune to live in an area on the West Coast of Africa, which was very rich in gold mines, the British succeeded, with the help of tribes, in carrying out one of the worst massacres, exactly what they are doing today.

The British policy of alliances is an endless history of making others bleed for yourself. Over 400 years, they have moved without scruples, and if somebody did not want to make an alliance with them, they were attacked mercilessly. In 1801, the English fleet arrived in Copenhagen, and wanted to force Denmark to make an alliance with England, at which point they destroyed all the Danish ships. In 1807, there was an even more brutal attack: They bombarded Copenhagen, captured the Danish fleet, and Denmark was forced to hand over to them 650 ships. Immediately, the Danish trade with Southeast Asia was destroyed.

If you look at the long list of British crimes, and then reflect upon the fact of how little they are discussed today: That, alone, is an absolutely unbelievable thing. Obviously, the Nazis did what they did. But what a gigantic discussion about the crimes of the Nazis! And, I'm telling you, the crimes

of the British over 400 years, go very, very much beyond that, and the world will not recover, if this is not made clear.

Ideological underpinnings of the British system

If one wants to understand the British, one has to look at Thomas Hobbes's 1651 work, *Leviathan*, which is practically the constitutional document of the British oligarchy, in which he says that the natural condition of man is each against everyone. Therefore, the only way to guarantee the security of your own life, is to transfer absolute power to the state, and only the state makes a difference between good and bad, where what the state blesses is good.

That means a *carte blanche* for absolute tyranny. There is no God, there is no man in the image of God. And, obviously, the policy is just what the oligarchs want.

It should be noted that I'm not talking about the English people. Many authors in the history of England themselves, including a person called Wyndham Lewis, who himself was an old landed nobility representative, have pointed to the fact that in the Opium Wars (**Figure 14**), the English people had no idea of what this was all about, nor in the Kaffir Wars from 1780 to 1870, nor in the wars in the northwest border of India, nor in the horrendous slaughtering of Spanish men and women in Bajados; these had no significance for the average Englishman, who in politics, especially in world politics, is as ignorant as a newborn baby, he said. The entire policy of looting is only for a very small class of the nobility, and, despite all the talk about democracy, the English subject has nothing to say about all of this.

FIGURE 14



Britain's Opium Wars against China.

Democracy is one of the other sacred cows of the British fraud, and it does not exist! It does not exist in Europe, it does not exist almost anywhere else. Because, if you look, for example, now in Germany, where four economic scientists have started to attack Maastricht, and they've instituted a constitutional lawsuit to prevent the euro — after all, one of these economists is the one who invited Lyn a couple of years ago to address the university in Hamburg — there was an absolute freakout, and these economists were attacked as “the gang of four,” and similar things. So, democracy does not exist.

One has to really understand that the two sacred cows, democracy and the free market economy, are hoaxes of the British Empire.

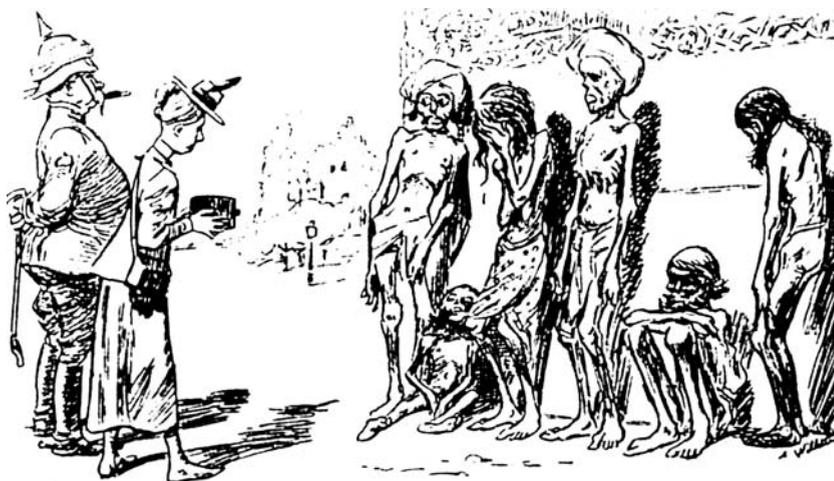
The origins of the free market economy go back to Hume, who wrote the *Treatise on Trade* in 1691, and his pupil, Adam Smith, said nothing that Cromwell had not already decreed in his Navigation Act, namely, the domination by England of world trade, to which Friedrich List answered in 1840, “There was never a more sophisticated reasoning getting into the light, covered with the label of a great cosmopolitan idea, the freedom of world trade, behind which there was a greater selfishness, and which was used, and still is being used to fool nations, in order to achieve for one of them the largest of all existing and imaginable monopolies: a world manufacturing and trade monopoly, at the cost of civilization, of prosperity, of independence, and of the power of other nations.”

And remember Dr. Sun Yat-sen, who compared the British policy with sucking the blood of the allies until they are dead, like a silkworm, and then throwing them away.

And there are many quotes of the German poet Heinrich Heine, which I don't want to read to you now, but you'll soon be able to read them, because I'm writing an article about it. The funny thing is that most of these juicy quotes are eliminated in present-day editions of Heine's works.

Then, remember, there was the evil Malthus, who had the ridiculous theory that food is increasing only in an arithmetic fashion, and people are increasing in geometrical progression, and therefore, you need population control, which obviously is a complete joke. But Malthus was an employee of the East India Company, which, after all, subjugated Surat in 1612. Here you can see the English tourists looking at the poor in India (**Figure 15**), 1639, Madras; 1631, Bombay; 1690,

FIGURE 15



Aristocratic English tourists find India's poor quite picturesque.

FIGURE 16



A nineteenth-century cartoon about the policy of the East India Company shows British hunters using Indian babies as bait for the crocodile hunt.

Calcutta. And this is another cartoon (**Figure 16**) showing that the British, when they were shooting crocodiles, would chain Indian babies to the trees as bait. That is a cartoon from the nineteenth century about the policy of the East India Company. And that was the British government.

Now, in July 1919, the Malthusian League, in their annual conference in London, put pressure on the League of Nations to force the member states to implement a birth quota which, at that point, was rejected. But, as you remember, it was the subject of the Cairo Conference a couple of years ago, and it is the British policy today.

One has to understand that nothing essential has changed concerning British policy, since Drake and Cromwell. And therefore, when we are talking about why Britain is harboring

FIGURE 17



Ultra-imperialist Cecil Rhodes astride a mountain of corpses.

terrorism, this is what has to be put on the table. *I think that unless the totality of the entire crimes of the British Empire for the last 400 years, become the basic knowledge of everybody around the world, the world will not be cured of this evil.* Even Bismarck, who is not a great friend of mine, wrote in 1857, “To threaten foreign states with revolutions: that is, since rather a great number of years, the business of England.” And there is the famous manifesto of Pitt the Younger, which said: We are completely justified to hype up all peoples and tribes in order to suppress the epidemic-like spread of opinions which would destroy mankind.

And, what they meant by that, obviously, was ideas of republicanism and human rights.

Figure 17: There is a caricature at the time of the war against the Boers, which shows Cecil Rhodes, who stands alone on the top of smoking ruins and corpses, a diamond king in the midst of destruction. And, I want you to remember this picture, because this symbolizes, and is characteristic of, British policy. An empire built on corpses. And, even when they are dead, England wants to continue for a while to live on its cadavers. And even if its plans were to succeed, in the end, it would have to die, like everybody else.

If people don’t get that, about the British being the enemy, there is no hope. Because when Lyn said a while ago that what we are experiencing right now, is the end of an epoch, where 500 years of the battle between the Venetian oligarchical model versus the nation-state is coming to a conclusion, it will only be possible to resolve this positively, if the oligarchy goes. And this is only possible if people stop being stupid about these issues. *The world is thrown into the biggest crisis in history, and people have to understand who is responsible. We are in a war, and if you are attacked, and you don’t understand who your enemy is, you are finished. And the British are the enemy.*

Time to face reality

Therefore, when you discuss this in the coming days, and you find your neighbors and the people you are talking to are saying, “Oh, the British are our oldest and dearest ally,” what are they really saying? “I don’t believe in conspiracy theories. I follow the TV, I read the papers, I know what’s going on.” Well, if not enough people in the U.S. remember that the United States made a revolution against the British, then there is no hope that the United States will stop supporting the IMF and the British. Remember the War of Independence and the history of the United States: Everything which ever was great about the United States was anti-British. Therefore, it is a complete piece of treason to support the IMF and Soros, because they are nothing other than Adam Smith, and the very theories against which the American Revolution was made.

In the next two, three, four months, the world will go into incredible turmoil, and we will have to change the axioms of the population. Not with empty labels like “democracy,” but into real republican state citizens. Not the swindle of free market economy, in which the taxpayers pay for the losses of the speculators, who cashed in gigantic profits for years. The banks in Japan are now in the process of self-determining the value of real estate, in order to meet the criteria of the Bank for International Settlements. It’s as if you go to your bank, and you say, “I own a house that’s worth \$100,000, and I just revalued it to be \$1 million, so give me a credit on that basis.” Now, if the Japanese banks can do that, I think you can do it, too, and I think a lot of people’s problems would disappear.

The swindle of the free market, therefore, should be popped, because, as you see, it’s not so free. *Physical economy must be measured in terms of the cognitive powers of the individual, in terms of the increase of man’s power over nature, as the basis for society to survive. And that has to be established.* We have to have the end of supranational institutions, like the IMF, the UN, the WTO, institutions which, with one stroke of the pen, destroy the life of millions of people. We have to re-establish the nation-state, in which the elected officials are accountable.

So, when the old order of society is going under, and the question arises, “What will be the design of the future? What will be the order of the family of nations?,” then those big questions of humanity, which always posed themselves whenever such a qualitative change in history occurred, reappear. And therefore, today, more than ever, the challenge which was posed in 1787 by Alexander Hamilton, the first Secretary of the Treasury in America, in the famous *Federalist Papers*, which is the exact opposite of the *Leviathan* of the British—he asked for the United States the question that will

be the question for the international community for the next months, but especially for the United States. Alexander Hamilton wrote: "It has been frequently remarked that it seems to have been reserved to the people of this country by their conduct and example to decide the important question whether societies of men are really capable or not of establishing good government from reflection and choice, or whether they are forever destined to depend, for their political constitutions, on accident and force. If there be any truth in the remark, the crisis at which we are arrived may with propriety be regarded as the period when that decision is to be made; and a wrong election of the part we shall act may in this view deserve to be considered as a general misfortune of mankind. . . . Happy will it be if our choice should be directed by a judicious estimate of our true interests, unperplexed and unbiassed by considerations not connected with the public good."

Now, that will be a most urgent question in the period ahead: whether human society is capable, through reflection and free decision, to give themselves a good form of government, or whether they will be subjected forever to accident and force.

Lyn said something a while ago, many years ago, which had a very lasting impression on me: that in times of crises, people resort to, not what comes in the instant of the moment, but to what they have accumulated inside themselves, long before the crisis. And the same is not only true for individuals, it's true for people. How, from that standpoint, does the potential of the different nations and cultures to get out of this crisis look?

China's cultural strength

I'm making the proposition that China is actually in a very good position to survive this. Jiang Zemin, at the 15th Party Congress in September, made the very proud remark that China has a culture with a glorious history, and it will use this history to make a necessary contribution for the development of human civilization. Now, Jiang Zemin, who is known for his love of literature, and quotes philosophers of the Tang and Song dynasties in his political speeches all the time, who recites Shakespeare, Shelley, Lincoln, and Pushkin, who likes Mozart and Beethoven, considers Chinese and Western culture the common spiritual wealth of mankind. And, in the speech he gave at Harvard University in October, he said, "China has a history of 5,000 years. It is therefore important to approach China from an historical and cultural perspective. It's important to draw widely upon other strong points to improve yourself. For over 2,000 years, Chinese doctrine was that loving people and treating your neighbors kindly, are extremely valuable for a country."

The fact that China has a culture of 5,000 years and is one of the creators of mankind, is extremely important for the identity of this people today. China already in the fourth century B.C., had a Classical period, which was at the same time as the Greek Classical period. China today, starting with the Deng reforms, especially in the last years, went much more

back to the historical roots than unfortunately one can say that about the Western countries going back to Platonic Christianity. After the interval of the Cultural Revolution, which is completely rejected today as an interval of chaos, China is consciously going back now to its 2,500-year tradition of Confucianism.

To understand the present-day longing of China for harmony, one has to look at the role Confucius played in this, and one has to understand that Confucius gave, with his teaching himself, the answer to 500 years of war, chaos, intrigues, and barbarism, in the Spring and Autumn period, which lasted from 770 to 475 B.C.

Confucius lived in a period of the greatest unrest, when the House of Chu fell into the hands of the princes of the different states. And therefore Confucius's goal was to rebuild society out of chaos, because, in his view, society had lost the right way, *wu dao*. So the first step therefore, in his view, had to be to bring the notions back to their correct meaning. But the most important notion of Confucian philosophy is *ren*, which means love, and *agapē*. Confucius said, "My teaching has an all-encompassing principle, *ren* and its realization." *Ren*, the idea of perfecting yourself so that you can develop the others better, to never do something to the other that you don't want for yourself; *ren* is something purely subjective, a kind of inner self-development. It has its source in itself. And, he says its realization is very easy: The moment you decide to have *ren*, it is there. The moment you decide to practice love, you can do it.

Society must further *ren*. Human beings, says Confucius, need *ren* more urgently than water and fire. It should play as big a role with the governing as with the governed. If the governing practice *ren*, it inspires the people.

The second most important notion for Confucius, is *li*, which means finding your place in society. It is equivalent to Nicolaus of Cusa's notion of the microcosm, that there can only be concordance in society if everybody develops his or her potential in the absolute best way. *Li* also means that there must be no break between the past and the present. *Li* is simply the expression of a cultivated humanity. If you follow *li*, you become a *junzi*, a noble person. You become your own polar star, a shining example whom all others follow like a satellite. If you realize in this way the law of heaven in yourself, you need neither force of laws, nor the power of the army, because everything develops by itself in the right way.

Confucius also developed a method of learning and teaching. One develops new knowledge by rethinking the old. Never cling to your opinions, never be prejudiced, never think you are infallible. Learn from your predecessors. Only if you walk in their footsteps, can you hope to achieve progress. You cannot enter the house of the master, if you don't follow in his footsteps. Confucius put great emphasis on the fact that his pupils should find solutions to problems through their own reflection. He said, "Always think of the three other possibilities." That was one of his principles. Confucius was the first one to have the idea of the great learning, lifelong

learning, the *da xue*, disregarding social status. As a matter of fact, Confucius insisted that the status of people in society should not depend on their birth or family, but on the degree of their moral perfection. The more moral a person is, the higher his status in society should be. The person who has reached the highest degree of moral perfection is *sheng ren*, a person who is under the rule of the mandate of heaven.

One day, one of Confucius's pupils, Zi Lu, asked him, what is the meaning of governing? And Confucius answered: "To walk ahead of people, to be a shining example for them, and inspire them through your moral excellence." In the famous *Lun Yu*, the Analects of Confucius, the connection between *li* and *yue* of music is explained repeatedly. *Li*, the rights, give strength to man, and *yue* make him perfect. And he gives different examples of how music is a reflection of the condition of the state. If you apply Confucian principles to America—well, the fact that Vice President Gore just had a poll conducted about who is everybody's favorite "Spice Girl," is unfortunately not a very good reflection.

Remember that it was the influence of Mencius, who lived from 390 to 305 B.C., a contemporary of Aristotle, which was the reason that Confucianism became the state philosophy in the Han Dynasty, and remained so until 1911. Mencius attacked the rulers of his time very harshly, for they had no concern for the well-being of the people. And he even accused them of having destroyed the old texts, out of fear that people would orient towards them. Mencius developed an entire program for a humanist form of government, which had to be built on the consensus of the governed, without which unity of the state was unthinkable.

Now, I can assure you that the U.S. government, the Bonn government, the Paris or Rome government, don't care about the consensus of the people. They think of the best way in which they can hide truth from the people.

Mencius also wanted the right of resistance against bad government. And he said, "You have to live according to your inner moral laws. I love life, but there are things more important than that." Mencius was convinced that the Confucian ideas would be realized very soon, because man's nature is essentially good, and therefore it would be possible to establish a political order and cohesion with the goodness of man's nature. For him, every man had the potential to reach the highest moral completeness. He said, "The ten thousand essences of

FIGURE 18



"A Monk with a Bag," by Liang Kai, Song dynasty.

all things are in us completely." That is the concept of the monads of Leibniz. "Therefore, let us follow our inner nature and be truthful. There is no bigger joy. There is a coincidence between the inner and the outer world, between heaven and man, between the laws of morality and the laws of the universe."

The teachings of Confucius and Mencius from the Han period belong to the basic teaching of every bureaucrat and official of government in China. Even if these teachings got new interpretations throughout the centuries, they are important for understanding China today, because, with the Deng reforms, China is going back to what Jiang calls "Socialism with Chinese characteristics." And when you look at these characteristics, you see exactly that this is the Confucian philosophy.

The Song dynasty brought about an important renaissance of these ideas. It was the philosopher Zhu Xi, who touched in many ways on the philosophy of Nicolaus of Cusa, and Leibniz. But it is important to understand, and I was very moved

yesterday by the remarks of [baritone] George Shirley, when he pointed to the fact that culture has to be not something separate that you put on the wall. Because, for Chinese culture, philosophy, poetry, painting, architecture, and sculpture, are always linked with your way of life. And when Lyn says that the most important thing is art, because it is art which differentiates man from the beast, because it refers to the power of cognition, and art only exists in the agapic processes of mind, I want you to look at Chinese art, poetry, or painting, because this was never regarded as an isolated feature, but as an expression of the highest humanity, of civilized humanity. Therefore, Chinese poetics, paintings, always are an expression of a general aesthetics and morality. Especially in the Song period, poets were mostly painters at the same time, and painters were poets⁴. . . .

Figure 18: This is a painting called “A Monk with a Bag,” from the painter Liang Kai, from the Song dynasty. If you look at it closely, it is quite incredible, because you’re not quite sure if this face is sly, or funny, if this is a smile. But then, if you look closely, it seems that he has a second row of teeth in his mouth, and then, underneath the painting, it looks like there’s another row of teeth in the chin. And, if you compare this painting close up with paintings from the same period in Europe, this has far more expression, in terms of individual features.

Figure 19: This is a painting called “Maples and Mountains in Autumn,” from the Ming Dynasty, a very beautiful picture.

I can only encourage you to go to the library and look up some Chinese paintings. You will discover a whole universe. As a matter of fact, you will get completely hooked on Chinese paintings and Chinese culture, because it is so beautiful that once you start to love it, you will never forget it.

Many of these paintings are in the form of scrolls, and they are entire stories, poems, epics. Many of them are painted by emperors, or government officials, or scholars. Even today, many officials are poets. I have met many Chinese who really think that they are an actor, or a poet. They write poetry in their free time. Leibniz, in the *Novissima Sinica* in 1697, said, “If we are their equals [meaning the Chinese] in the industrial arts, and ahead of them in the contemplative sciences, certainly they surpass us, though it is almost shameful to admit, in practical philosophy, that is, in the precepts of ethics and the policies adapted to the present life and the use of morals.” And then he said that “through a unique destiny, the two peoples on the Eurasian continent are like the two poles of development. They have to unite and lift up everybody in between.”

Coming back to the question of what underlying axioms of culture will come to the fore in the next period, and which *have to be* brought forward if mankind is supposed to get

FIGURE 19



“Maples and Mountains in Autumn,” Ming dynasty.

4. For technical reasons, several of the paintings shown and discussed by Mrs. LaRouche cannot be reproduced here.

out of this existential civilizational crisis in the next weeks and months.

My view is that China is in a relatively strong position, not only economically, but also culturally. That if China consciously draws on its rich history and culture, the Chinese people will have a lot of spiritual strength to conquer these difficulties. And the Chinese leadership has, for some time, been advertising a new international political-economic order based on justice and rationality. And one can only hope and encourage them, that China in the coming period will propose active initiatives in this direction, which it has not yet done, because it is not yet thinking as a global power. But, China should make such an initiative towards a just new world economic order, because that would be exactly the kind of crucial contribution to world civilization Jiang Zemin has been talking about.

The challenge before us

In the United States, if the challenge which was posed by Alexander Hamilton and formulated in the *Federalist Papers* is to be answered positively, then the U.S. tradition of the American Revolution, of Franklin, Hamilton, John Quincy Adams, must come to the forefront now—the idea of a community of principle of sovereign nations. But most importantly, the axioms of the period associated with Lincoln, FDR, Kennedy, but, especially Lincoln. Only if we can evoke that spirit of the American Revolution—and remember that this is a British cartoon, for a change (Figure 20). It shows John Bull, and they paint Lincoln as a wild beast up a tree, to be shot. This is British entertainment of the nineteenth century.

Only if people remember these things, can the U.S. live up to its historical responsibility. But Americans have to stop being small-minded. You have to resolve the problem of what Schiller called, concerning the French Revolution, that “a great moment has found a small people,” and that you here in this room, and that others like you, have to become the pole stars, the 1% around which people rally and emerge as leadership in the period ahead. But that means you have to reject almost everything you regard as culture in the United States today, because popular culture is what is the problem. Everything from rap, or country music, to Hollywood. And it is only because of people like Bill Warfield, Sylvia Olden Lee, and George Shirley, that America has a true culture.⁵

Now we have come to a point of catastrophe, and it is not yet determined whether our civilization will make it. But you can be sure of one thing. In either case, whether we make it or not—if mankind collapses for several generations, and then maybe after 50 or 100 years crawls slowly out of the mud again, or if we make it—in either case, history will look back at the United States, and at you personally, and judge you by

5. William Warfield, Sylvia Olden Lee, and George Shirley are distinguished African-American Classical musicians and educators who participated in the Schiller Institute-ICLC conference.

FIGURE 20



A cartoon from the British magazine *Punch* shows John Bull shooting Abraham Lincoln.

how you have treated your prophet of your time: Lyn.

It seems that to be a prophet is a difficult job. Somehow, the elites, the rulers, the governments, seem to have a difficult time with them. They see them as uncomfortable most of the time. Just remember what happened to poor Confucius, who, during his lifetime, went from ruler to ruler, from country to country, from place to place, without being really able to convince them to change their policy. But, you know, Confucius was victorious nevertheless, because later, in the Han dynasty, his philosophy became the official state policy, and it influenced China and Asia for 2,500 years.

Then, think about Socrates. His trial gave democracy a very bad name. Well, I'm optimistic concerning Lyn, because people all over the world realize that this time, mankind is sitting in one boat. But, is it enough?

It will, and it can only function, if people from all over the world mobilize the best in themselves, become an army of warrior angels, take the best of their traditions and cultures, and draw upon the strong point of the other cultures. So, I suggest to you: draw upon Lyn's strong point at this point—you—and please, not generations several centuries from now.

LaRouche denounces Peru Economics Minister

by Lyndon H. LaRouche, Jr.

February 20, 1998

In a political atrocity born of political hysteria, a notorious crony of London's most famous international drug-legalizer and financial bandit, George Soros, Peru Economics Minister Jorge Camet, has struck back against political criticism with a flagrantly dictatorial effort to silence his political critics in the Peru and world press.

The action by the Peru tax agency, which Camet directs, occurred on January 23, 1998, approximately two weeks after the Lima correspondent of the *Executive Intelligence Review*, Luis Vásquez, had issued a personal statement, critical of Camet's efforts to destabilize the government of Peru's President Alberto Fujimori. Mr. Vásquez' statement was issued in his capacity as a citizen of Peru, not on behalf of the *EIR* by whom he is employed as Lima correspondent. Nonetheless, Camet's agency chose to react by attempting to shut down the Lima offices of *EIR*. The action by Camet's agency was wrongful, capricious, without basis in law, and in clear intent to violate established, and implicitly enforceable international human rights standards concerning freedom of the press.

The political issue was a Vásquez statement, issued in his specified role and capacity as a citizen of Peru, not on behalf of *EIR*, denouncing the continuing attempt by certain foreign agencies to create internal crises within Peru. He cited certain recent actions by Minister Camet, a fellow-traveller of the British intelligence front-organization, the Mont Pelerin Society, aiming to bring down the government of President Fujimori. The immediate issue of citizen Vásquez' statement of early January, was Camet's attempt to further a destabilization which had been launched during the prolonged interna-

tional terrorist hostage-taking at Japan's Lima embassy.

The specific issue of citizen Vásquez's public statement of early January, was Camet's attempt to drive a political wedge between President Fujimori and the head of Peru's armed forces, General Nicolás Hermoza. This occurred soon after Camet's crony and beneficiary, George Soros, in 1997, had played a key part in setting off the presently raging financial and monetary storm in East and Southeast Asia. Soros, Camet, et al., are currently engaged in: a) inciting a border conflict between Peru and neighboring Ecuador, and, with Soros-linked UNO Non-Governmental Organizations (NGOs), including Human Rights Watch and the Drug Policy Foundation, pushing both b) drug-legalization, and c) dismantling of Peru's armed forces.

As *EIR* has documented (Vol. 24, No. 27, June 27, 1997), the purpose behind London's recent orchestration of Ecuador's attacks on Peru, is pure 19th-Century colonialism: grabbing rich mineral resources in northern Peru for the greater glory and profit of the British Commonwealth's imperial asset-grabbers. The present efforts to silence the press, by Minister Camet, are thus consistent with the earlier efforts of related NGOs and other foreign interests, to force Peru's President Fujimori to submit to the demands of the MRTA narco-terrorists, in the case of the hostage-taking and murder perpetrated by those terrorists at Japan's Lima embassy.

Camet's tax fraud

The facts of the so-called "tax case" against the Lima office are simple. They are as follows.

On January 23, 1998, approximately two weeks following citizen Vásquez' public proposal that Camet be fired for aggravated causes, Camet's Tax Administration Superintend-



Peruvian President Alberto Fujimori (center), after the raid on the MRTA terrorists who were holding 72 hostages in the Japanese embassy in Lima, April 23, 1997. Today, Peruvian Economics Minister Jorge Camet is attempting to further a destabilization which was launched against Fujimori, during that hostage affair.

ancy (SUNAT), filed a compulsory lien on the Lima offices of *EIR*, claiming unpaid back taxes, in the amount of 2,735 soles (about \$1,000), for 1994. In fact, the records show that precisely that amount, for 1992 taxes plus penalties, was paid in 1994, and that the official Form 1093 correction of an accountant's clerical error of attributing that payment to a 1994 tax period, instead of a 1992 tax period, has been fully corrected on the official records of SUNAT.

Nonetheless, in tricks worthy of cronies of drug-legalizer and pirate George Soros, Camet's SUNAT added charges, inflating the not-owed amount of 2,735 soles to \$7,500, including sundry charges padded to the root amount falsely claimed by SUNAT's offices.

Why? Why does a fully lawful statement by a private citizen of Peru, issued in his capacity as a private citizen, result in this action against a press agency? Obviously, the forces behind the corrupt Camet, including George Soros and London's Mont Pelerin Society, are not reacting to Sr. Luis Vásquez' actions. Nor are they responding to *EIR*. Camet, as a political puppet of his foreign masters, the ones who deploy George Soros, among others, is reacting against the greatly increased influence which I have acquired, world wide, since those events of October-January 1997-1998, which announce the early collapse, Asia-style, of Brazil and other nations of Central and South America, within the weeks ahead. Lacking the courage to meet openly the powerful political challenge which I represent, world wide, cowardly political jackals act, as Camet does, as jackals, by their nature, are wont to do.

Turkey's Ecevit: Brits set up crisis

by Joseph Brewda

Turkish Deputy Prime Minister Bulent Ecevit launched a last-ditch effort to avert war against Iraq, by exposing in mid-February that the British government, and not the Clinton administration, is responsible for the policy. He also charged that the British have been playing such geopolitical games since World War I.

The occasion for Ecevit's explosive charges was a Feb. 11 Istanbul press conference, where he commented on U.S. State Department denials of his charges two days before, that the United States and Britain were pushing for the war, in order to set up a satellite Kurdish state in northern Iraq. "They may be sincere," he said of the U.S. denials. "Americans are frank people. I take their word seriously. But they can themselves be manipulated."

"England is the closest friend and ally of the United States," he explained. "They do whatever the U.S. asks them to do. At the same time, they can manipulate the U.S. in the direction of their own will, and drag them into games and set-ups."

The next day, Ecevit added that such British geopolitical games are not new. "Britain has been the leading country causing chaos in the Middle East since World War I," he told the Istanbul Chamber of Commerce.

Ecevit's courageous statements recall those of Egyptian President Hosni Mubarak, who has been leading an international campaign exposing the fact that Britain (and not Iraq, Sudan, or Iran) is the command center of "Islamic" terrorism. Both leaders have pointed to the fact that Britain has regularly used ethnic and religious strife to keep the Mideast under its imperial thumb, often using, and setting up, the United States as its enforcer.

Turkey has been especially concerned over Britain's Kurdish designs, because it has been fighting a war with the London-headquartered, Syrian- and Iraqi-based Kurdish Workers Party (PKK) since 1983. PKK operations targeting Turkey exploded after the 1991 Gulf War. Simultaneous with Ecevit's comments, Turkey deployed 7,000 troops into northern Iraq to seal the border.

Ecevit also emphasized that the problem is that the United States has no real policy toward Iraq, and has no idea of what to do in the aftermath of a military strike. "It is, of course, worrying us," he said. "This would mean a superpower like the United States is entering a war, without predicting its consequences."

Cook spills the beans

That Britain has been pushing to break up Iraq, surfaced on Feb. 7, Ecevit told the Turkish press. He pointed to statements by British Foreign Secretary Robin Cook to the *Daily Telegraph* and *Guardian*, in which he said that Britain would welcome Iraq's fragmentation following the war. "Iraq is a lively coalition of different groups," Cook stated. "If there is a vacuum, in a way we frankly might welcome," it could lead to the "break-up of Iraq."

Turkish papers add that such British plans were indicated earlier. On Jan. 4, Cook told BBC, that the borders of Iraq and Turkey were subject to question. A week later, Italian Foreign Minister Lamberto Dini called for an international conference on the "Kurdish question," bringing to mind the 1920 Treaty of Sevres, where the imperial powers, Britain and Italy among them, planned to carve a Kurdistan, Armenia, and other ethnically defined entities out of a dismembered Ottoman Turkey. Britain's special envoy to Turkey and Cyprus, Sir David Hannay (ambassador to the UN during the 1991 war against Iraq), is the mastermind behind the plot, according to government sources cited by the Turkish press.

Brits flip

Ecevit's statements were immediately denounced by the British ambassador to Turkey, David Logan, who labeled them "utterly false." On Feb. 13, the British Foreign Office

issued an official note protesting Ecevit's charges. The Foreign Office referred to Foreign Secretary Cook's hastily prepared statement in Parliament on Feb. 12 (contradicting his previous admissions), saying that "we support the territorial integrity of Iraq, and would like to see it rejoin the international community."

"To assert falsely," the protest note reads, "that despite this clear and public statement, the U.K. is pursuing an undeclared policy aimed at the breaking-up of Iraq, is to question the integrity of the British government. This is unacceptable, and incompatible with the friendly relations which the U.K. wishes to maintain with its ally Turkey."

But showing the fraud of such protests, the very next day, Lord Avebury, the godfather of the PKK and Kurdish separatists, sponsored a conference of the main Turkish, Iraqi, and Iranian Kurdish groups, including the PKK, directly in the House of Lords, to prepare for Iraq and the region's dismemberment. (For more from the House of Lords, see *Investigation*, in this issue.)

On Feb. 16, British Prime Minister Tony Blair interrupted a Turkish cabinet meeting on the Iraq crisis, to tell Prime Minister Mesut Yilmaz that Britain was not plotting to create a Kurdish state. He also said that on Feb. 23, Sir David Hannay would arrive in Ankara, to "reiterate the U.K.'s assertion that they respect the territorial integrity of Iraq," the *Turkish Daily News* reported.

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Scandal, murder, power struggles target French republican system

by Jacques Cheminade

A succession of scandals and mafia-style murders is shaking the very foundations of power in France, even if the elites still claim they are keeping the effects under some kind of control. These last weeks, the two main developments are the police raids against Roland Dumas's offices and homes, and the murder of Claude Erignac.

Dumas is the head of the Constitutional Council, the French equivalent of the U.S. Supreme Court, and the number-two man in the Republic. Two judges, in an unprecedented move, have jailed his former mistress, Christine Deviers-Joncour, who is accused of stealing millions in public funds. Dumas, appointed head of the Constitutional Council by President François Mitterrand a few months before Mitterrand's death in 1995, is suspected, in his former position of Foreign Minister, of having received kickbacks in the 1990 sale and delivery of six frigates produced by the national company Thomson CSF, to the Taiwan government. Indeed, Dumas, who first opposed the contract, suddenly turned against his own administration and supported it.

Claude Erignac, the French Prefect (head of the regional administration) on the Mediterranean island province of Corsica, was murdered in cold blood while walking alone in the capital Ajaccio, on his way to meet his wife at a concert. Two hypotheses are raised on the cause of such a murder: It was either an act of revenge by Corsican "nationalists," or a mafia hit against an honest man who was trying to prevent the mafia from taking over the island.

At first glance, the two events seem unconnected, and are said to be so. But a first observation has to be made: The two bear the prints of a period of exceptional developments. For the first time since its creation in 1958, the head of the Constitutional Council has been suspected of criminal behavior. And, for the first time since World War II, a French Prefect has been killed in the city in which he resides.

Let's first look at the Dumas case. Two questions come to mind: How could such a man be appointed to such a position; and, how could he be destabilized to such an extent?

Dumas, since the early 1950s, had been the best friend, fundraiser, and accomplice of the late President Mitterrand. Educated at the London School of Economics, involved in

the resistance against the Nazis, both with British and pro-Communist networks, he was highly secretive and always protected. "Everybody seemed to both respect and suspect him even before knowing him," as journalist Amette commented in the newspaper *Le Point* of Feb. 7. Or, put more bluntly by a prominent Paris lawyer, "He has the best blackmail information of anyone in Paris." Of a "Metternichian elegance," Dumas shared with the President a taste for rare books, works of art, and tender flesh. Such a "man of power," covered with honors and women, thought of himself as invulnerable, a sort of aging *Titanic*.

Dumas was many times accused, but never caught, in many deals, such as the illegal financing of an electoral campaign by another of his lovers, Nahed Ojjeh, the daughter of Syrian Defense Minister Gen. Mustafa Tlas, the protector of Nazi war criminal Alois Brunner. He is also said (by journalist Jean Montaldo) to have been a key man in the infamous "Josephine Affair," involving an international private loan negotiated by France with Saudi Arabia in 1983, with a commission of at least 6 billion francs (more than \$1 billion), which went to the "men of government" in those years.

If we look at Deviers-Joncour, an interesting aspect of her life is that this mistress of Dumas was the former wife of Jean-Jacques de Perretti, later an RPR Deputy and former Prime Minister Alain Juppé's Overseas Minister. Here appears a first connection of the Mitterrand people with RPR proto-Gaullists involved in overseas deals. But there is more to it: In 1987, Deviers-Joncour had created a communications firm, Kairos, and then another one in 1990, Archimedia. Customers of these firms included both Socialist Roland Dumas and conservative RPR leader Charles Pasqua.

The Pasqua-Dumas connection

The Pasqua-Dumas acquaintance is key to understanding what is happening in France. The two men represent different, even opposing networks, which are nonetheless involved in the same business. A sizable part of their dealings involves casinos in Africa and France, controlled at the middle level by Corsican and Syrian-Lebanese operatives. The "African pie" was shared by the two men. Evidence of this, is the oil

company Elf, used by the French as an intelligence base for their operations in Africa. In it, there was a “Socialist side,” around swindler Alfred Sirven, who is close to Dumas and the patron of Deviers-Joncour. Sirven, presently an exile in Switzerland, arranged the deal for the frigate sale to Taiwan, which also produced juicy commissions for the Mitterrand gang. But there was also an RPR “proto-Gaullist side” to Elf, with André Tarallo, “Mr. Africa” of France’s current President, Jacques Chirac. One can therefore speak of an incestuous body controlling French politics. This body is now exposed. Moreover, Pasqua’s friend Daniel Leandri and Deviers-Joncour had free access to Elf’s credit cards for “business expenses,” on which they ran up tabs in the order of 200,000 francs per month. Tarallo, the proto-Gaullist, had signed the contract hiring Deviers-Joncour, Dumas’s mistress!

All Paris is now awash with rumors that the Socialists and the proto-Gaullists, including the two last Presidents, shared the same women.

Erignac vs. the mafia

Let’s go now back to Erignac, to breathe fresher air. His murderers are without doubt at the intersection of Corsican “nationalist” terrorism and the mafia. For the first time in the French administration in Corsica, he had tried to clean out the Augean stables. He first tried to prevent people from carrying weapons, and to make them pay taxes, but he also went beyond this. He had ordered inquiries into two very dirty “tourist investments,” on the Bonifacio peninsula and on Cavallo island.

The Cavallo operation involved a big, mafia-style chaneling of dirty money. The Compagnie des Iles Lavezzi vastly over-valued the infrastructure built by the Italian firm Eucalyptus. The financial charges on those investments siphoned off large amounts of money from French tax revenues, whose destination Erignac was investigating. On the Bonifacio peninsula, military land in an exceptionally beautiful setting, was about to be sold dirt-cheap to a firm headed by an Italo-American from Miami, or to certain other dubious interests, when Prefect Erignac ordered the operations stopped.

Well-informed sources on Corsica present the following analysis: The Prefect did not know quite whose corns he was treading on. His assassination bears the same markings as the earlier murder of Yan Piat, in the Toulon area: She had exposed the takeover of southern France by dirty money and shady sales of military land. Like Erignac, she was murdered by two young people in what was clearly a mafia-style contract. “Look at Corsica,” said one source. “It was controlled by an old mafia, which had all its interests in traditional swindles and lived in symbiosis with French political parties, right and left. The nationalists were nothing but a blackmail force of the families. Now comes a new mafia, which wants to invest in casinos, tourism, drugs. Guess who has been negotiating with them? Isn’t former Interior Minister Pasqua a Cor-

sican? And look into the Socialist camp. Who has negotiated with the Corsican *Giovani* [new mafia]? Wasn’t it former Interior Minister Pierre Joxe, from the Mitterrand palace guard, and who was very well acquainted with Dumas? Look at the whole thing from above, in perspective, and you may understand what is happening in Corsica as a symptom of what is happening in France.”

Indeed, the atmosphere reeks of the fall of an *Ancien Régime*. What a few cognoscenti only used to comment on in whispers, is now being blared in the press. How could it be that a man like Dumas is now exposed? How is it that his bank accounts at Crédit Lyonnais, showing illegal cash deposits in the millions—the tip of the iceberg—can be thrown to the mercy of public opinion?

An answer to those questions cannot be given from a purely internal French standpoint. What is happening in France is connected to the international financial and monetary implosion, and to the British games in Europe and beyond.

In such a situation, there are some who want to clean up the mess made by 17 years of rule by Mitterrand and his imitators. Dumas labels them “the virtuous left” — virtue obviously being, in his mind, a dirty word. But, unfortunately, the virtuous left and virtuous right put together would not be enough, these days, to destabilize the likes of Dumas and Pasqua. There has to be more to it.

Similar to what the new mafia is doing in Corsica at a low level, there is a new mafia that wants to use the cases of Dumas, Pasqua, and others, to destabilize at the national level, what is left of the French republican tradition typified by Charles de Gaulle. Those people are saying: Look, the reason why such Dumas and Pasqua could get away with doing such terrible things, is because of the authoritarian elements embedded in the Constitution of the Fifth Republic. The time has come, they say (striking the posture of a self-righteous Tony Blair), to bury the Fifth Republic once and for all. We, the “clean” people, are going to do it.

As a sign of this, the self-proclaimed virtuous Pierre Joxe has just written a book, called *A Propos de la France (About France)*. In it, posing as a “wise man,” this scoundrel, who made his entire career on the coat-tails of President Mitterrand, now denounces the “Presidential bias” of French institutions. “We have to go through with dropping the ill-fated reform of 1962 [initiated by de Gaulle]. It is dangerous to have somebody directly elected by the people, with great power, who could be reelected for a potentially unlimited term,” says Joxe. “The dichotomy between a President and a Prime Minister hampers the good functioning of French society. . . . It is the basis for a dramatization of political life and for excessive bipolarization.” He calls for a return to the parliamentary system, as “better suited to European standards.”

The dirty British nose is poking out openly in Joxe’s sermonizing. It deserves to be made bloody.

Why Moon, Bush attack Mexico's Labastida

by Carlos Cota Meza

On Feb. 5, Day of the Mexican Constitution, the *Washington Times* published a slanderous attack against Mexico's new Interior Secretary, Francisco Labastida Ochoa, accusing him of having had ties to the drug trade. Bill Gertz, the author of the slander, which he alleges was drawn from a classified CIA document, wrote that when Labastida Ochoa was governor of the state of Sinaloa (1987-93), "he collaborated with drug traffickers, but denied having received payoffs. He has acknowledged privately that he had to reach unspecified agreements with traffickers."

In a letter to *Washington Times* editor Wesley Pruden, the Mexican minister denied the charges, and called Gertz's article "completely false." Pruden is a friend of former U.S. President George Bush and an employee and follower of the Rev. Sun Myung Moon. Despite Labastida's denial, the *Washington Times* repeated the lies in an editorial one week later, in which it warned that the "revelations" endangered the "certification" of Mexico's anti-drug efforts, which the Clinton administration is obliged to decide on by March 1. The decertification issue has long been one of the battle cries of the Bush-Salinas political apparatus, which it has repeatedly used to sabotage any political collaboration between the Clinton and Zedillo governments.

On Feb. 6, in parallel events in Washington and Mexico City, the governments of Mexico and the United States announced a Bilateral Cooperation Strategy against Drugs. Gen. Barry McCaffrey (ret.), the Clinton White House anti-drug director, stated that "there can be no doubt that Mexico's democratic institutions are under brutal internal attack by international drug criminals."

McCaffrey said that the success of programs such as the one he was signing, would depend on the so-called certification process "being buried" within the next five years. McCaffrey dismissed the *Washington Times* charges against Labastida: "I am not going to comment, at all, on U.S. intelligence reports," he said. He added that he had "no evidence of charges of this nature." He reminded his audience that the nomination of government officials is a "sovereign responsibility," and pointed out that when evidence of corruption appeared against former Mexican anti-drug director Gen. Gutiérrez Rebollo, President Ernesto Zedillo immediately dealt with it.

The chargé d'affaires of the U.S. Embassy in Mexico, Charles Brayshaw, refused to comment on the allegations, stating that "what is important is what we said to the press

last night, which is that we feel confident in working with the Interior Department, and directly with the Secretary [Labastida]." U.S. State Department spokesman James Rubin said, "U.S. officials continue to have normal dealings with the Interior Secretary, and we see no reason to change that practice."

Also on Feb. 6, Secretary Labastida announced that he was talking with attorneys about a possible libel suit against the *Washington Times*. He charged, "These are the Moonies, a cult headed by a Korean, owner of the newspaper, who has several publications in various places and who was expelled from England because of his conduct and for intervention in the internal affairs of the country." In Chiapas, this cult operates in several communities, "and we are reviewing its operations," he added.

Gertz is known as the mouthpiece of Moon, and is considered the "spiritual guide" of Moon's Unification Church. Inside Washington, Gertz is viewed as the "property" of certain military and intelligence factions which are enemies of President Clinton.

Fuelling the Peru-Ecuador conflict

On Dec. 19, 1995, Gertz falsely charged in the *Washington Times* that Peru was about to buy Scud missiles from North Korea, for \$52.5 million, in response to weapons purchases by neighboring Ecuador. Gertz wrote, "Elliott Abrams, former Undersecretary of State for Latin American Affairs, stated that he doubted [President Alberto] Fujimori was ignorant of negotiations over the North Korean missiles, given his close ties to the military."

Various Peruvian newspapers at the time denounced Moon, accusing him of wanting to "unleash a weapons race in the region, from which the only winners would be the arms dealers, among them the industrial conglomerates of the Rev. Sun Myung Moon." Despite the denials of the Peruvian government, the *Washington Times* did not stop its provocations until war was ignited between Peru and Ecuador. With Moon, one never knows where his cult practices stop, and his business and politics begin.

During Nov. 20-25, 1996, Bush toured four Ibero-American countries; in Buenos Aires, Argentina, he was the main speaker at the launching of Moon's newest newspaper, *Tiempos del Mundo*. "I want to greet the Reverend Moon, founder of the *Washington Times* and of this new newspaper," he said. "Many of my South American friends don't know about the *Washington Times*, but it is an independent voice. The directors of the *Washington Times* tell me that this man of vision has never been involved in the administration of the newspaper, a newspaper which in my opinion brings sense to Washington. I am convinced that *Tiempos del Mundo* will do the same."

For his part, Moon, when not uttering blasphemies about the use of the sexual organ as "a basis for seeking God," said that his newspaper was "going to help solve the problems that organizations such as the United Nations and others have been unable to solve for many years."

Transparency International is behind purge of Argentine police

by Gonzalo Huertas

Last Dec. 21, on the pretext of “fighting corruption,” Gov. Eduardo Duhalde of Buenos Aires province, the largest and most politically important of Argentina’s provinces, put the Buenos Aires police department into receivership for 90 days. With 47,000 officers, the department is larger than the Argentine Army. Duhalde named as trustee, former provincial legislator Luis Enrique Lugones, and immediately fired 243 high-ranking officers, including sheriffs, majors, and inspectors. The department’s 18 regional units were dissolved, and 20 investigatory brigades were eliminated. At the same time, a Criminal Policy Institute was created, and the planned creation of a private police university announced.

There is no doubt that corruption, and worse, exists within the Buenos Aires police department. But, those who twisted Duhalde’s arm to launch this “cleanup,” such as former federal prosecutor Luis Moreno Ocampo, or former Justice Minister León Carlos Arslanián, are not motivated by a desire to create a more “honest” or “democratic” police force. Rather, the operations launched against the Buenos Aires police are part of an offensive headed by London-directed organizations, including the non-governmental organization Transparency International (TI) and the National Endowment for Democracy (NED), against the Argentine nation-state itself.

Luis Moreno Ocampo is the president for Latin America and the Caribbean of TI, whose founding in May 1993 was blessed by the British monarchy’s Prince Philip. Under the slogan of “fighting corruption,” its principal work is to dismantle institutions of the sovereign nation-state, supposedly to make them more “transparent” (see box). Moreno Ocampo’s NGO, Citizens’ Power Foundation, has been generously funded by the NED, a key element in the U.S. “secret government” apparatus behind the Iran-Contra scandal. Its most prominent individuals, such as former President George Bush and Lt. Col. Oliver North (ret.), financed weapons- and drug-trafficking to support the Nicaraguan Contras. The NED gave nearly \$300,000 to Moreno Ocampo’s foundation between 1993 and 1995.

Why attack the Buenos Aires police? Because it is closely tied to the political machinery of the ruling Justicialista Party (Peronists), and, to the machinery of Duhalde, a contender in the 1999 Presidential elections. Under the dictatorship of London’s “democracy,” there can be no toleration of political machines which could prove obstacles to London’s policies against the nation-state. In the Dec. 21 *Página 12*, Eugenio

Raúl Zaffaroni, a collaborator of Moreno Ocampo, reminded Duhalde that the governors of Rio de Janeiro, Brazil and Zulia, Venezuela “lost elections” last year because they failed to reform local police forces.

‘Reinventing the police’

This attack on Argentina was launched a year ago, after the gruesome Jan. 25, 1997 assassination of a *Noticias* magazine photographer, José Luis Cabezas, near the Pinamar beach resort, some 380 kilometers southeast of Buenos Aires. A group of Buenos Aires policemen was blamed for Cabezas’s murder and, more recently, for desecrating graves in the Jewish Cemetery of La Tablada, in Buenos Aires province.

A few weeks before the December action against the Buenos Aires police was announced, Moreno Ocampo told the daily *La Nación* that instead of just “intervening” against the police, they should be “reinvented.” Said Moreno Ocampo, “Reinvent the system. . . . The crisis caused by the Cabezas case, the attack against AMIA [Israeli-Argentine Mutual Association, whose headquarters were destroyed in a July 1995 car-bombing] define the before and the after.” He proposed creating “a private, non-partisan, independent, *ad honorem* and autonomous commission” charged with this “reinvention.” But, what emerged is neither independent nor autonomous. It is “transparently” a political instrument.

Among the gaggle of sociologists, political scientists, and psychologists brought in to “reform” the police, are former legislator and Justice Minister León Carlos Arslanián, and Alberto Binder, the security “expert” for Frepaso, the political coalition linked to Fidel Castro’s narco-terrorist São Paulo Forum. Both are authors of the so-called “Immediate Action Plan” for the police reform. The former judge linked to the opposition Radical Civic Union (UCR), Ricardo Gil Lavedra, and Frepaso Congressman Juan Pablo Cafiero, have been designated to ensure UCR and Frepaso support for the police reform. Both Arslanián and Gil Lavedra participated in the 1985 trial of the military junta members who took power in a 1976 coup.

Binder, director of the Institute of Comparative Studies in Criminal Sciences, has extensive experience in security matters and has lent his services — along with TI — to judicial and security reforms in Guatemala, El Salvador, Venezuela, Bolivia, Paraguay, Ecuador, Honduras, and Costa Rica. Binder is also coordinator of the Latin American Network for

the Democratization of Justice.

Arslanián explains that the true objective of the reform is “to do away with the caste spirit which begins in the [police] academies.” He openly states that he wants to run the same kind of campaign against the Buenos Aires police that was run against the country’s Armed Forces, and which has resulted in the de facto annihilation of this institution in Argentina. And, Moreno Ocampo is one of the individuals behind the campaign to annul the laws of “due obedience” and “end point,” according to which there can be no more trials of military personnel accused of alleged human rights violations during the 1970s.

Enacted under the 1983-89 government of Raúl Alfonsín, these laws were intended as a step toward national reconciliation, putting a halt to the politically destabilizing trials of officers who had defended the nation against the terrorist onslaught of the 1970s. The allegation of “human rights violations” was one of the tools used by the international media and human rights mafia in their assault against the Armed Forces. Today, the same grouping, with the aid of allies such as Moreno Ocampo, has launched the campaign to annul these laws. Were they to succeed, it would further the assault on Argentina’s already destroyed military, and set a precedent for action against other of Ibero-America’s Armed Forces. The Brazilian and Chilean militaries, for example, also carried out anti-terrorist operations during the same period, and were subsequently granted amnesties from prosecution. Both institutions are immediate targets.

Raúl Zaffaroni, director of the Criminal Law and Criminology Department of Buenos Aires University, and a Buenos Aires legislator, states that “demilitarizing” the police means

that “one must eliminate the blind and stupid obedience there has been within the police corps.”

The real criminal is the IMF

The 1991 implementation of the so-called Convertibility Plan, a version of the British colonial doctrine of a currency board, has devastated Argentina’s productive apparatus, and resulted in an 18% unemployment rate, and subsequent increase in crime, nationwide. All national authorities deny the unemployment-crime symbiosis, and, instead of improving living conditions, have opted to increase the number of police on the streets, while reducing security for public buildings.

It was at this time that the would-be reformers began to promote the “privatization” of security in Buenos Aires, arguing that security forces were needed to protect public buildings. In an interview with the daily *La Nación* on Dec. 26, 1997, Arslanián stated that the “big changes in the Buenos Aires police mean that private security funds would be brought in, allowing the two [private and public police] to work together.” Arslanián has said that this responsibility would be given to the Chamber of Security Agencies.

Private security is a specialty of the British Empire. It has firms such as Crown Agents, Defence Systems Ltd., and Executive Outcomes, which operate in Colombia, Sierra Leone, Congo/Zaire, Uganda, and other nations, looting natural resources for London’s benefit (see *EIR*, Aug. 22, 1997, “Britain’s ‘Invisible’ Empire Unleashes the Dogs of War”).

On Jan. 4, Argentine President Carlos Menem not only endorsed the “reinvention” of the Buenos Aires police, but stated that “if this reform works out well, we will need a [similar] reform throughout the Argentine Republic.”

Moreno Ocampo and TI

The main agent of “reinventing” the police in Argentina is former federal prosecutor Luis Moreno Ocampo, the president for Latin America and the Caribbean of Transparency International (TI). As *EIR* documented in its July 25, 1997 issue, TI is one of several instruments employed by London to force governments to yield to its anti-nation-state policies. TI was founded in May 1993, in a meeting at the Villa Borsig, in Berlin, Germany. Among those attending was Robert McNamara, former president of the World Bank. But behind the public discussions was Prince Philip, husband of England’s Queen Elizabeth, who, beginning in 1984, organized a series of meetings which established the “moral-theological” foundation for TI. TI worked together with the World Bank from its inception; its director, Peter Eigen, is a former World Bank official.

Moreno Ocampo offers his “transparency services”

through both his law firm and his NGO, Citizens’ Power Foundation, and has been known to resort to the use of hidden cameras of the sort used by military intelligence and in industrial espionage. His first legal work was with the firm which Eugenio Raúl Zaffaroni shared with his brothers. Reliable sources indicate that it was in this office that the new constitution of the City of Buenos Aires was drafted, which legalized drug addiction, prostitution, homosexuality, and abortion.

Included on the administrative board of TI is Peter Berry, managing director of London’s Crown Agents, an institution which since its founding in 1833 under the name Crown Agency for the Colonies, is one of the oldest organizations charged with providing logistical and security support to the entire British Empire. In 1996, it was “privatized,” and its name was changed to Crown Agents for Overseas Governments and Administration Ltd. Crown Agents has played a major role in the destruction of the nations of former Zaire, Rwanda, and Burundi, in Central Africa.

International Intelligence

Italian separatists make show of force in Verona

At least 20,000 adherents of Italy's secessionist Lega Nord held a demonstration on Feb. 15, in Verona, where local prosecutor Guido Papalia has sought the indictment of 40 members of the Northern League's leadership, on charges of threatening the national state. If convicted, the separatists, who refer to Italy's north as "Padania," face life in prison. Northern League head Umberto Bossi and others of his confederates who are members of Parliament also face indictment, if Parliament votes to lift their immunity.

The Verona demonstration was designed to intimidate state authorities, as "Leghisti" whipped up the protesters. Mario Borghezio railed against Papalia, "You are a free-loader, a piece of shit! Mafioso redneck, we will kick your ass!"

"Little Duce" Umberto Bossi was similarly vulgar, asserting, "No son of a bitch will stop us." Bossi promised that League actions will be peaceful, but added that a recent TV poll showed that 40% of the so-called "Northern people" favor armed secession. "This does not mean that we are for it," he demurred, "but it shows that the people of Padania have had enough."

BBC series compares ecologism to Nazism

The otherwise faithful mouthpiece of Britain's Empire, BBC, aired a three-part television series blasting the ideology of environmentalism late last year. A summarized transcript of the program, broadcast on BBC's Channel 4, has just been made available to *EIR*.

"Greens are often portrayed as left-wing radicals, battling against a backward-looking establishment," said BBC. "But they are in fact part of a long tradition of conservatism that idealizes nature and the past. These conservative instincts motivated 19th-century figures such as Nietzsche and Wagner, and movements such as the Romantics, who . . . dreamt of returning to a mythical past of medieval knights and maidens, and even the

Boy Scout movement, which in its origins combined a mystical affinity with nature, right-wing nationalism, and a hatred of degenerate modern life."

"The most notorious environmentalists in history were the German Nazis," BBC continued. "The Nazis . . . were the first Europeans to establish nature reserves and order the protection of hedgerows and other wildlife habitats. . . . Adolf Hitler and other leading Nazis were vegetarians and they passed numerous laws on animal rights."

Part 2 of the series took on the fraud of Malthusianism, arguing "that Africa is underdeveloped precisely because it is underpopulated. . . . And if there are more people, there will be more ideas, which in turn will lead to better technology and an improved quality of life. In the West, every indicator of quality of life has improved as the population has grown."

Finally, the broadcast scored the attack on science itself, quoting *Ecologist* editor Teddy Goldsmith, "Every one of the scientists today is a Dr. Frankenstein producing colossal monsters that could wipe us out," to which the series responded: "A central feature of much anti-science thinking is pessimism about the future and the idea that humans can only mess things up."

Brits: Expel Sinn Fein from peace talks

Britain's Northern Ireland Secretary, Mo Mowlam, has officially demanded that Sinn Fein be expelled from the peace talks, in the wake of the murders of two Protestant loyalists in early February. The Royal Ulster Constabulary is now claiming that it has discovered evidence that has "directly implicated" the Irish Republican Army in the killings. Mowlam's document was presented on Feb. 16 to peace talks chairman, former U.S. Sen. George Mitchell, when he arrived from Washington.

Shortly after the killings, the Ulster Unionist Party (UUP) had already demanded the removal of Sinn Fein, citing the "probability" that the IRA was involved, despite an IRA statement reaffirming that its "cessation of military operations remains intact." Sinn

Fein has reiterated that it is not the IRA, and that it has a mandate from voters of Northern Ireland to represent them at the talks. IRA officials have confirmed to Sinn Fein that the IRA was not involved in the murders.

By contrast, in January, the Ulster Democratic Party was ousted from the talks, after the Ulster Defense Forces admitted to killing eight Catholics that month. The UDP party explicitly represents the UDF and other paramilitary loyalist forces.

'Khalistani' offensive targets Indian elections

U.K.-based Sikh separatist groups ("Khalistanis") have embarked on a new terrorist offensive, aimed at reviving the Punjab secessionists by disrupting India's Feb. 16-20 parliamentary elections, the *Asian Age* reported on Feb. 14. Ongoing investigations by India's Research and Analysis Wing and the Intelligence Bureau have unearthed a major conspiracy to assassinate key political leaders, among other actions. According to highly placed sources, there now exists irrefutable evidence that the entire offensive is being orchestrated by Khalistani leaders residing in Britain. The operatives on the ground include fanatical young Sikhs belonging to the outlawed Khalistan Commando Force (Paramjit Singh Panwar faction) and the International Sikh Youth Federation.

Asian Age reported that on Feb. 10 Jalandhar police arrested two Sikh terrorists, from whom law enforcement agencies learned that the group had planned to kill Mrs. Sonia Gandhi, who was to make a campaign stop in Ludhiana, Punjab on Feb. 13. Mrs. Gandhi is the widow of former Prime Minister Rajiv Gandhi, who was assassinated in 1991, and the daughter-in-law of Indira Gandhi, who was assassinated in 1984. Sonia Gandhi's decision to campaign for Congress Party candidates was her first foray into politics since her husband's murder.

Other efforts aimed at disrupting Indian elections included the simultaneous explosion of six bombs at locations in the southern Indian city of Coimbatore, Tamil Nadu, on Feb. 14, killing at least 81 people and injur-

Briefly

ADL TOADY Howard Blum has written a book-length provocation against Saudi Arabia, *The Gold of Exodus: The Discovery of Mount Sinai*, which purports that the Biblical Mount Sinai has been located inside Saudi Arabia, at Jabal Al Lawz, the secret mountain command center of the Saudi military.

JEREMY BENTHAM'S corpse, which has been carefully preserved by the Library of the University College of London (as specified in his last will and testament), was brought out for the official celebrations of his 250th birthday.

GEN. CHI HAOTIAN, China's Defense Minister, arrived in Australia on Feb. 14 for talks with Prime Minister John Howard. Chi is described as one of China's top ministers, and a member of the party political bureau. His itinerary included visits to Sydney, Canberra, and Townsville during the five-day trip.

ITALY'S most important annual agricultural event, the Verona farm fair, hosted Malthusians on Feb. 11: Worldwatch's Lester Brown and Jeremy Rifkin. The latter proposed the development of a meatless diet out of respect for our "fellow travellers in the biosphere." His farmer audience was unimpressed.

GERMAN archeologists, headed by geophysicist Helmut Becker, announced their discovery of a 7,000-year-old solar observatory, on Feb. 14. Several elliptical structures, found in various parts of Bavaria, are part of a solar calendar, which yield an extraordinarily precise determination of the equinoxes and solstices.

MEXICO'S Director General of the National Migration Institute, Alejandro Carrillo, told international "human rights" activists en route to Chiapas, that "only Mexicans" are legally permitted to engage in politics in Mexico. He cited the case of former French First Lady Danielle Mitterrand, whose interference will no longer be tolerated.

ing over 200. One bomb was placed at an election rally where Lal Krishna Advani, president of the Hindu nationalist Bharatiya Janata Party (BJP), was to have been speaking. He was saved because his flight was delayed by three hours.

Sudan air crash kills leading peace-makers

On Feb. 12, Sudanese First Vice President al-Zubair Muhammed Salih was killed in a plane crash in a failed landing at Al-Nasir airport some 800 km southeast of Khartoum near the Ethiopian border. The plane was carrying 57 senior military and political leaders, including former southern Sudanese rebels, who have been active in the peace process. Arok Thon Arok, one of the most prominent former rebels, whose group signed the peace accord with Khartoum, was among the 26 people killed.

Salih, a longtime close colleague of President Omar al-Bashir, was supervising the creation of Sudan's federal system, overseeing the peace process, and mediating the country's rapprochement with Egypt. He had recently made discreet visits to Egypt several times. General Bashir spoke of him as someone who, with each promotion in rank, became more humble as a person.

The Sudanese People's Liberation Army of British puppet John Garang claimed credit for shooting down the plane, but the government's official finding is that the plane crashed while landing in bad weather.

New scandals rock French Socialist Dumas

The French journal *Le Point* published a ten-page dossier in mid-February revealing new scandals surrounding Roland Dumas, whom the dying President François Mitterrand had elevated to head France's Constitutional Court. According to *Le Point*, as a private attorney, Dumas had managed the estates of well-known artists such as Pablo Picasso and sculptor Alberto Giacometti.

In 1988, Giacometti's widow, Annette, hired Dumas to transfer ownership of the

artist's works, worth an estimate 800 million francs, to a new foundation, which Dumas was to set up. Pending government approval for the new foundation, she placed FF 23 million in a temporary association. When Annette died in 1993, the foundation had still not been created.

In June 1994, Jacques Tajan, whom Dumas hired to assess the collection, arranged to auction 14 of Giacometti's bronzes and paintings. Of the FF 40 million the auction brought in, Tajan's assessor's fee was 6 million, and 18 million went to pay estate taxes. Mary Lisa Palmer, whom Annette Giacometti had tapped to head the still-nonexistent foundation, long suspected Dumas of having pocketed the balance.

The scandal boiled over, wrote *Le Point*, when Dumas's attorney (and lover) Stephanie Bordier, who has power of attorney over some of the dubious Dumas bank accounts, told the investigating magistrates that the cash in those accounts came from the sale of Giacometti estate artworks.

Leah Rabin backs Weizman rival for President

Leah Rabin, the widow of Israeli Prime Minister Yitzhak Rabin, has endorsed the Likud candidate for President, over the re-election of the Labor Party's Ezer Weizman. "We have a long and difficult account with Weizman," she told the Feb. 16 *Jerusalem Post*. Weizman's term ends in February, and the Knesset (parliament) will vote in a new President in March.

The split between them might tilt the balance away from Weizman in the vote, although several leading Likud members of the Knesset have said they would vote for Weizman. Now, it is conceivable that some Labor Knesset members may vote for the Likud. The Presidency is particularly significant now, because the post is one of four that controls Israel's nuclear button.

Hostility between the Rabin family and Weizman (despite their apparent closeness of views on other matters) goes back to at least 1974, but were further strained over Weizman's episodic calls for suspending the peace talks, following various Palestinian suicide bombings.

The ‘Netanyahu factor’ in President Clinton’s troubles

by Jeffrey Steinberg

May it not be said, that Israeli Prime Minister Benjamin Netanyahu is a pivotal player in U.S. President Bill Clinton’s latest troubles? While it would be a fallacy of composition to claim that Netanyahu has been *the* architect of President Clinton’s woes, since he, himself is a malleable pawn of London-centered geopolitical circles, a detailed review of events of the past six months, shows that the Israeli Prime Minister, and his closest political allies in Israel, Britain, and among the neo-conservatives and evangelicals inside the United States, have been working to bury the Clinton administration under scandals, and to draw the President into a potentially fatal military adventure against Iraq.

The “Lewinsky Affair” and Iraq war trap, combined, constitute merely the latest phase of an assault upon the United States Presidency that has been ongoing since the day when Bill Clinton was sworn into office in January 1993. The assault has been steered, top down, from London, through such channels as the monarchy’s two preferred media cartels, the Conrad Black-led Hollinger Corp., and Australian Rupert Murdoch’s News Corp. Hollinger Corp. owns the *Jerusalem Post*, whose former editor-in-chief, David Bar-Illan, is currently the chief spokesman for Israel’s Prime Minister Netanyahu. Hollinger’s flagship publication in England is the *Telegraph*, whose Sunday edition Washington, D.C. editor, Ambrose Evans-Pritchard, was a vital asset of MI6’s black propaganda campaign against the Clinton Presidency, from early 1993 to Evans-Pritchard’s departure from Washington in the summer of 1997. Evans-Pritchard has now returned to the United States, “for the duration” of the end-game assault on the Presidency.

In the United States, the circles of former President George Bush, notorious for the 1980s Iran-Contra fiasco, and the related crack cocaine epidemic, have been among the lead-

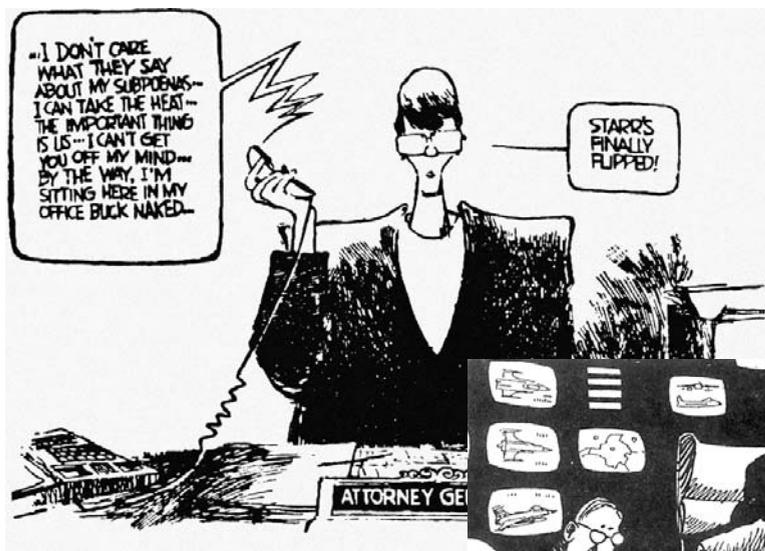
ing “Get Clinton” operatives. The permanent bureaucracy of the Department of Justice has also been pivotal. But the grassroots base of support for the venomous attacks against the Presidency, is principally associated with televangelists Pat Robertson and Jerry Falwell.

‘Let us prey’

It was widely publicized that, when Prime Minister Netanyahu arrived in Washington for his pre-scheduled summit meeting with President Clinton, on Jan. 18, 1998, his first public appearance, the next day, was at a 1,000-person pep rally at the Mayflower Hotel, convened by Rev. Jerry Falwell—one of the President’s sworn enemies on the Christian right. Falwell is a fanatical advocate of a Middle East “Armageddon” to be triggered by a confrontation over Jerusalem’s Dome of the Rock, the present site of the Al-Aqsa Mosque, and the purported location of the Temple of Solomon. The following day, Netanyahu made an exclusive appearance on Pat Robertson’s 700 Club television program, shortly after his meeting with the President. While in Washington, the Israeli Prime Minister held extensive talks with Vice President Al Gore, aimed, according to sources, at drawing the Vice President deeper into the Netanyahu camp.

On the following Sunday, Jan. 25, tens of thousands of evangelical ministers turned their pulpits into political soap boxes, slamming President Clinton. The topics of their tirades? First, the Monica Lewinsky scandal, which broke on the front page of the *Washington Post* hours after Netanyahu’s meeting with President Clinton; and, second, a call to preserve all of Israel’s occupied territories in the West Bank—i.e., to renege on the Oslo Accords.

Netanyahu later freely acknowledged that he had sought out Falwell, to stage the Armageddon rally as part of his



The international press comments on the two-pronged British operation against President Clinton. On the right, in a cartoon which appeared in the German weekly *Weltwoche* and the Austrian daily *Die Presse*, a general briefs President Clinton on Iraq: "The smart weapons refuse to go in." The spoof on Independent Counsel Starr is from the *Palm Beach Post*.

"diplomatic" intervention against President Clinton. Falwell and Robertson also issued a mass call-up to evangelical ministers all across America, urging them to deliver simultaneous attacks against the President. Falwell told the *New York Times*, on Jan. 21, 1998, "There are about 200,000 evangelical pastors in America, and we're asking them all through e-mail, faxes, letters, telephone, to go into their pulpits and use their influence in support of the state of Israel and the prime minister." According to the *Times*, the Mayflower Hotel rally was convened by a group called Voices United for Israel, which has been denounced by several prominent Jewish American leaders as a U.S. front group for the Israeli Likud.

The two latter-day "Elmer Gantrys" have been among the most vile slanderers of the Clinton Presidency from the outset. In several TV interviews, First Lady Hillary Rodham Clinton itemized the "right-wing conspiracy" against the Clinton Presidency, and singled out Falwell, who has produced scurrilous books and videos accusing the President of drug trafficking, murders, and high crimes and misdemeanors.

London's 'mad nation' scenario

In addition to flaunting his close ties to the hard-core "Get Clinton" crowd inside the United States, Netanyahu has been the single most important prop in the British monarchy's drive to entrap Clinton in a self-destruct military confrontation with

Saddam Hussein.

In the Feb. 13, 1998 issue of *EIR*, Contributing Editor Lyndon LaRouche warned that "if President Clinton were to continue to be duped by Britain's Prime Minister Tony Blair, into launching such an attack upon Iraq, as he seems presently determined to do, the global chain-reaction would soon create the conditions under which a new, successful impeachment drive could be launched against a globally self-isolated Clinton himself. Worse, the economic and political chain-reaction effects of the U.S.A.'s efforts to prod continental European and other nations to tolerate such an attack, would mean that the U.S. would soon be despised and isolated in current international factional line-ups. That global chain-reaction would create the climate of isolation around the President, which would destroy the political sympathy the President has gained from his own and Hillary Clinton's clear response to Prosecutor Starr's efforts to orchestrate a 'Lewinsky Affair.' "

Apart from the strings being pulled, from behind the scenes, on a rabidly anti-American Saddam Hussein, the key to the "bomb Iraq" trap being set for President Clinton, is the Israel of a rabid, Jabotinskyite, racist regime under Netanyahu and Ariel Sharon's direction, armed with the world's fifth-largest arsenal of nuclear bombs.

Despite reports that Israel's nuclear arsenal is governed by secret treaty agreements with the United States that forbid

any Israeli pre-emptive nuclear strike, such paper understandings would in no way would deter Netanyahu or Sharon. Given the control over all nominally “Islamic” terrorism by British intelligence, in league with Sharon-allied factions of the Israeli Mossad, a terrorist massacre inside Israel, such as the string of bombings that led to Netanyahu’s election, cannot be ruled out. Such a British/Israeli-ordered bombing would suffice to “justify” an Israeli pre-emptive strike against Baghdad, and, perhaps, even against such other targets as Iran, Sudan, or Libya.

The “terror card” is already being played against President Clinton in another way. On Feb. 19, the FBI arrested two men in Las Vegas, Nevada, and charged them with possession of a “weapon of mass destruction.” William Leavitt and Larry Wayne Harris were arrested in possession of six vials of what is thought to be anthrax, a deadly biological agent. Harris was formerly linked to the Aryan Nation, an offshoot of the British-Israelite movement, closely associated with the British intelligence services. Like clockwork, the next day, Feb. 20, the *Daily Telegraph* ran a story by Ambrose Evans-Pritchard, charging that the Iraqi regime was behind the Aryan Nation, and that the group had received money from Saddam Hussein during the 1991 Persian Gulf War. The message of Evans-Pritchard’s flagrant piece of black propaganda: President Clinton had better bomb Saddam back to the Stone Age.

The same day that Leavitt and Harris were being arrested, a bomb went off at a General Motors car dealership in Athens, Greece, which was widely characterized as an anti-American terror attack, linked to the Clinton administration’s threats to bomb Iraq.

President Clinton has thus been a target of a blackmail campaign to manipulate him into believing that if he does not take military action against Iraq, Israeli lunatics will take matters into their own hands, and the Middle East conflict will mushroom into World War III.

Tavistock shock trauma

It is of special significance that the convergence of the “Lewinsky Affair,” the new eruption of an Iraq conflict, Netanyahu’s provocations in Washington, and the sudden outbreak of anti-American irregular warfare, occurs at a time when the Clinton administration bears special responsibility for devising a solution to the global financial crisis. Treasury Secretary Robert Rubin provoked hysteria among private bankers when, on several occasions, beginning in December 1997, he declared that he personally preferred not to give “one nickel” to bail out speculators. As LaRouche has emphasized, any solution to the collapse of the global financial and monetary system requires U.S. Presidential leadership. Therefore, a collapse of the Clinton Presidency, at this time, would have horrible consequences for the planet.

Clinton’s enemies are well aware of this. A review of the chronology of events in mid-January of this year, suggests that the President was, indeed, the target of a series of orches-

trated shock-traumas, aimed precisely at distracting him, and bringing down his Presidency. The world’s foremost psychological warfare center, the London Tavistock Institute, a branch of British intelligence, pioneered the use of group shock-trauma to produce irrational behavior.

It is in this context that Netanyahu’s sabotage of the Washington summit merits special attention.

In the week leading up to the “Lewinsky Affair” eruption, the permanent bureaucracy at the Department of Justice launched an across-the-bow attack against the Clinton administration, using the string of independent counsel probes to simultaneously hit Labor Secretary Alexis Herman, former Agriculture Secretary Mike Espy, and former Housing and Urban Development Secretary Henry Cisneros. Prosecutor Kenneth Starr demanded and obtained a deposition of First Lady Hillary Rodham Clinton. All of these actions were taken in the days leading up to the President’s long-scheduled Jan. 17, 1998 deposition in the Paula Jones civil case.

Unbeknownst to the White House, by no later than Jan. 12, Linda Tripp, Starr’s “deep throat” in the Lewinsky and related scandals against Clinton, had delivered 20 hours of illegally taped conversations with former White House intern Monica Lewinsky to the independent counsel’s office. The next day, Tripp was fitted with a wire to enable the FBI to record a lunch meeting with Lewinsky at a hotel in Pentagon City, to obtain “clean” corroboration of the allegations about President Clinton, already recorded on the illegal tapes.

On Jan. 16, Tripp again arranged a lunch meeting with Lewinsky. This time, FBI agents intercepted Lewinsky and bullied her into a hotel suite, where she was held for ten hours and pressured, without a lawyer present, to become a “sting agent” for Starr, in his effort to entrap the President. During much of Lewinsky’s ordeal, Tripp sat in an adjacent hotel room, conferring with other members of the Starr team. Later that same day, Tripp met at her Columbia, Maryland home with attorneys for Paula Jones. She provided them with a detailed briefing on the illegally obtained Lewinsky tapes, and on the results of the FBI-wired meeting, obtained by Starr.

The next morning, Jan. 17, when President Clinton arrived for his deposition, he was ambushed by the Jones lawyers, who asked him a battery of detailed questions — all based on Tripp’s highly dubious account.

On Jan. 18, as Prime Minister Netanyahu was arriving in Washington, neo-conservative “talking head” William Kristol, a supporter of Netanyahu’s intransigent policy toward the Palestinians, who is the editor-in-chief of the Rupert Murdoch-funded *Weekly Standard* magazine, hinted that a major new sex scandal was about to hit the President. The Lewinsky story hit the front page of the *Washington Post* three days later, just days before United Nations chief weapons inspector, Richard Butler, helped trigger the current confrontation with Saddam Hussein, by telling Israeli reporters that the Iraqis had enough chemical and biological weapons to wipe out the population of Tel Aviv.

Netanyahu and London led the drive for war

by Joseph Brewda

During the summer of 1997, U.S. President Bill Clinton decided to force Israeli Prime Minister Benjamin Netanyahu to finally comply with the Israeli-Palestinian Oslo peace accords, which Netanyahu has been intent on destroying ever since the British installed him in office in May 1996. The developing confrontation between the two men has shaped every subsequent development in the region, including Netanyahu's orchestration of "Islamic terrorist" attacks to discredit the peace process, and his threats to bomb Iraq and Iran, to blackmail the United States to do so on its own.

It was precisely to stop the 1993 Oslo agreement, that the British Crown ordered the murder of Israeli Prime Minister Yitzhak Rabin, in November 1995. Every action that their patsy, Netanyahu, has taken since that time, has been to meet these British demands.

The point at which Clinton decided that enough was enough, according to published accounts at the time and subsequently, was at a June 19, 1997 Oval Office meeting that he had called, attended by leading members of his Cabinet and the National Security Council, to thoroughly review the crisis in the peace process. Following that meeting, Clinton decided to aggressively pressure Israel to fully comply with its sworn treaty agreements to carry out two further troop pullouts from the West Bank, and to move up the timetable for final status talks. A decision was also taken, according to a *New York Times* account of the session, to send Mideast peace envoy Dennis Ross to Jerusalem, to deliver an ultimatum to Netanyahu to comply with the Oslo Accords, or face the consequences.

Netanyahu orders a 'Jihad'

On July 27, the Clinton administration announced that Ross would travel to the region, to prepare for Secretary of State Madeleine Albright's first trip there. Everyone knew that Ross would be delivering Clinton's ultimatum, and that Albright's trip was also intended to ensure Netanyahu's compliance.

Netanyahu was not slow in preparing for the coming showdown. On July 26, one day before Ross's trip was announced, Netanyahu gave the go-ahead for his top financial backer, Miami-based casino operator Irving Moscowitz, to build 65 Jewish homes in Arab East Jerusalem. The homes were to be dormitories for the Ateret Cohanim yeshiva, whose students have repeatedly been caught attempting to blow up the nearby Al

Aqsa Mosque, to rebuild Solomon's Temple in its place.

Labor Party Knesset (parliament) member Yossi Sarid termed the provocation "a great fire that will burn lives of Jews and Arabs." He proved prophetic. On July 30, two operatives of the London-headquartered Hamas organization blew themselves up in an open-air market in Jerusalem, killing 18 people and wounding more than 150.

On July 31, following widely televised visits to hospital wards, Netanyahu declared the Oslo Accords "suspended," claiming that the Palestine Liberation Organization had allowed the bombing to happen, and even ordering an arrest warrant for Palestinian Police Chief Ghazi Jabali. "Whether on purpose or not," the Israeli daily *Maariv* commented, "the bombing came at an ideal time for the opponents of the [peace] process."

Despite the conveniently timed atrocity, President Clinton decided to press ahead, and ordered Ross to travel to Israel to deliver the ultimatum as initially planned. During his trip, Ross forced Netanyahu to agree to tripartite meetings between Israeli and PLO intelligence, with the CIA, in which the local CIA station chief would review disputes between the two agencies on dealing with terrorism. The agreement threatened to reduce Netanyahu's ability to deploy terrorism to his advantage.

Meanwhile, on the domestic front, the Israeli military began to voice its opposition to Netanyahu's lunacy. At the end of August, the former commander of Israeli troops in the West Bank, Maj. Gen. Oren Shahor, resigned, saying, "Netanyahu is destroying the peace process" while simultaneously "weakening the defense establishment."

But, as a nervous Netanyahu waited for his impending showdown with Albright, set for Sept. 9, Hamas struck again, killing eight people and wounding 200, in a Sept. 4 bombing of a Jerusalem market. Following another round of hospital visits, Netanyahu threatened military action against the PLO, and declared that he had terminated the tripartite intelligence agency meetings, as a "meaningless rite."

Albright got nowhere in her meetings with Netanyahu. And on Sept. 14, two days after her departure, Netanyahu defiantly gave the go-ahead for four Jewish families to move into Moscowitz's East Jerusalem apartments, whose announcement provided the pretext for the July terror attack in the first place.

Within a week, Netanyahu dramatically stepped up his counterattack on Clinton, by ordering the murder of Hamas official Khalid Mashaal in Jordan, in another effort to provoke a much bigger Hamas killing spree. The Sept. 25 assassination attempt was bungled, and the would-be Israeli assassins captured. But, Netanyahu was able to turn it to his advantage. In the resulting deal, struck between an enraged King Hussein of Jordan and Hamas, Netanyahu agreed to release over 60 Hamas terrorist leaders from Israeli prisons, including its founder, Sheikh Ahmed Yassin, to secure the release of Israel's own captured assassins.



Israeli Prime Minister Benjamin Netanyahu (right) and Ambassador to the U.S. Zalman Shoval. The confrontation between Netanyahu and President Clinton has shaped every development in the Mideast since “Bibi” Netanyahu came to power in May 1996.

As expected, the triumphant return of the formerly imprisoned Hamas leaders to Gaza further weakened Palestinian Authority President Yasser Arafat who, five years after Oslo, had little to show, in terms of concrete accomplishments, to an impoverished Palestinian population. Since that time, Netanyahu has consistently demanded that Arafat round up the same terrorist leaders Netanyahu had sprung from prison, if the Oslo Accords were to be revived, even while carrying out further provocations that strengthen Islamic radicalism.

On Jan. 13, 1998, on the eve of his trip to Washington, Netanyahu formalized the suspension of the Oslo Accords, until such time that Arafat eliminate Hamas, an effort which would only spark a Palestinian civil war.

The October war push

Netanyahu’s “Islamic terrorism” proved a useful means of sabotaging Clinton’s effort to revive the Oslo peace process, but British and Israeli planners judged that an all-out war in the region promised greater success. Consequently, by October 1997, Britain and Israel initiated an ambitious effort to lure the United States into another war on Iraq, to destroy the Oslo Accords, Iraq, and Clinton, in one fell swoop.

Britain had an additional, powerful motivation. It was looking for some means of destroying the powers of the U.S. Presidency itself, since it is the only institution capable of challenging the oligarchy’s plans in the midst of the collapse of the world financial system. A disastrous crisis, or war, was judged one of the best means to do just that.

The renewed war push began when the British government, after claiming repeated Iraqi violations of UN resolu-

tions, pushed through UN Resolution 1134 on Oct. 24, which imposed new sanctions, including the right to bar Iraqi officials from travelling abroad. The notable abstention of Russia, China, and France from the vote, which betrayed a split in the old “Gulf Coalition,” as well as the deliberately provocative resolution itself, lured Iraq into the expected response. That same day, Iraq declared it would no longer allow American UN inspectors into Iraq. On Nov. 12, it expelled all the American inspectors from the country.

Having lured Iraq into one trap, Britain and Israel attempted to use Iraq as bait for another, demanding that Clinton bomb Iraq to ensure Iraqi compliance. “Death to the Finish of Iraq,” screamed the headline of Australian press lord Rupert Murdoch’s *New York Post*, in one typical article on Nov. 16. “World’s Got to Flatten This Sand Loon Before It’s Too Late,” read another. But the intervention of Russian Foreign Minister Yevgeni Primakov, who convinced a reluctant Iraq to back down on Nov. 20, cheated Britain and Israel, at least temporarily, of their war.

During October-November, a period in which the United States seemed to be heading for war, Britain and Israel also pulled out all stops, to give the impression that Israel was prepared to nuke Iraq on its own, if the United States failed to act.

Nuclear Armageddon

On Nov. 12, in a radio interview with “EIR Talks,” Lyndon LaRouche reviewed the scenario. “Under British direction,” he warned, “the present virtual dictator of Israel, Benjamin Netanyahu will launch a *nuclear Armageddon scenario* for the Middle East, which will resemble the 1962 Missile

Crisis of the Soviet Union and the United States.” The purpose, LaRouche emphasized in an intelligence memorandum released that day, was not a “limited-goal action within the immediate theatre in which the primary action is situated,” but a nuclear crisis which will have a global effect, “a wildly, multiphase ricocheting effect.”

London’s determination to proceed with such a nuclear scenario had been accelerated, LaRouche stated, by the combination of the successful summit at the end of October between President Clinton and Chinese President Jiang Zemin, which the British strongly opposed, and the global financial crisis.

The center of London’s scenario, LaRouche added, is the Netanyahu grouping, which is encouraged by the British “to see the need for a ‘chicken game’ style of preemptive, bloody, strategic insolence as the precondition for avoiding loss of power and tempo for continuing an ‘Eretz Israel’ [Greater Israel] policy in the Middle East.”

In order to make this nuclear chicken game more credible, the British, and British-dominated Israeli press began putting out the line that Israel might go it alone against Iraq and other “rogue states,” simultaneous with the orchestrated buildup toward an Iraq war.

Exemplary is an article in the Nov. 7 issue of the Israeli daily *Maariv*. “Sooner or later Iran will have missiles capable of reaching Israel, on which they will be able to load chemical, biological, or nuclear warheads,” Ben Caspit wrote. “It must be made clear to the Iranians that the moment they decide to make use of this weapon—the return strike will be severe and fatal.”

The November issue of British intelligence “old boy” Kenneth de Courcy’s *Intelligence Digest*, mouthpiece of the British-Israelite cult, reported that Netanyahu was considering a preemptive nuclear attack on Iran, over its alleged acquisition of a nuclear missile capability, as well as on Syria, which is reportedly already in possession of chemical and biological warheads. A Nov. 16 dispatch in the London *Sunday Times* claimed Iraq was secretly making poisonous gas in Sudan, for the benefit of both countries—thus adding Sudan to the Israeli hit-list of potential targets.

When Netanyahu arrived in London on Nov. 17, in the midst of the “bomb Iraq” buildup, the scenario had been prepared. Speaking in the House of Commons that day, the Israeli Prime Minister threatened that “if the supply of Russian technology is not stopped, then within a year, Iran will become self-sufficient, and would be able to create missiles of its own.” *Jane’s Defence Weekly*, the British Defense Ministry mouthpiece, released an article that week, further goosing Israel to strike, saying that Iran would be a nuclear power with four months.

Within Israel, not everyone was so insane, however. A leak in the November issue of Maxim Ghilan’s *Israel and Palestine*, reported that Chief of Staff Amnon Lipkin-Shahak, and others in the military command, were warning that Netan-

nyahu’s war policies constituted a threat to Israel. “Both the incumbent Chief of Staff and Defense Minister are openly opposed to a war,” the newsletter stated. It added that Lipkin-Shahak was “anxious that the next war may extend to all of the Middle East, not just remain contained to the Palestinians and Syrians.” Moreover, it said, “the Chief of Staff estimates such a conflict might easily degenerate into a nuclear, chemical, or even bacteriological one.”

Netanyahu responded by moving to purge his opponents from the military and intelligence establishment. These plans moved forward, with the Feb. 16 release of the findings of the Ciechanover committee, formed to investigate the failed Mashaal assassination attempt in October. Netanyahu was exonerated, as expected, while Mossad director Danny Yatom, who reportedly opposes an Armageddon war push, was quietly blamed. According to the Israeli press, Netanyahu intends to use the report to force out Yatom by July, when Chief of Staff General Lipkin-Shahak’s term of office also ends. In the interim, Netanyahu plans to establish a new, American-modelled National Security Council, to oversee all Israeli intelligence operations, directed by Netanyahu’s current counterterrorism adviser, Gen. Meir Dagan, a 30-year sidekick of warmonger Gen. Ariel Sharon, an enthusiast of Netanyahu’s war policies.

New countdown against Iraq

Although a British-manipulated U.S. strike on Iraq, accompanied by the threat of an Israeli nuclear Armageddon war crisis, was narrowly averted in December, the crisis re-emerged in January simultaneously with the Monica Lewinsky affair; Netanyahu’s visit to Washington, where he led anti-Clinton hate-rallies with Jerry Falwell; Clinton’s deposition in the Paula Jones sexual harassment suit; and related psychological warfare against President Clinton.

The pretext for the renewed countdown occurred on Jan. 17, when the Iraqi leadership called for ending nearly eight years of UN sanctions. On Jan. 21, Australian diplomat Richard Butler, the head of the UN inspection team, noisily stormed out of Iraq, protesting unacceptable constraints allegedly imposed on his team by the Iraqi government.

Once again, British and Israeli media outlets throughout the world began screaming that war might be necessary, and by Jan. 29, the British Foreign Office reported that while it wanted to avert a military attack on Iraq, to enforce compliance with UN inspections, “the options are narrowing.” The *HMS Invincible* was dispatched to the Persian Gulf, as the London *Times* put it, “to send a message to Baghdad of Britain’s determination.” On Jan. 31, Foreign Secretary Robin Cook met with Albright in London, to “coordinate the allied response” to Iraq’s “intransigence.”

On Feb. 4, British Prime Minister Tony Blair descended on Washington for a four-day visit, to “strengthen the bonds” between the United States and Britain “in the face of the threat from Saddam Hussein,” he told the press. It was that visit

which seemed to consolidate the impulse of a disoriented President Clinton in the direction of war.

Meanwhile, as part of its psy-ops campaign against Clinton, Britain also revved up its old Israeli go-it-alone scenario, to goad the United States into preemptive action. On Jan. 27, UN inspection team leader Butler told the *New York Times*, completely out of the blue, that the Iraqis had enough anthrax and botulin toxin “to blow away Tel Aviv,” and missiles that are “very crude, but work.”

The London *Times* escalated the scare campaign on Jan. 29, with an article entitled “Israel ‘Threatens Nuclear Reply’ to Iraq Germ Attack,” reporting that Israeli officials issued a warning to Iraq, that Iraq “could expect a nuclear response to any chemical or biological attack.” The paper commented that the likely response would be “the dropping of an Israeli neutron bomb on Baghdad.”

And, reinforcing the threat to Clinton that Israel might also strike other “rogue states,” the Congressional Republican Taskforce on Terrorism released a report on Feb. 14, written by a British-deployed, former Israeli Air Force officer, Yossef Bodansky, which said that Iraq had already dispersed its “weapons of mass destruction,” to Iran, Libya, Yemen, Algeria, and Sudan.

Meanwhile, fearful that Russia might yet convince Iraq to compromise, thereby cheating Britain and Israel of another war, Israeli Industry Minister and former Soviet refusenik Natan Sharansky flew to Washington on Feb. 12, to demand of Vice President Al Gore that the United States confront Russia as responsible for Iran’s developing weapons of mass destruction.

Brits, Israelis widen war against Iraq

by Scott Thompson

No sooner had UN Secretary General Kofi Annan achieved significant progress with regard to renewing weapons inspections in Iraq, than Baroness Caroline Cox threw a monkey-wrench into a debate in the British House of Lords on Feb. 17, based upon a compilation of lies by Israeli Defense Forces intelligence officer Yossef Bodansky. Among Lady Cox’s lies was that, starting before the 1991 Persian Gulf War, Saddam Hussein had transferred Scud missile delivery systems, together with the means of production and stockpiles of so-called “weapons of mass destruction” (WMDs), to other nations, principally to Sudan, Libya, and Algeria. The British Minister of State, Ministry of Defense, Lord Gilbert, told the House of Lords that Her Majesty’s government would investigate and pursue Lady Cox’s charges (see *Documentation*).

During the debate, Lady Cox confirmed that her primary

source for this “intelligence” (i.e., the alleged transfer of 400 Scud missiles together with their launchers to Sudan) had been a Feb. 10 report, entitled “The Iraqi WMD Challenge: Myths and Realities,” prepared by the Task Force on Terrorism and Unconventional Warfare, an association composed of members of the U.S. House of Representatives, but which is not an official body of the U.S. Congress. The chairman of this currently solely Republican group is Rep. Jim Saxton (R-N.J.), and its official director is Israeli intelligence’s Yossef Bodansky, who was the “spotter” Jonathan Pollard, an Israeli Lekem agent convicted in the United States for espionage.

Another feature of the House of Lords debate involving Lady Cox, Lord Owen, Lord Thomas of Swynnerton, and others, was the call for the partitioning of Iraq, into the eventual formation of Kurdistan in the north and an independent Shi’ite entity in the south, that would leave Baghdad the capital of a geographic area no larger than ancient Mesopotamia.

As Lord Thomas of Swynnerton, who called on the British government to supply arms and money to the opposition Iraqi National Congress (INC) for irregular warfare against Saddam Hussein, acknowledged, one of the leading proponents of this scheme was former Reagan-Bush administration Deputy Assistant Secretary for Defense Policy Richard Perle. Well-informed sources report that Perle is bringing Ahmed Chalabi, who had been cut loose by the CIA — after a failed INC uprising against Saddam Hussein, and because Chalabi had publicly flaunted his personal abuse of CIA funding — to the United States to further this end. Chalabi will have arrived fresh from a meeting in the British Parliament building of the entire Iraqi opposition leadership, including members of the Kurdish PUK and KDP.

Perle himself had been caught red-handed, during a National Security Council investigation, supplying Israel with classified information. And, as co-founder (with Stephen Bryen, another Israeli spy) of the Jewish Institute for National Strategic Affairs (JINSA), Perle had been the one-time employer of Bodansky.

Who is Yossef Bodansky?

Baroness Caroline Cox is no stranger to the British Secret Intelligence Service (SIS) interface with Israeli intelligence. She is the main force behind an organization called Christian Solidarity International (CSI). The executive director of CSI-U.K. is Stuart Windsor, who worked for the ultra-secret Cheltenham General Command Headquarters (GCHQ, the British electronic eavesdropping equivalent of the U.S. National Security Agency). Windsor has told U.S. reporters that he uses his contacts with GCHQ for Baroness Cox’s trips to restricted zones in Sudan, where, under the guise of protecting Christians, she has been rendering military assistance to the National Democratic Alliance umbrella of guerrilla organizations seeking to overthrow the government of Sudanese President Omar al-Bashir.

Lady Cox is also a leader in Labour Friends of Israel, which organized Israeli Prime Minister Benjamin Neta-

nyahu's high-profile visit to Britain for a summit with Prime Minister Tony Blair, at a time when Washington was shunning Netanyahu.

As for Lady Cox's "good friend" Bodansky, he is a former officer in the Israeli Air Force, who was recruited by Israeli Defense Force intelligence. As *EIR* documented in the March 17, 1988 *Special Report*, "The Kalmanowitch Report: Moscow's Moles in the Reagan-Bush Administration," Bodansky was the "spotter" for recruiting Naval Intelligence official Jonathan Pollard to work for a top-secret Israeli intelligence unit, known as Lekem, which was headed by Gen. Ariel Sharon's close associate Rafi Eytan. Eytan, before running Lekem, was notorious as the thuggish head of Israel's "Terror Against Terror" operation.

Bodansky has produced a slew of reports for the Task Force on Terrorism and Unconventional Warfare, replete with Israeli disinformation. (The White House, for example, has said it has no confirmation that Iraq has proliferated weapons to other nations.) As Bodansky revealed in a discussion with a Washington, D.C.-based journalist, this position still gives him extensive access to classified U.S. intelligence material.

Cox told a reporter that she first learned of the alleged Iraqi transfer of means of production and stockpiles of chemical and biological weapons to Sudan at a meeting with Bodansky, CSI-U.S. board member Rep. Chris Smith (R-N.J.), and Sen. John Ashcroft (R-Mo.). Soon after this meeting, CSI-U.K. began to circulate a statement signed by Farouk Abu-Eissa, who describes himself as "spokesman for the National Democratic Alliance," which charges that the Sudanese government is developing chemical and biological weapons. Abu-Eissa's fact sheet cited "foreign military" sources, which are believed to be Israeli. The Cairo-based Abu-Eissa, who is head of the Arab Lawyers Association, is a notorious communist. Yet, many of his charges are in Bodansky's Feb. 10 report, "The Iraqi WMD Challenge," that was used by Lady Cox in the House of Lords debate, and which bears the imprimatur of several Republican congressmen.

Many of Bodansky's reports for the Task Force on Terrorism and Unconventional Warfare, along with other documents by him, are circulated by something euphemistically called the Conference for Middle East Peace (<http://www.cmep.com/main.htm>). One report given prominence by the CMEP states that the Palestine Liberation Organization and Arabs are making a fuss about the fate of the Dome of the Rock and the Al-Aqsa Mosque on top of Haram al-Sharif in Jerusalem, as a ruse to force Israeli Prime Minister Benjamin Netanyahu to negotiate the future of Jerusalem, which Zionists make Biblical claim to.

Ironically, the CMEP interlocks with The Kahane Website links page, which is a Who's Who of the Israeli terrorist organizations named in a U.S. State Department report on terrorism, including Kahane Chai ("Kahane Lives") and the Jewish Defense League.

The CMEP also has links to the Christian evangelical/

Zionist terrorist Temple Mount Faithful, who have plotted to bring on "Armageddon" by blowing up the Muslim holy sites on Haram al-Sharif to rebuild Solomon's Temple; as well as to the Jewish fundamentalists in the Ateret Cohanim National Movement, which is training a priesthood on making the proper animal sacrifices within Solomon's Temple once it is rebuilt. One would expect that the Republican Congressmen who are members of the Task Force on Terrorism and Unconventional Warfare would disavow all association with such Israeli terrorists, and with Bodansky.

Bodansky is also an analyst on world terrorists and an advisory committee member of the Houston, Texas-based Freeman Center for Strategic Studies, founded by Bernard J. Shapiro in 1992. Shapiro has many Zionist lobby ties; he was active in JINSA, and is a consultant to the Anti-Defamation League of B'nai B'rith (ADL). Israeli Infrastructure Minister Gen. Ariel Sharon's chief publicist, Uri Dan, is a frequent contributor to the Freeman Center's monthly journal, *The Maccabean*, and Sharon has contributed policy statements as well. Dan is a shared property of Conrad Black's Hollinger Corp.-owned *Jerusalem Post*, and the *New York Post*, owned by Lord Beaverbrook's protégé Rupert Murdoch.

One of the items circulated by the Freeman Center is an open letter by Uri Dan and Dennis Eisenberg, dated October 1997, to Israeli President Ezer Weizman, demanding that he pressure President Bill Clinton to release Pollard. Incredibly, Dan and Eisenberg compare the Pollard case to the case of Julius and Ethel Rosenberg—even though the latter were executed on the basis of a trumped-up conviction brought about by Roy Cohn. It is noteworthy, that FBI files show that the ADL reported anyone to the FBI who questioned the Rosenbergs' ritual execution. Thus, the imputation of "anti-Semitism" in the Pollard case, who was caught passing documents to Sharon's hard-line Likud circles in Israel through Rafi Eytan—documents which then mysteriously showed up in the possession of Soviet intelligence—is the height of sophistry.

Documentation

From the House of Lords debate

Baroness Caroline Cox

Hansard Lords Text, Feb. 17, on Lady Caroline Cox's statement during the House of Lords Debate on Iraq:

My lords, . . . I wish to focus on some of the wider ramifications of the challenge Saddam Hussein is posing to the international community, with particular reference to his policies of exporting weapons of mass destruction to other countries, and to ask the Government for their response to

the implications of these policies.

A great deal has been said and written about the effectiveness of air strikes against targets in Iraq. However, even if they achieved everything they are intended to accomplish, they would provide only a short-term solution. For they would still leave untouched the stockpiles of chemical and biological weapons which Iraq has exported to other countries and the plants which Iraq is helping to establish for the further development of the weapons of mass destruction in those countries. . . . Therefore . . . I should like to highlight the very disturbing evidence of Iraq's involvement in the development of weapons of mass destruction outside Iraq; for example, in Sudan and Libya. Sites of storage of weapons of mass destruction and the development of new weapons in these countries are unchecked by United Nations inspection teams.

The transfer of Iraqi weapons of mass destruction started before the outbreak of the Gulf War. . . . Further dispatches of materials and of experts to safe havens took place in the spring of 1991. . . . I will quote some of the information which has been made available by reliable sources from Sudan, and I will draw heavily on a significant report released on 10th February, just last week, which was prepared by the United States House of Representatives Task Force on Terrorism and Unconventional Warfare. . . .

The Iraqi-Sudanese strategic co-operation was established during the Gulf War and has developed in subsequent years with the delivery by Iraq to Sudan of weapons and of personnel with specialist expertise. In March/April 1991, the Iraqi Deputy Prime Minister, Tariq Aziz, asked Sudan's President Omar Al-Bashir for permission to move Iraqi chemical weapons and Scud missiles to Sudan to avoid their destruction by UN teams. Later, in 1991, as UN inspections became inevitable, Iraq transferred a large number of Scuds—estimated at about 400 missiles—and chemical weapons for “safe keeping” to Yemen and Sudan. Those sent to Yemen were subsequently transferred to Sudan.

The American report details further movement of supplies, including nuclear material, to Sudan in 1992. . . . The first joint Iraqi-Sudanese weapons of mass destruction project was built to provide facilities for chemical weapons. . . . Since then there have been reports of the actual use of mustard gas canisters against the Sudanese People's Liberation Army by Sudan government forces on at least two occasions—in 1995 in southern Sudan; and in 1997 in eastern Sudan.

In May 1997 . . . Iraqi experts arrived in Sudan to prepare for the production and storage of biological weapons which Saddam originally had planned to use against the Kurds. . . .

Of course I believe that there can be no room for complacency or leniency with Saddam Hussein, with his track record of the production of weapons of mass destruction and his ruthless use of them against his own people. I have visited the Kurds in Northern Iraq—or Iraqi Kurdistan—and seen how they still suffer from the aftermath of Saddam's brutality.

Indeed, as the noble Lord, Lord Owen, rightly emphasised, they are still suffering horrifically and they require a Kurdish protectorate. . . .

[Saddam Hussein's] policies of exporting so much of his arsenal . . . raises far-reaching questions. May I therefore ask the Minister three of these questions?

First, does this dispersal of much of Saddam Hussein's arsenal of weapons of mass destruction have any bearing on decisions to undertake air strikes and other military offences against Iraq? Secondly, is there a case for urgent consideration of measures to investigate the extent to which Iraq has exported materials and expertise for the development of weapons of mass destruction to other countries, particularly to Sudan and Libya? Thirdly, do the Government have any policy with regard to working with other UN member states to try to achieve the detection and control of the development and use of weapons of mass destruction in those countries working in conjunction with Saddam Hussein, particularly Libya and Sudan? . . .

Lord Gilbert

Statement by the Minister of State, Ministry of Defence (Lord Gilbert):

I should like particularly to deal with some points raised by the noble Baroness, Lady Cox. I was glad to have had some forewarning of the questions that she asked. Indeed, only about an hour before I came over to the House this afternoon, I asked what information we had from the best source available to us with regard to those matters. I have not been able to get any authoritative information on those matters, but I shall be happy to study the questions which the noble Baroness raised—the noble Lord, Lord Moynihan also raised them in his opening remarks—about whether Saddam Hussein has been, as it were, “parking” some of his weapons of mass destruction and stores of agents in other rogue states. I consider those matters to be extremely important, and I undertake to the House and to the noble Baroness that I personally will ask for an investigation within the United Kingdom Government of every single one of the points which the noble Baroness raised. Indeed, if the noble Baroness would like to write to me with any other details, I should be happy to receive any such information as she wants to give me.

Lord Thomas of Swynnerton

Hansard Lords Text, Feb. 17, on Lord Thomas of Swynnerton statement during the House of Lords Debate on Iraq:

I believe we should give much greater support—money and arms—than we have so far to the Iraqi opposition, including the Iraqi National Congress, whose chairman lives in this country. We could support those gifts of money and arms with covert action of the kind which this country surely over many generations has shown itself particularly well equipped to carry out, particularly in this part of the world. Some suggestions along these lines were made by the United States ex-

Deputy Secretary of State [sic], Mr. Richard Perle, in a widely distributed article last week. . . .

Of course, it will be represented that a policy based on what I have suggested . . . risks the break-up of Iraq. That is something that may have to be faced. . . .

The noble Lord, Lord Owen, . . . referred to the possibility of the establishment of Kurdistan as a separate state. . . . The noble Lord referred to a conference in Cairo in 1921 when the question of the future of the Kurds was decided. On that occasion the idea of backing the establishment of an independent Kurdistan was proposed by the Secretary of State for the Colonies. . . . I need hardly remind your Lordships that the colonial Secretary of State who made that proposal and who would have backed it further was Winston Churchill.

Neo-cons' 'X Committee' leads attack on Clinton

by Scott Thompson

According to Howard Kurtz, writing in the Jan. 22 *Washington Post*, the first person who made public mention of an alleged affair between President Bill Clinton and Monica Lewinsky, was William Kristol. Wrote Kurtz: "Kristol says he knew of the imbroglio, from a source who had heard the tapes, a day before an ABC staffer handed him the [Matt] Drudge item" off the Internet, concerning the Lewinsky scandal. When questioned by this author, Kristol, who is publisher and editor of the *Weekly Standard*, refused to answer questions about how he came to be among the first to know about Lewinsky's charges.

The role of Kristol as the initial public source on the "Lewinsky Affair" spotlights another British-Israeli apparatus, one that has been deeply involved in the "Get Clinton" effort from the outset. Kristol and his associates are collectively referred to as "neo-conservatives," a rather stunning euphemism, considering that the first generation of neo-cons were all former Stalinists, Bukharinites, and Trotskyites—who later found a "comfort zone" working as assets of British and Israeli intelligence against American national interests. The neo-cons associated with Kristol were high on the list of suspects, as the Pentagon attempted to identify the high-level controllers of Israeli spy Jonathan Jay Pollard inside the U.S. intelligence community, following Pollard's arrest for espionage in November 1985. The overlap between the suspected members of the Pollard spy ring—which was, at the time, dubbed the "X Committee"—and the crew of neo-cons currently out to destroy the Clinton Presidency,

through the "Lewinsky Affair" and the drive to force the President into a self-destructive war with Saddam Hussein, is well worth studying.

State of the Union

At the peak of the media feeding-frenzy over the Lewinsky scandal, Kristol, as chairman of the board of directors of a newly created Project for the New American Century, issued a public letter to President Clinton on Jan. 26, demanding military action to overthrow Saddam Hussein. The letter stated, in part:

"We are writing you because we are convinced that current American policy toward Iraq is not succeeding, and that we may soon face a threat in the Middle East more serious than any we have known since the end of the Cold War. In your upcoming State of the Union Address, you have an opportunity to chart a clear and determined course for meeting this threat. . . . That strategy should aim, above all, at the removal of Saddam Hussein's regime from power. . . . Even if full inspections were eventually to resume, which now seems unlikely, experience has shown that it is difficult if not impossible to monitor Iraq's chemical and biological weapons production. . . . It hardly needs to be added that if Saddam does acquire the capability to deliver weapons of mass destruction, as he is almost certain to do if we continue along the present course, the safety of American troops in the region, of our friends and allies like Israel and the moderate Arab states, and a significant portion of the world's supply of oil will be put at risk. . . . The only acceptable strategy is one that eliminates the possibility that Iraq will be able to use or threaten to use weapons of mass destruction. In the near term, this means a willingness to undertake military action as diplomacy is failing. In the long term, it means removing Saddam Hussein and his regime from power."

The signators of this open letter included:

- Richard N. Perle: Assistant Secretary of Defense in the Reagan and Bush administrations, Perle is today a highly paid consultant for the Israeli arms industry. He is known to have had a connection to the Israeli Mossad since 1970, when he was working for Sen. Henry Jackson (D-Wash.). At that time, a National Security Council-ordered wiretap on Perle's phone revealed that he was passing classified U.S. information to the Israeli Embassy in Washington. Although he was caught red-handed, Mossad allies assured that he retained his security clearance and position as Senator Jackson's aide.

In 1976, Perle and his longtime associate Stephen Bryen formed the Jewish Institute for National Security Affairs (JINSA), which served as a cover for Israeli intelligence operations in Washington—particularly aimed at recruiting assets from within the U.S. military.

One of Perle's first employees was the self-described "universal fascist" Michael Ledeen, who was a central figure in the Iran-Contra fiasco. Ledeen's wife, Barbara, headed the

women's organization that received free legal services from independent counsel Kenneth Starr, in preparing a "friend of the court" brief backing Paula Jones in her lawsuit against President Clinton (see article, p. 66). Barbara Ledeen is also a leading proponent of the plot to blow up the Muslim holy site at the Temple Mount in Jerusalem.

Another JINSA employee, Yossef Bodansky, was the Israeli Defense Force intelligence "spotter" for Pollard (see accompanying article).

In 1978, Bryen was caught, in a discussion with Zvi Rafiah, then the Mossad station chief in Washington, passing on classified information and discussing how to influence U.S. policy. Despite the revelations, Bryen kept his government security clearance, and later became Perle's aide in the Reagan-Bush Defense Department.

- Elliott Abrams: Assistant Secretary of State for Inter-American Affairs in the Reagan-Bush administrations, Abrams was convicted for his illegal involvement in the Iran-Contra operation. Abrams got his political entrée into the Reagan-Bush circles via his mother-in-law, leading neo-con Midge Decter.

Midge Decter and Norman Podhoretz are the parents of John Podhoretz, who is editorial page editor at the *New York Post*, which is owned by Lord Beaverbrook's protégé, Rupert Murdoch. Podhoretz also co-founded the *Weekly Standard* with family friend William Kristol.

- William Bennett: Bennett was Secretary of Education during the Reagan administration, and drug policy adviser during the Bush administration. It was Bennett who gave William Kristol his start in Republican politics, by making him his chief of staff when Bennett became Education Secretary in the first Reagan administration.

William Kristol cut his teeth working with his father, Irving Kristol, for *Commentary* magazine, run by Norman Podhoretz. William and Irving then founded, with assistance from Abe Rosenthal of Basic Books, the second major journal of "neo-conservatism," *The Public Interest*.

During the Reagan-Bush administrations, William Kristol served as chief of staff to Education Secretary Bennett, and later became chief of staff to Vice President Dan Quayle.

Enter Rupert Murdoch

William Kristol started the *Weekly Standard* after receiving a guarantee of \$10 million of initial financing from Rupert Murdoch, the British Empire media tycoon. Murdoch's *London Times*, Fox-TV, and *New York Post* have been in the forefront of spreading disinformation to destroy President Clinton.

According to a piece by *Newsweek*'s John Meacham on May 15, 1995, entitled "The Strategist Turns Scribbler," the deal came together when William Kristol, Fred Barnes, and Podhoretz met with Murdoch at his Beverly Hills, California estate in April 1995.

The executive editor of the *Weekly Standard* is Barnes,

who had been a senior editor of the *New Republic*, founded by Michael Straight, the only American known to have been recruited, via the Cambridge Apostles, to become a British "triple agent" spy against the Soviet Union. Others in the "triple agent" operation included the Britons Sir Anthony Blunt, Guy Burgess, and H.A.R. "Kim" Philby.

What William Kristol and Podhoretz have in common with Murdoch, apart from hatred of President Clinton, is that all three support the hard-line Likud policies identified with Israeli Prime Minister Benjamin Netanyahu. Murdoch's *New York Post*, for example, publishes the writing of Uri Dan, the number-one publicist for Likud leader Gen. Ariel Sharon, "the Butcher of Lebanon."

Tracking the 'X Committee'

One of the first public signals of the existence of the "X Committee" came in a Feb. 19, 1988 article in the *Washington Post* by Bob Woodward, which reported that the Justice Department was in a mad scramble to unearth the identity of one more "Pollard" believed to be in a very senior position in either the Pentagon or the CIA. According to Woodward's Justice Department sources, Pollard, during months of extensive debriefings and polygraph tests, had revealed that his Lekem case officer had shown him classified government indices listing various secret materials. The listing is believed to have been turned over to Lekem by a high-ranking "Mr. X," whom the U.S. government was seeking to uncover. In short, there existed, operating at a level higher than Pollard, a source, or sources, who had access to index numbers of documents that Pollard himself would have had no knowledge of.

At the time that Woodward revealed the hunt for "Mr. X," *EIR* was in possession of a list of a dozen high-ranking Pentagon officials and consultants, who were all suspected of being part of the Pollard spy ring. Among the suspects were Fred Iklé, then Deputy Secretary of Defense; Albert Wohlstetter, a founder of the RAND Corp., a longtime Pentagon consultant, and the first mentor of Perle; and, Andy Marshall, who headed the Pentagon's Office of Net Assessments, an important, albeit little-known, intelligence unit, during 1975-97. Other suspects identified by *EIR* investigators included Uri Ra'anani, an Oxford University-trained "Arabist" who had been caught running Israeli intelligence's interface with the Anti-Defamation League of B'nai B'rith during the 1960s, and who later surfaced as Pollard's graduate school professor and initial recruitment officer; and Roy Godson, the son of a shared British and American intelligence asset, Joe Godson. In the late 1960s, Roy Godson had been an intimate collaborator of Jewish Defense League founder Meir Kahane. The Godson family's links to Rafi Eytan, the Lekem chief who ran the Pollard spy ring, date back to London in the 1960s, when Eytan was Mossad station chief and Joe Godson was operating a joint Anglo-American intelligence front group.

The Elmer Ganttrys behind Whitewater prosecutor Kenneth Starr

by Edward Spannaus

“To me, it’s appropriate to be here,” Kenneth Starr told his audience on Oct. 4, 1996, as he delivered the keynote address at the 10th anniversary celebration of the Regent University School of Law in Virginia Beach, Virginia. The school whose anniversary Starr was celebrating, had been founded by Pat Robertson as the Christian Broadcasting Network School of Law, ten years earlier.

Starr spoke at Regent, despite widespread criticism of his participation appearance at an event so closely associated with Robertson, one of President’s Clinton’s most virulent critics, the founder of the Christian Coalition, and someone who had called Clinton’s inauguration “a repudiation of our forefathers’ covenant with God.”

But that didn’t bother Starr. “I’m proud to be here,” he said, calling the event “intellectual refreshment.”

And, as we shall see, this is only one of the most visible instances where Starr has associated with some of President Clinton’s worst enemies.

Starring . . . Larry Nichols

Starr has been more cautious about openly associating with Jerry Falwell, the founder of the now-defunct “Moral Majority” who now runs Liberty University in Lynchburg, Virginia—although sources report that, in fact, Starr is quite close to Falwell as well.

Falwell himself has no such caution. Take, for example, the March 1998 issue of Falwell’s *National Liberty Journal*. On the front page, right next to the masthead, is a color picture of Kenneth Starr, asking whether Starr will “be the man who brings down the Teflon President?” Inside is a laudatory feature, with the title “The Man Who Could Topple the President,” superimposed over another color photo of Starr. The article lavishly praises Starr as a man of “deep faith” and a devout Christian; Falwell urges his readers to “keep Kenneth Starr in our prayers.”

Prayer is the least of what Falwell has done to assist Starr in trying to bring down the President. Besides having boosted Paula Jones’s phony lawsuit against the President, Falwell has also promoted and circulated the scurrilous *Clinton Chronicles* videotape, which, for starters, accuses Clinton of

murder. The video stars Larry Nichols, a disgruntled former Arkansas state employee who was fired in 1988, when Clinton was Governor, because Nichols was spending most of his time working for Ollie North’s Contras.

While Falwell was mass-marketing the *Clinton Chronicles* video, the star of the show, Nichols, was running around the country brandishing a handgun and threatening Bill Clinton.

Is it any wonder, that when President Clinton met with Israeli Prime Minister Benjamin Netanyahu on Jan. 20, he reportedly blasted Netanyahu for meeting with Falwell, and for giving an interview to Pat Robertson on the Christian Broadcasting Network’s “700 Club” program? Robertson’s “700 Club” regularly features Clinton’s enemies, including British spook-journalist Ambrose Evans-Pritchard, and “Diamond Pat” Robertson has regularly promoted the Paula Jones case as well.

The real story of Pepperdine University

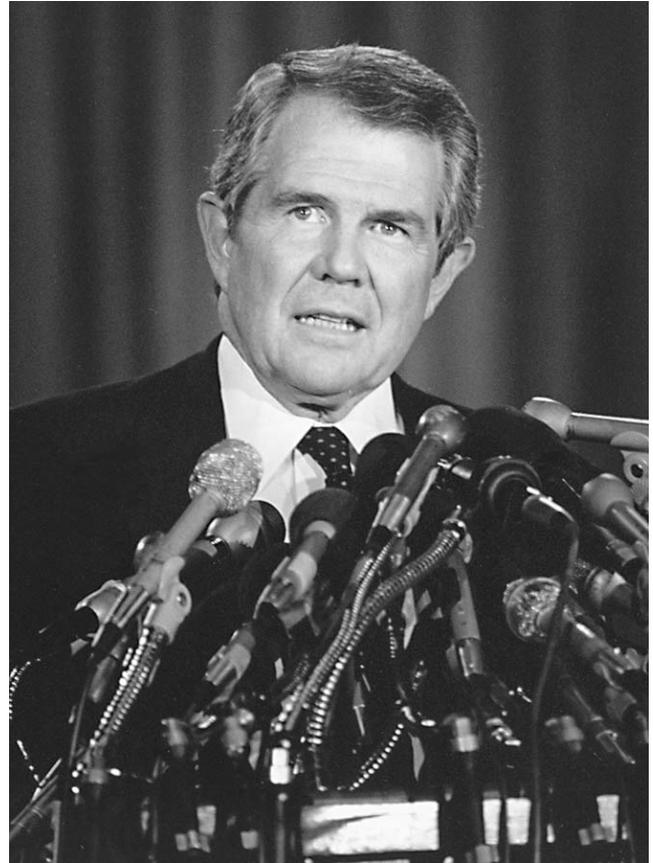
Starr’s own “devout Christian” background also bears looking into. His father was a part-time preacher in the sect known as the Church of Christ, and was a fanatic Anglophile, as is Kenneth. As described by a former member, the Church of Christ (particularly the “mainline” branch with which Starr is associated) reject anything not found, literally, in the Bible—including the Nicene Creed, and the use of musical instruments in worship; they believe themselves to be the only true Christians, and not a few even believe that someone who uses musical instruments in church is on his way to hell.

Starr attended Harding College (now Harding University) in Searcy, Arkansas for his first two years of college, and, upon his completion of his current assignment as independent counsel, he will take up a position at Pepperdine University in Malibu, California. Harding and Pepperdine are two of the 18 colleges and universities operated by the Church of Christ in the United States.

Pepperdine College was founded by George Pepperdine, who also founded Western Auto Supply stores. Pepperdine was an activist in the Church of Christ, in the same circuit within that denomination as the Starr family and the long-



Jerry Falwell's magazine lavishly praises prosecutor Kenneth Starr, "the man who could topple the President."



Pat Robertson's "700 Club" regularly features Clinton's enemies, including British operative Ambrose Evans-Pritchard.

time president of Harding College, George S. Benson. George Pepperdine personally financed the start-up of Benson's career in missionary work in the Philippines, in the 1920s. George S. Benson and George Pepperdine were both associated with U.S. and British intelligence operations, in the orbit of the Dulles brothers, J. Edgar Hoover, and "Austrian school" economist Friedrich von Hayek. (*EIR* will have more to report on this in future issues.)

In the 1950s and 1960s, Harding College ran a "National Education Program," featuring a hard-line right-wing curriculum of "anti-communism" and "free enterprise," whose tax-exempt status was targeted by the Kennedy administration in 1962. The program produced "educational" films and materials for use by corporations and by the U.S. military.

Some liberal watchdog groups that monitor far-right-wing organizations, consider today's secretive Committee for National Policy (CNP) to be the successor to the right-wing organizations and programs such as that of Harding College in the early post-war decades. While the perspective of these "watchdog" organizations is generally narrow and distorted, there is unquestionably a continuity which exists here with the CNP.

The Committee for National Policy

If there is any one organization which can be seen as encompassing the constituency behind Kenneth Starr and the attacks on the President, it is the Committee for National Policy. Never heard of it? You are not alone; the CNP does its best to conduct its activities in secrecy—although many of its officers and members are well-known public figures.

Remember Kenneth Starr's address to Pat Robertson's Regent University Law School? That was also addressed by former Attorney General Edwin Meese, who happened to be the president of the CNP at the time. Pat Robertson was president of the CNP in 1985-86. Other past presidents include: evangelist Rev. Tim LaHaye, businessman Nelson Bunker Hunt, Rich DeVos of Amway Corp., and Tom Ellis, a top aide and money-man for Sen. Jesse Helms (R-N.C.).

Today, CNP functions as an umbrella for the hard-core Christian right and evangelicals, including R.J. Rushdoony and the Christian Reconstructionists, Jerry Falwell, Pat Robertson, Gary Bauer (Family Research Council), James Dobson (Focus on the Family), Phyllis Schlafly (Eagle Forum), Ralph Reed and Donald Hodel (the past and current heads of the Christian Coalition), Mike Farris (home schooling

and Christian Solidarity International)—combined with a small number of elected officials, representatives of think-tanks and foundations associated with the Mont Pelerin Society of von Hayek and billionaire Richard Mellon Scaife, plus assorted intelligence spooks and asteroids. Most of the key figures behind the Promise Keepers are members or officials of the CNP. And almost everyone pushing the Paula Jones case is found here, including John Whitehead, the head of the “Christian Reconstructionist” Rutherford Foundation, which is financing the Jones lawsuit and paying her current lawyers.

Of five U.S. Senators known to be members, two of them, Jesse Helms and Lauch Faircloth, had lunched with Judge David Sentelle of the U.S. Court of Appeals in Washington, immediately before the three-judge panel led by Sentelle appointed Starr to replace the previous Whitewater independent counsel.

Although Richard Mellon Scaife, the bankroller of such operations as George Bush’s “secret government” and the “Get LaRouche” Task Force of the 1980s—and most of the anti-Clinton propaganda of the 1990s—is not known to be a member, many of those who live off his largesse are, including Edwin Feulner, whom Scaife brought in to head the Heritage Foundation in the late 1970s, and who is now international president of the Mont Pelerin Society; Paul Weyrich of the Free Congress Foundation; Reed Irvine of Accuracy in Media; Joseph Farah of the Western Journalism Center; Paul Craig Roberts of the Cato Institute; and Robert Poole of the Reason Foundation.

The prominent involvement of the Christian Reconstructionists is particularly notable, and also highly unusual. Howard Ahmanson, a California businessmen who is a 20-year trustee of Rushdoony’s Chalceon Institute, is a member of the CNP Board of Governors; Rushdooney and his sidekick Gary North are members, and of course its offshoot, the Rutherford Institute, is represented as well.

The Contra connection

The CNP was founded in 1981, at the home of conservative huckster and direct-mail kingpin Richard Vigerie, by a group which included Rep. Larry McDonald, Tim LaHaye, and Nelson Bunker Hunt. It is almost impossible to find out anything about the CNP from the organization itself. According to published accounts by its adversaries—which seem to be borne out—its meetings are closed to the public or the news media, and it has no public activities.

Lest one begin to think that, “Well, maybe the CNP does have a religious purpose,” we will look a little further at its unofficial membership list.

On its Executive Committee is Oliver North, plus another Contra-lover, Woody Jenkins, the very controversial and recently defeated candidate for U.S. Senate from Louisiana, who is not exactly known for his piety.

Although founded in 1981, the first time that CNP came

to public attention was in 1986, when the *Washington Post* obtained a tape-recording of Ollie North making a fundraising pitch for George Bush’s drug-running Contras, to a secret meeting of the CNP in Nashville, attended by 500 people, including Falwell.

Other CNP members identified with the covert Contra effort are former general Jack Singlaub (a Contra fundraiser and supporter), Faith Whittlesey (who headed the White House Office of Public Liaison which arranged North’s speaking engagements), and Andy Messing of the National Defense Council.

Clinton-hater Larry Pratt, head of Gun Owners of America, shows up as a CNP member.

Another member is Jack Wheeler, a soldier-of-fortune type who is associated with British oligarch Lord William Rees-Mogg and Mogg’s sidekick James Dale Davidson in their *Strategic Investment* newsletter; Wheeler put out the “Waco II” scenario—four weeks before the Oklahoma City bombing—predicting an imminent declaration of martial law and a bloody assault on private militias by Clinton and Attorney General Janet Reno.

When First Lady Hillary Clinton recently cited a “vast right-wing conspiracy,” the Council for National Policy may be exactly what she had in mind.

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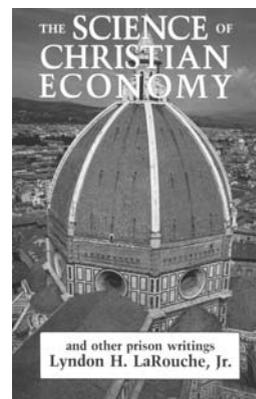
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Sex-maniac Starr takes over fraudulent Paula Jones case

by Edward Spannaus

It doesn't "matter all that much whether Mrs. Jones ultimately wins or loses her case," a newspaper reporter wrote on May 15, 1994, shortly after Paula Jones's lawsuit against President Clinton was filed. "The ticking time bomb in the lawsuit lies elsewhere, in the testimony of other witnesses."

That prescient passage is crucial to understanding how Whitewater prosecutor Kenneth Starr went from investigating a petty, failed real estate deal in Arkansas, to using his hordes of FBI agents and his grand juries to investigate every salacious detail of every rumor ever circulated about the sex life of the President of the United States.

For that was no ordinary reporter writing about the "ticking time bomb." It was the Washington correspondent of the *Sunday Telegraph* of London, Ambrose Evans-Pritchard, who doubles as a stringer for the British intelligence agency MI6. A week earlier, Evans-Pritchard acknowledged that he had had "a dozen conversations with Mrs. Jones over the past two months." He also admitted that "I happened to be present at a strategy meeting last month on a boat on the Arkansas River" at which Jones's attorney "was weighing the pros and cons of legal action."

In his 1997 book, *The Secret Life of Bill Clinton*, Evans-Pritchard admits, trying to make light of it, that for a few minutes, "I had become a consultant to the embryonic legal team of Paula Jones." In fact, he was much more than that, for it is clear that he spent many weeks trying to convince Jones, plus her husband and her mother, to file the lawsuit against the President.

Now, let's jump ahead to the beginning of October 1997. By this time, Jones's second set of lawyers has resigned, apparently after Jones refused a settlement offer. The bankrolling of the Jones suit has just been taken over by the pro-slavery Rutherford Institute, and, according to various accounts, a few days later, the Institute receives the first of a series of

anonymous calls, reporting that a woman named "Monica" has sex with the President in the White House. Around this same time, Jones's Dallas lawyers called Linda Tripp—the Bush mole who was in the Clinton White House during the first part of 1993—after Tripp had been cited in a *Newsweek* article, and Tripp gave them Monica Lewinsky's name. Shortly after this, Tripp began taping her conversations with Lewinsky.

In November, Jones's lawyers issued a subpoena to Lewinsky, and her deposition was scheduled for Dec. 18. The deposition was postponed, and on Jan. 7, Lewinsky signed an affidavit denying that she'd had an affair with Clinton, which was submitted by her attorney in an attempt to prevent her from having to testify.

With a few days, no later than Jan. 12, according to published accounts, Tripp went to the Office of Independent Counsel (OIC), Starr's office, and gave them 20 hours of tapes of her conversations with Lewinsky, claiming that President Clinton, and Clinton's friend Vernon Jordan, had encouraged her to lie under oath in the Paula Jones case.

This was not Tripp's first contact with Starr's office. She had been interviewed by the OIC in 1995, during Starr's investigation of the death of White House aide Vincent Foster, and it is almost certain that she stayed in contact with the OIC, either directly or through an intermediary.

But, let's follow the version of events being put out by various sources, for this version is in itself completely damning of Starr's conduct.

At Starr's direction, Tripp set up a meeting with Lewinsky for Jan. 13. Tripp was then wired up by the FBI, and recorded her conversation with Monica Lewinsky, which took place at a hotel near the Pentagon. Starr was gathering evidence to attempt to prove that his target—President Clinton—was encouraging others to commit perjury in an unrelated civil pro-

ceeding, and that perhaps the President himself was going to commit perjury a few days later.

But at this point, Starr had no legal right to get involved in the Jones case or the Tripp-Lewinsky matter. Every expansion of his jurisdiction is supposed to be approved by the special court which appoints independent counsels; the Justice Department is supposed to investigate any new matter first, and make a recommendation to the court. This was even more sensitive, because of Starr's personal conflict of interest around the Jones case. So Starr jumped first, and asked for authorization later. He had Tripp set up another lunch meeting with Lewinsky for Jan. 16.

Meanwhile, after having had Tripp tape the Jan. 13 conversation with Lewinsky — without any legal authorization to do so — Starr then took that information to the Justice Department to request expansion of his investigative authority from Attorney General Janet Reno. Representatives of Starr and Reno then went to the three-judge panel at the federal Court of Appeals on Jan. 16 to seek jurisdiction over possible perjury and obstruction of justice in the Jones case.

But at this same time, Lewinsky was on her way to have “lunch” with Linda Tripp. The court, meanwhile, in secret session, granted Reno's and Starr's petition, and sealed the court documents. But the information, which was held under seal at the court, was about to make its way to Paula Jones's lawyer, despite the court order.

When Lewinsky arrived at the Ritz-Carlton Hotel in Pentagon City, she walked directly into the arms of waiting FBI agents and Starr's deputies. OIC lawyers and a team of FBI agents then took her to a room in the hotel and detained her for about eight hours, threatening her and her parents, and trying to convince her to wear a wire in order to entrap Clinton and Jordan into making incriminating statements. Meanwhile, Linda Tripp herself was in the next room at the hotel, where she spent the afternoon talking with FBI agents and lawyers from Starr's office.

Tripp then called Paula Jones's lawyers, and told them to meet her at her house in Maryland that evening, where she told them everything that had happened, and briefed them on her conversations with Lewinsky. Jones's lawyers were naturally quite eager to talk to Tripp — for they were getting ready to take a sworn deposition from President Clinton the next day, on Jan. 17! One or perhaps more of the members of the Jones legal team went to Tripp's house, and Tripp gave the lawyers a thorough briefing on her conversations with Lewinsky — including on the Jan. 13 discussion which Tripp had secretly recorded at the direction of Starr, using microphones supplied by the FBI!

Tripp, who was operating as an agent of Starr, thus provided secret information from Starr's investigation to Paula Jones's lawyers, including the fruits of her FBI-monitored conversations with Lewinsky. Jones's lawyers were then able to use this information in their deposition of President Clinton the next day, to assist Starr in trying to set up a “perjury trap” against him.

The information provided by Tripp allowed Jones's lawyers to ask very precise and detailed questions of Clinton the next day: questions about Lewinsky, about whether Clinton ever gave her any gifts, whether Clinton's personal secretary Betty Currie had cleared Lewinsky into the White House, and so forth. According to an account published in the *Washington Post*: “The President was so stunned by the specificity of the questions, one person close to him has said, that when he returned to the White House that night, he called Currie and asked her to come into the office the next day so they could compare notes.” Subsequently, Currie was hauled in front of Starr's grand jury to be interrogated about that Sunday conversation.

Over that weekend, *Newsweek* magazine was about to go to print with the Lewinsky story, but was persuaded by Starr's office to hold off, so as not to jeopardize his investigation. The story began to leak out anyway, and burst into public view on Jan. 21, with a front-page story on Lewinsky in the *Washington Post*, quickly picked up by all major news media.

Evans-Pritchard's “ticking time bomb” had finally gone off.

‘Misconduct of the highest order’

As we reported in last week's *EIR*, the issue of Starr's collusion with the Jones legal team “in an effort to unfairly and illegally trap the President” has already been raised by Sen. Robert Torricelli (D-N.J.), in his Feb. 11 letter to Attorney General Reno, demanding that the Justice Department investigate Starr for violations of the Ethics in Government Act. Torricelli said that if Starr's office had played any role in the preparation of questions for Clinton's deposition, that such collusion “would constitute misconduct of the highest order and provide grounds for Mr. Starr's removal.”

Torricelli's letter also cited the legal impropriety of using a civil proceeding for the purpose of setting a perjury trap for a witness.

Starr's involvement in the Jones case, and Starr's tactics around this, were also attacked by former Watergate prosecutor Richard Ben-Veniste, during an appearance on ABC's “This Week” on Feb. 15. Noting that Starr has subpoenaed all the depositions and affidavits in the Jones case, and that he is about to start questioning all of the witnesses in the Jones case, Ben-Veniste charged that Starr has “criminalized” the entire process around the Jones case. He added that Starr has been allowed “to morph from the Whitewater investigator into the Federal sex police.”

Ninety-nine percent dirt

Further confirmation that the Jones suit was simply being used to gather dirt on the President, came on Feb. 9, when the President's lawyers filed a motion seeking summary judgment in the Jones civil suit. They charged that “there has been a total failure of proof” on Jones's part, and that her lawyers have spent 99% of their discovery seeking “to substantiate rumors that President Clinton made sexual advances to other

women,” while failing to prove any of the elements of Jones’s own legal claims. They further declared that the sexual-harassment lawsuit against Clinton represents a “frivolous claim” and that it “has been pursued in other than good faith.”

There are three claims in the Jones suit: 1) As to the civil rights claim, Clinton’s lawyers say that Jones did not suffer any job detriment, and that in fact she stayed in her job two years after the alleged incident, and received pay raises during that time. 2) As to the civil rights conspiracy claim aimed at Clinton and state trooper Danny Ferguson, the motion says that “the record is barren of any evidence that Trooper Ferguson and Governor Clinton entered into any agreement to violate plaintiff’s civil rights.” 3) As to the claim of intentional infliction of emotional distress, or “outrage,” Jones has presented no evidence on this count. The motion says that, because this last claim “is part of any unprecedented lawsuit against a sitting President of the United States,” the court should not expand state law and “permit such a frivolous claim to go forward against the President, when it would be rejected against anyone else.”

Because Jones has failed to produce evidence to support her claims, the motion argues “that if the Court were to permit such a veneer-thin case of sexual harassment and outrage as this to go forward against a sitting President, it would place future Presidents at risk for frivolous and vexatious litigation.”

What LaRouche said

The fact that Jones’s lawyers spent all of their effort trying to find women who could claim that Bill Clinton made sexual advances to them, while failing to produce any evidence which would support Jones’s actual legal claims, proves what Lyndon LaRouche said almost four years ago: that the suit

was politically motivated to destabilize the Presidency, brought in collaboration with Ambrose Evans-Pritchard. (See *EIR*, May 27, 1994, p. 62.)

LaRouche said that it cannot automatically be assumed that a civil action should not be allowed to be pursued against a sitting President, because the litigant would have certain rights in an honest, good-faith case. Under the circumstances of the Paula Jones case, he said, there should be some special rules applied. The first thing to do, would be to require that Jones submit to a preliminary deposition, and that “she should be compelled to show that her collaboration with Ambrose Evans-Pritchard did not produce a lawsuit which is clearly politically motivated to destabilize the Presidency.”

If it turns out to be the case that she wouldn’t have filed the suit without the instigation of Evans-Pritchard, a British intelligence-controlled agent, LaRouche continued: “There are grounds for a summary dismissal or suspension of the suit, and I don’t think the woman has any claims coming to her. . . . If she’s got a claim, she can wait until the President is through with his business in office. Because she would not have made the suit at this time, but for foreign intelligence instigation.”

In remarks which anticipated precisely what has come to pass since that time, LaRouche said the following: “If the case is shown to be frivolous, I think very stiff sanctions should be applied against those, including Mr. Ambrose Evans-Pritchard, who would instigate such a civil action dishonestly for a political purpose, particularly if it destabilized the government of the United States.”

Only now, one must add Kenneth Starr to the list of those who have utilized the Jones case to destabilize the Presidency for a political purpose.

Kenneth Starr’s ‘amici’

Defenders of Kenneth Starr have been quick to jump to his defense against accusations that he was preparing an *amicus curiae* (“friend of the court”) legal brief for Paula Jones and the Landmark Legal Foundation — which is one of the national network of so-called “conservative,” “public interest” law firms funded by Richard Mellon Scaife. For example, Mark Levin, president of the Landmark foundation, recently published a column in the *Washington Times* attacking both Lyndon LaRouche and Hillary Clinton for making such a scandalous allegation against Starr.

The actual story, told here for the first time, is even more damaging. The brief on which Starr was working, in the summer of 1994, right before his appointment as

Whitewater independent counsel, was on behalf of the Independent Women’s Forum of Washington. The executive director of the Independent Women’s Forum is Barbara Ledeen, a key figure in the “Temple Mount” operation being conducted by Israeli fanatics and U.S. evangelicals, and the wife of “X Committee” prominent Michael Ledeen (see *Investigation*).

Last June, the Independent Women’s Forum put out a press release attacking President Clinton’s lawyer Robert Bennett, accusing him of attempting “to wage a war of intimidation against Paula Jones.”

“These are cheap threats designed to accomplish outside of the courtroom what Mr. Bennett and his client know they will be unable to accomplish inside the courtroom,” said Barbara Ledeen. She said that the evidence will show that an Arkansas state trooper was used as a procurer for Clinton, and that Bennett “is using sexist and misogynistic tactics.”

Un-Christians crusade vs. Islamic school

by Nancy Spannaus

Loudoun County, Virginia has once more become the center of bitter controversy, and mob passions, in the face of a zoning application by the Islamic Saudi Academy, a private school financed by the Saudi government, to locate in the county. Leading the mobilization against the school is a group of so-called Christians, led by a local Elmer Gantry, Pastor James Ahlemann of the Community Fellowship Church, and buttressed by lying anti-Islamic propaganda put out by Republican Congressman Frank Wolf, and the misnamed Christian Solidarity International (CSI).

The Saudi Academy, a 14-year-old institution with a good reputation, is seeking to expand its premises, and therefore sought a move from Fairfax County to neighboring Loudoun. All seemed to be going smoothly on the move to an industrially zoned site in Ashburn Village, until a few months ago, when anti-Islamic leaflets and graffiti began to appear in this small enclave in Virginia's Washington suburbs. It has gotten uglier since then.

Over the recent two months, a number of public hearings have brought out hundreds of citizens to register their concerns, beliefs, or prejudices about the school project. The County Planning Commission has approved the project, and the County Board of Supervisors is scheduled to vote on the matter March 4. If the Board ignores the mob pressures, as expected, the special exception for zoning will be granted.

Yet, as indicated at the recent hearings, including one held Feb. 17 in the county seat of Leesburg, the group of so-called Christian fundamentalists who are opposing the school, is determined to continue the fight, regardless of approval. Calls are going out for a voter referendum (which state and County authorities have already said is illegal in dealing with zoning or land use issues), and for defeating at the polls all officials who support the school. Pastor Ahlemann has gone further, telling his Sunday parishioners that he intends to continue the fight with civil disobedience, if necessary. He is telling people he is prepared to die to win the fight against the Saudi school, because the Saudis persecute Christians. Supervisors known to be in favor of the project, have reported receiving threats.

In some respects, the Loudoun fight is a microcosm of the political fight going on throughout the United States, in the context of the push for a renewed war against Iraq. The Christian evangelical movement, led by Netanyahu supporters Jerry Falwell and Pat Robertson, is riling up passions against Islam, and pushing for military action by Israel, or the United States,

against Islamic states. The tracts being put out against Arabs and Islamic worshippers would make Goebbels blush.

Less prominent, but equally deadly, is the work in this direction being done by CSI, which boasts Rep. Chris Smith (R-N.J.) and Virginia Republican Mike Farris on its board, and works closely with Wolf, who is listed on CSI's International Board of Referents. CSI is a British Intelligence front, whose prime mover is Baroness Caroline Cox. Cox, a frequent travelling partner of Wolf, is the point person for disseminating anti-Islamic lies about Sudan, and promoting a split-up of that country, despite Khartoum's intensive efforts for reconciliation between religions.

CSI propaganda has been quietly circulated in Loudoun, including by Ahlemann and his followers, but the institution, and Wolf, have kept a low profile. Until Feb. 17, that is. At the latest public hearing, CSI's Vice-President Robert Sweet came out to attempt to disassociate Wolf from CSI and the campaign against the Saudi school; however, he soon launched into a diatribe against alleged human rights violations of the Saudi Arabian regime against Christians, using formulations identical to the babblings of Ahlemann's speakers, and thus revealing the true origins of the local propaganda.

Sweet had told his audience that he was surprised at how well known CSI had become locally. In so doing, he was acknowledging the effect of efforts of the LaRouche movement to make known the critical role of CSI and Wolf in the local hate campaign. In addition, through the intervention of *EIR News for Loudoun County*, the opponents of the school have been forcefully identified as a "new Ku Klux Klan"; this has given courage to the ISA's supporters, and has helped shape the current political debate.

Building a fascist movement

The degree to which previously rational citizens have been turned into a racist, bigotted mob against foreigners over this issue, has shocked many local citizens, who thought the days of the Ku Klux Klan were over. In the name of defending Christian values, and revenge, many self-professed Christians appear to have gone stark raving mad. There are screams about security threats, because of elementary security precautions being taken, and demands for retaliation and the like.

At the Feb. 17 hearing, the preponderance of the more than 100 witnesses testified in favor of the school. Many pled for tolerance, and expressed a sense of shame at the reputation Loudoun was getting. Perhaps the most moving came from former hostage in Lebanon Joseph Cicippio, who had been held by Islamic terrorists for five years. If anyone should be seeking revenge, it would be me, he said, but I was able to forgive, and I urge you to burn out the hate.

Three LaRouche Democrats testified to the filthy role being played by Wolf and the evangelicals in building up the Klan-type hate campaign, and urged that this be rejected, particularly in the context of the buildup of a prospective disastrous war against Iraq.

Turmoil lurks behind GOP's unified front

The House Republican leadership held a joint press conference on Feb. 11, at the conclusion of a two-day retreat in Williamsburg, Virginia. House Speaker Newt Gingrich (R-Ga.) said that among the topics discussed were the war on drugs, education reform, how to use the anticipated budget surplus to reform the retirement system, and "rethinking government systems" to make government smaller with lower taxes.

Joining Gingrich were Majority Leader Dick Armey (R-Tex.) and Majority Whip Tom Delay (R-Tex.), both of whom were implicated in the attempted coup against Gingrich last summer, and Republican Congressional Campaign Committee Chairman John Linder (R-Ga.), a Gingrich loyalist. Delay said, "This retreat really impressed me. The members are all upbeat. They're very excited. They think it's very exciting to debate whether to pay down the debt or cut taxes because of our fiscal policies and our fiscal restraint in balancing the budget this year."

Despite the apparent unity, lurking in the background is the struggle to succeed Gingrich as House Speaker. According to columnist Robert Novak, Gingrich is widely expected to resign as Speaker to run for the Republican Presidential nomination in the year 2000, opening a battle among rivals in the leadership. Widely reported is that Bill Paxon (R-N.Y.), who was implicated along with Armey and Delay in the failed coup attempt, is considering challenging Armey for the Majority Leader post this year. Whoever is Majority Leader when Gingrich steps down is expected to succeed him as Speaker, assuming the GOP holds its majority in the House. Paxon is said to be popular in the GOP caucus.

Adding fuel to the fire is a new book by Paxon's wife, former Rep. Susan Molinari (R-N.Y.), which was excerpted by the *New York Post* during the Williamsburg retreat. Molinari attacks Gingrich as an egomaniac and crybaby, who frequently broke out in tears during the showdown with President Clinton over the government shutdowns in 1995.

Iraq resolution on hold as Congress recesses

Congress recessed for the President's Day holiday on Feb. 13 without taking up a resolution urging President Clinton "to take all necessary and appropriate actions to respond to the threat posed by Iraq's refusal to end its weapons of mass destruction programs."

In the Senate, Minority Leader Tom Daschle (D-S.D.) said on Feb. 11 that he expected the resolution to come up the following day, even though he and Majority Leader Trent Lott (R-Miss.) hadn't yet agreed on the terms of the debate. He said he thought it would pass with a "fairly consequential margin," although probably not unanimously.

Lott and Daschle indicated on Feb. 12 that there were "logistical problems" that prevented them from bringing the resolution to the floor. Lott said that Senators John Warner (R-Va.) and Carl Levin (D-Mich.) were, at that moment, in Moscow with Secretary of Defense William Cohen, and said that the Senate should have a chance to hear from them before voting on any resolution. Lott gave two other, possibly more problematic reasons for the delay: concerns about how much a military operation against Iraq would cost and lack of agreement on the language of the resolution.

These two concerns both relate to

questions over U.S. policy toward Iraq. Views expressed so far range from backing for a military strike to remove Saddam Hussein from power, expressed by John McCain (R-Ariz.), to more measured caution about the possible consequences.

On Feb. 9, Chuck Hagel (R-Neb.) said that U.S. policy must take into account both short- and long-term policy objectives. "What chain of events will we unleash with any action we take?" he asked. "What is the administration's long-term objective in Iraq? Do we have one? Or, are we crafting a long-term policy to justify short-term actions?"

Hagel was seconded by Pat Roberts (R-Kan.) the next day, who invoked the memory of a similar debate which led to the Gulf of Tonkin resolution in 1964, and also warned of dangerous consequences all over the world. "The political reality," he said, "is that limited bombing with no plan for getting rid of the menace will lead to the perception of the United States conducting a military exercise with innocent civilians being killed on worldwide television with ominous repercussions throughout the Muslim world, including the trouble spots of Bosnia and in Indonesia."

Democrats, Clinton hold pep rally on agenda

On Feb. 12, the Democratic leadership of both Houses, joined by President Clinton, announced their legislative priorities for 1998. Senate Minority Leader Tom Daschle (D-S.D.) said that the agenda was developed over the last six months in conjunction with the administration. "Today, we are here to ratify that agenda and begin the process of translating it into action, to confront the real problems with real solu-

tions for the American people," he said.

Among items included on that agenda are making child care more affordable, raising the minimum wage by \$1 an hour, hiring 100,000 new teachers, and passing the Patient's Bill of Rights, a bill to ensure access to emergency room services and medical specialists. Also included is a plan to strengthen Social Security and making private pensions more affordable and secure.

House formally ends Sanchez probe

On Feb. 12, the House voted 378-33 to end the investigation of the 1996 election in California's 46th district, in which Loretta Sanchez (D) upset nine-term incumbent Robert K. Dornan (R) by 984 votes. Dornan had charged that thousands of non-citizens had illegally voted as the result of a conspiracy in Orange County by Hispanic organizations.

While Republicans admitted that they failed to come up with enough evidence to overturn the election, they nonetheless claimed that the voter registration process at the local level is under threat from illegally registered non-citizens. Additionally, they attributed the failure of the investigation to noncooperation by the Immigration and Naturalization Service and other witnesses.

Vern Ehlers (R-Mich.), who chaired the task force that carried out the investigation, said that the task force identified 624 illegal votes, and another 196 that were suspect, but could not be documented—not enough to overturn the election, assuming all the suspect votes were for Sanchez.

The Democrats, as they had been

throughout most of 1997, continued to charge the GOP with intimidating Hispanic voters. Sanchez said, "In the coming days the [Oversight] committee intends to have these suspects purged from the voting rolls despite overwhelming evidence that the vast majority were legal voters last November."

Steny Hoyer (Md.), the lone Democrat on the task force, charged that the investigation was conducted in a partisan, secret manner. "It is incomprehensible to me," he said, "that I come to the well of this House with absolutely no idea how the majority reached its findings. Although I am a full member of the task force, I have yet to see the list of names behind the numbers on the majority's report."

After the resolution was passed, Republicans tried to ramrod through a bill entitled the "Voter Eligibility Verification Pilot Program Act of 1998." Democrats claimed the bill would be a threat to the Voting Rights Act and the so-called "motor voter act" passed in 1993. John Lewis (D-Ga.) said, "Like the poll tax, like the literacy test, this bill is intended to keep people from participating in our political process. . . . It harks back to another period, a dark period in our history." The vote was 210-200, short of the two-thirds required to pass it under suspension of the rules.

Line item veto ruled unconstitutional

On Feb. 12, U.S. District Judge Thomas F. Hogan ruled that the line item veto, one of the crown jewels of the Republican "Contract on America," is unconstitutional. Hogan wrote that the law "violates the procedural requirements ordained in Article I of the United States Constitu-

tion and impermissibly upsets the balance of powers so carefully prescribed by its Framers."

On the Senate floor, Robert Byrd (D-W.V.), the leading opponent of the Line Item Veto Act when it was passed in 1996, called Hogan's decision "a victory for the American people. It is their Constitution, it is their Republic, and their liberties that have been made more secure."

Hogan's ruling will be appealed to the Supreme Court, but at least one Republican has changed his mind about it. Robert Bennett (R-Utah), in remarks following Byrd's, referred to his support for the line item veto in 1996 and said, "I have seen it become a source of mischief here in this body . . . and, it may be that I will have to eat a little crow. . . . I believe the arguments . . . are sufficiently persuasive that I need to make this apology and this recanting of a previous position."

NATO expansion treaty arrives in the Senate

The Clinton administration transmitted the Protocols to the North Atlantic Treaty of 1949 on the accession of Poland, Hungary, and the Czech Republic to NATO, to the Senate on Feb. 11. Senate Minority Leader Tom Daschle (D-S.D.) said in a press conference that day, that he expects the debate to take place in late March and that it will be "one of the most critical foreign policy debates that we will see this decade."

Daschle expressed confidence that the treaty will be ratified by a large majority. "I believe," he said, "that this is a time of great import not only to NATO countries, but to the United States, and we hope to recognize that, by showing true bipartisanship when it comes to the expansion of NATO."

Media puff 'China link' to Dems' fundraising

The *Washington Post's* Bob Woodward, whose "investigative journalism" made "to Watergate" a verb, covered a Senate committee report under the incendiary headline, "Findings Link Clinton Allies to Chinese Intelligence," on Feb. 10. The report, leaked to the media, is the final draft on 1996 campaign financing prepared by the Senate Governmental Affairs Committee, chaired by Fred Thompson (R-Tenn.). The closest thing to substance Woodward could produce was a statement that Mochtar Riady and his son James Riady, longtime supporters of Bill Clinton, "have had a long-term relationship with a Chinese intelligence agency." Woodward had to qualify that the committee report "contains few specifics on the nature of the relationship between the Riadys and Chinese intelligence."

The Feb. 11 *New York Times*, which also claimed to have a copy of the Senate report, conceded that it fails to establish that the Chinese government "funded, directed, or even encouraged illegal contributions." The closest it comes, is to assert that illegal contributions originated in bank accounts in "the greater China area." According to the *Times's* account, the report "fails to provide evidence that China's government succeeded in funneling money into national campaigns or in influencing policy decisions in Washington."

New Medicare rules put elderly, disabled at risk

The Health Care Financing Administration (HCFA), which administers Medicare and Medicaid for the Federal government, tried to quietly slip through scores of deregulatory changes in the conditions under which hospitals participate in the programs. The proposed changes downgrade treatment for some 40 million elderly and disabled Medicare patients and 38 million poor elderly and children in the state-Federal Medicaid pro-

gram. None of the half-dozen advocacy groups or attorneys contacted by *EIR* just days before the Feb. 17 close of the 60-day comment period, even knew about the proposed changes. Now, HCFA has announced an extension of the comment period to April 17.

One reform proposes to dispense with the requirement that nurse-anesthetists in hospital and ambulatory surgery centers not be supervised by an anesthesiologist when administering anesthesia to Medicare/Medicaid beneficiaries during surgical procedures. The 30-year-old standard of physician oversight protected the elderly and disabled, who often have complex medical conditions, already take many medications, and undergo the riskiest medical procedures.

A second reform, which clearly favors the growing, predatory for-profit hospital cartels, would eliminate HCFA oversight of hospitals' compliance with safe medical procedures for beneficiaries. This, HCFA says, "should result in fewer compliance surveys and the reduced need to threaten or take adverse actions that could jeopardize a hospital's reputation, financial viability, and participation in the Medicare and Medicaid programs." Instead, the new rules will "require hospitals to monitor the quality of care they provide in an objective way, focussing on things like patient satisfaction."

Clinton speech to AAAS praises Franklin's vision

President Clinton addressed the opening of the annual conference of the American Association for the Advancement of Science (AAAS), now celebrating its 150th year, on Feb. 13, in Philadelphia. He reviewed some of the scientific accomplishments in the past 50 years, asking, "Where will we be 50 years from now?" He proposed that "fusion and solar power may yield abundant energy. . . . We may well have a permanent space station on the surface of Mars. And some of the greatest victories in the next 50 years doubtless will be in the ancient battle against human disease."

In concluding, the President said: "I have been so struck by the contrast between Ben

Franklin's vision, and the depiction of the future now we see in so many books, and on television, and in these Road Warrior movies. . . . The world is so often portrayed in the future as a terribly frightening, primitive, brutal place . . . where life is once again, as Thomas Hobbes once said it was, in the state of nature, 'nasty, brutish, and short.'"

"Let me say, . . . I believe in the promise of America, in the idea that we must always marry our newest advances and knowledge with our oldest values, and that when we do that, it's worked out pretty well. . . . That is what we must bring to the new century."

Starr threatens McDougal with criminal contempt

Whitewater grand inquisitor Kenneth Starr is now threatening Susan McDougal with criminal contempt and obstruction of justice charges. McDougal, who was convicted and sentenced to two years in prison in connection with the Whitewater/Madison Guaranty case, has been imprisoned for 18 months by Starr under civil contempt for refusing to tailor testimony before his grand jury to help Starr bring down President Clinton. She is due to be released in March.

Her lawyer, Mark Geragos, described for NBC's "Today" show on Feb. 13 the threats against her. According to Associated Press, on Jan. 21, associate independent counsel Michael Emmick sent a letter to McDougal's lawyers, saying that if she agrees to testify—even by videotape—"we would agree not to prosecute Ms. McDougal for criminal contempt, obstruction of justice, or any crimes related to her refusal to comply with the court's order."

Geragos told NBC that Starr's office is setting a "perjury trap" for McDougal: "If she doesn't match up with the story of David Hale, then she's committing perjury in their eyes," Geragos said. (Hale is Starr's key witness against Clinton, former Arkansas Gov. Jim Guy Tucker, and Susan and James McDougal; Hale changed his story under pressure from Starr, and reportedly, Scaife money picked up his large legal bills. James McDougal, also convicted by Starr, later changed his story to conform to Hale's.)

THE PROMISE-KEEPERS may get their "end-times" sooner than they had bargained for: PK has notified staff at its Denver headquarters that, because of collapsing revenues, they will only be paid through March, after which the headquarters will be staffed by volunteers.

GEOFFREY FIEGER, the attorney and confederate of "Dr. Death" Jack Kevorkian, has announced that he will run for Governor of Michigan. He plans to spend \$1 million from his own funds to finance his campaign — blood money from the unlimited publicity garnered by his promotion of Kevorkian's eight-year killing spree.

MICHIGAN State Rep. Ed Vaughn blasted Gov. John Engler's plans to privatize state services, following the Massachusetts model "One-Stop Career Centers" (which one study has shown is a miserable failure). According to Vaughn, the student-drivers in the privatized program are being "messed with" by trainers; charter schools are "inferior" with uncertified teachers, and new state workers, whose pensions are "invested" in the stock market, stand to lose retirement benefits.

"THE SPECTER of fraud threatens to undermine the credibility of the state's landmark power deregulation program before the switch is already turned on," wrote the *Los Angeles Times* on Feb. 13. Private energy suppliers only need a \$100 filing fee, and there is no check for a criminal record. California's attorney general has accused Boston-Finney, run by 19-year-old Christopher S. Mee, of "running an illegal pyramid scheme to sell electricity distributorships."

DR. NEAL LANE has been tapped by President Clinton to head the White House Office of Science and Technology Policy. Lane, as head of the National Science Foundation, showed more fight than his predecessor, Dr. Jack Gibbons, attacking those who want to shut down research in order to balance the budget.

Geragos continued: "She's rejected the offer . . . out of hand. . . . If anything, it strengthens her resolve, the fact that they're threatening her with the criminal contempt and the obstruction of justice. And she's greatly appalled at the whole treatment of [Monica] Lewinsky. She sees that as kind of a re-do of her, if you will." McDougal herself pointed out in earlier interviews that Emmick was also the one who detained Lewinsky for eight hours with FBI agents on Jan. 16, and threatened Lewinsky in order to get her to entrap President Clinton and Vernon Jordan.

McDougal's brother Bill Henley told the *Arkansas Democrat-Gazette* of Feb. 13: "Susan has done 18 hard months for a principle, for the truth," Henley said. "They don't want the truth. They just want the Clintons." He said that she would welcome the chance to fight Starr's threatened criminal charges against her in court. "She would only hope that they would file those kinds of charges, because the only two people who could come and testify against her would be James McDougal and David Hale," Henley said.

Georgia Classical music initiative forges ahead

Georgia's Gov. Zell Miller (D) made the formal proposal as part of his Jan. 13 address on the state's FY 99 budget, that the state give all babies born in Georgia a compact disc of Classical music selections. During his address, he astonished state legislators by playing a recording of the opening of the choral movement to Beethoven's Ninth Symphony.

Kristin Carvel, Miller's deputy press secretary, told the weekly newspaper *New Federalist*, which is preparing a feature on the initiative, that "once the Governor gave the budget address, we were inundated with such positive response, that it's not going to be paid for out of the taxpayers' pocket now. It will not come out of the state budget."

Motivating the initiative, Miller told the legislators: "There is research that links the study of music to better school performance and higher scores on college entrance exams. There's even a study called the 'Mozart

effect' that showed that after college students listened to a Mozart piano sonata for 10 minutes, their IQ scores increased by nine points. . . .

"I have asked Yoel Levi, the world-famous conductor of the Atlanta Symphony, to help me with the musical selection for the tape, although I already have some ideas. For instance, here's one that a Georgia baby might hear.

"That, of course, is Beethoven's 'Ode to Joy.' Now don't you feel smarter already? Smart enough to vote for this budget item, I hope."

Court shoots down line-item veto again

On Feb. 12, a Federal judge ruled the "Contract on America's" line-item veto unconstitutional, the second such ruling. Last year, a Federal district judge threw it out, but was reversed by the Supreme Court which said that the plaintiffs — six Congressmen — had not suffered any direct, personal injury. But this time, the suit was brought by the City of New York, joined by New York City hospital and health care workers, after President Clinton had used the line-item veto to strike down Medicaid benefits for New York. Judge Thomas Hogan ruled in favor of the plaintiffs, saying that the line-item veto violates the procedures of Article I of the U.S. Constitution (dealing with the powers of Congress) and that it "impermissabl[y] upsets the balance of powers so carefully prescribed by [the Constitution's] framers."

The line-item veto bill, passed in 1996, was a key provision of Newt Gingrich's "Contract with America," but it was also strongly supported by President Clinton. The Clinton administration announced that it will immediately appeal Judge Hogan's ruling. Sen. Robert Byrd (D-W.V.) termed Hogan's ruling, "a victory for the American people. It is their Constitution. It is their Republic and their liberties that have been made more secure."

Byrd's point is well taken: The first line-item veto in the United States was, not accidentally, a provision of the 1861 British-inspired Constitution of the Confederate States of America.

Time to return to sanity

In April, the finance ministers and central bank heads of 21 nations and officials from Hong Kong will meet to discuss what U.S. Treasury Secretary Robert Rubin called “changing the global financial architecture.” There is no more urgent matter facing us, as the world braces for the next gusts of the financial typhoon that hit Southeast Asia starting last fall, and will soon slam into Europe and the United States.

But, there are two totally contradictory agendas for that meeting, and a ferocious political battle between them, behind the scenes.

On one side, you have those who want to cook up some new regulations to control international currency and financial flows, while holding on to the system of “globalization” and free trade. This is the approach of the group which Lyndon LaRouche dubbed “The Belshazzar’s Feast Committee”—a large roster of U.S. political and business personalities who, as *EIR* reported last week, took out a two-page ad in leading newspapers on Feb. 11, calling for the U.S. Congress to support the International Monetary Fund.

On the other side, the side of sanity, is the LaRouche plan for a New Bretton Woods System.

In 1944, President Franklin D. Roosevelt launched the process leading to the creation of the Bretton Woods System, a gold reserve system, with fixed exchange rates for the world’s currencies. Although it had flaws, the system worked, particularly in the 1950s and into the Kennedy era; it protected the economies of nations from speculative assault, and provided the basis for stable trade—until President Nixon decoupled the dollar from gold, in 1971.

Today, we must go back to such a protectionist system. Protection of national economies has always been the hallmark of the American System of economics, as against the British System of free-trade looting. And, contrary to what the British say, it is not protectionism that causes depressions.

We require an emergency international meeting, centered around the United States and China, with whatever nations in Europe and elsewhere might wish to participate. It must forge a new system which takes into

account the fact that the strategic balance has shifted from the Atlantic to the Pacific, and that the U.S. relationship with China, and with the most populous part of the world in East and South Asia, is now the strategic axis of the planet. Such a meeting must establish a set of ground rules for a new, just financial and monetary system. Five steps must be taken, in the context of such a New Bretton Woods arrangement:

1. Governments must not attempt to bail out the speculators. Let the derivatives market and other paper values collapse as they may: It’s only paper! The only necessary action of government on this account, is to protect people, productive enterprise, and useful trade in hard commodities and science-related services.

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

3. There must be no mass evictions, or breaks in continuity of operations of essential production and distribution of goods and essential services. During the 1929-31 Depression, terrible blunders were imposed upon the Hoover administration by Andrew Mellon et al. This must not be repeated today, in any country.

4. The President of the United States must act in concert with other governments, to put the existing financial and monetary system into bankruptcy, and to put a new world monetary system into place.

5. A global recovery program must be adopted to foster immediate recovery in world hard-commodity trade, and to provide an urgently wanted general stimulant for the private economies of the participating nations. The core of such a recovery program is the Eurasian Land-Bridge, creating corridors of high-technology infrastructural and industrial development, with “spiral arms” extending to Africa and the Americas.

By adopting such measures, and accepting LaRouche’s leading role in policymaking, those who are responsible for the fate of nations can respond to problems as they come up, and deal with them effectively. And with sanity, for a change.

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