



A FOREIGN AFFAIRS LETTER



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A LETTER TO OUR READERS

Permit us to tell you this month some of the things one sees and hears in Europe. Peter Riddell, the political columnist on the London *TIMES*, headlined a recent column: "Saddam must be delighted at divided foe," and he has cause to be. He came out of the recent inspection crisis enhanced in the eyes of his people and with America's chances of ever bringing Moslems into another coalition against him gone up in smoke.

If he had planned it, to see whether Islam's masses would acclaim him or obey their rulers, and whether America would let the secretary-general of U.N. use the occasion to advance himself, he had the answers.

For 20 years he lied, stole, and bought from his enemies everything he needed for a science-fiction arsenal. He signed a treaty banning the spread of nuclear weapons, then schemed to obtain them. With the same deviousness he put his signature to a convention outlawing biological arms while building up the most awful germ and gas arsenal the world has ever seen.

He could have used his gases and germs in 1990 when he seized Kuwait on his march towards Mecca, but too many Moslem rulers were lined up against him. So he accepted Bush's cease-fire and told Iraq it was a victory. Sanctions brought

sympathy and hurt only his people, so he was in no hurry to get them lifted. The Americans would demonstrate against sending soldiers anywhere, and he had no fear of UN or the UNISCOM commission that was set up to watch him.

A few weapons were handed over but no inspection team would ever find what he could hide or produce under their noses. He and his Republican Guard lived like princes on humanitarian-oil sales, while TV pictures of starving children and weeping mothers made him look like a victim. Lebanese and Latin American banks bought arms and nuclear equipment with the hundreds of millions of dinars his central Iraqi bank trucked to Jordan, there they were converted into dollars and carried to places such as Argentina and Uruguay by a French Cargo airline for deposit in secret accounts.

The Uruguayan free trade zone in Montevideo became Saddam's favorite laundering center and Syria replaced Lebanon as an entry point for shipments after Netanyahu tore up the Oslo accord which gave Israel the most priceless gift it could ask for: peace and recognition of its right to exist, in return for the 700 square miles she had seized on the Golan heights.

When Netanyahu's friend, Bar Lev, became mayor of the capital of Golan

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Heights and his wife, one of the first to move there, told the contractors to start building, Shiman Peres should have known a new government would never pay the price peace and security would cost.

THE ECONOMIST of February 28 explained America's present predicament in a few lines: "Couple the seemingly endless sanctions with the stagnation of the Arab-Israeli peace process and popular sentiment becomes all the more against America and in favor of Mr. Hussein."

The President was over his head in trouble at home so Saddam Hussein announced that the head of the UN team was an American spy and his palaces, some of which looked more like factories, were out of bounds. In the three weeks of no inspections which followed it was common knowledge in Europe that he was hiding everything he couldn't transport to Libya.

That is how the impressive build-up started on January 13. Twenty ships including two aircraft carriers took up position in the Gulf with 160 combat planes and 30,000 troops. An impressive sight. Only Britain, Canada and Australia went along because no European or Arab leader wanted America to strike.

A feeling of helplessness pervaded the states of the 1990 alliance. Our February issue reported that Judge Louis Bruguiere, director of the fight against terrorism in France, had sent a commission to Brussels to ask for aid in investigating reports that Belgium is the base of an immense Islamic network preparing to unleash terrorist war in Europe and America.

Belgian police raided a house in Brussels on March 9th, and after a 12-hour siege arrested 6 members of the Islamic Armed Group with papers, a stock of explosives, and a bottle of mercury for the delayed action detonators used on suitcase bombs. The police found a number of detonators ready for use, a Kalashnikov rifle, a mass of information and the equivalent of \$16,000 in cash. A Tunisian named Laaroussi Essoussi, who rented the house at 28 rue de la Wery, had been arrested the day before and papers

on his person led to the arrest of an Algerian sleeper who had acquired nationality through a Belgian wife and was living quietly in Chaerbeek.

The seventh member of the rue de la Wery group was hiding in a loft and was brought down by tear gas after he fired at the police. Brought before officers in the Palace of Justice the following day, he was found to be Farid Malouk, the 33-year-old terrorist who killed seven people and injured 180 in France in 1995. Police and intelligence officials of seven countries, including Britain, were called in when it was discovered that all seven were support specialists from as far away as Denmark and Sweden. They were supplying forged passports, weapons and money for a campaign due to start in June when the World Cup football tournament begins in France. Seized papers revealed that the overall commander for Europe was operating from a safe house in the large Algerian community in north London.

Monsieur Roland Jaquard, a terrorist specialist working with the French Sûreté, identified Hassan Hattab as GIA commander on the continent, controlling lines running from Britain to Italy and northward to Scandinavia. The big dates the police are watching are June 15 when England plays Tunisia in Marseilles and June 21 when Iran plays the U.S. in Lyons.

American newspapers gave oil as President Chirac's reason for opposing an attack on Baghdad. Oil is always the explanation used by those outside the inner circle. The truth is, Netanyahu swears he is going to start constructing in Har Homa. Either that or an American strike would touch off an intifada which may unleash an Islamic war. Consensus of opinion is that Clinton will do nothing to make Netanyahu do what is necessary for peace unless American Jews repudiate him, and no European thinks this is likely to happen.

UN commands no respect so its supporters thought sending Kofi to negotiate with Saddam would restore its image. It did but it also permits Saddam to ignore the President and go over his head in the future.

The US, which pays a quarter of UN's bills in return for 0-5 of its votes, now has two Secretaries of State, Madeleine Albright and Kofi Annan.

Annan had a three-hour talk with Saddam on February 22 and came home with a paper signed by Deputy Prime Minister Tariq Aziz which Saddam can always get around. Succeeding events suggest that Annan made a deal strengthening UN and himself. Now he can claim that the eight palace sites inaccessible since 1991 were opened as a concession to him. But it means nothing.

No team could inspect thoroughly the 8 sites covering 1,058 buildings in the 12.8 square miles which Saddam consented to open. Three are monumental buildings in Baghdad's Presidential Radmaniah site, which includes four palaces, 35 warehouses and 225 smaller buildings. The Presidential zone of Karkh covers 4.5 square kilometers that contain 12 palaces, some 700 buildings or warehouses, several hundred residences, the HQ of the Republican Guard with its 140 buildings or garages and another palace and residence. The Presidential palace grounds of Mossoul, in Kurdistan, holds 15 villas. The Djabal Makhoul palace, between Tikrit and Baghdad, has 15 warehouses and 75 small buildings around it. Then there are the Audja and Tharthar palaces and the palace in Tikrit, Saddam's home town, where three palace residences, 20 large buildings and 50 small ones are in the palace grounds.

It would take the whole 1990 coalition to cover all the hiding places in such an area. Secret arms, bottles of bacteria, containers of deadly virus and canisters of poison gas can be anywhere. All one can be sure of is that Saddam is cunning, determined, and possessed with an unlimited capacity for trouble.

THE SITUATION IS NO MORE ENCOURAGING ELSEWHERE. Ninety percent of the two million people in Serbia's Kosovo Province are Albanian and their Kosovo Liberation Army (KLA) is fighting for independence. Led by Dr. Ibrahim Rugova, a Paris-educated professor, poet, and dedicated

pacifist, they set up an unofficial government in 1982 and declared Kosovo an independent republic with its own education and health systems.

Serbia's war criminal President, Slobodan Milosevic, suppressed it in 1989 and killed the KLA leader, Adem Jesari, with over 20 of his family. The Jesari clan led the fight against Tito after 1945, and inspired by them a growing number of Kosovo politicians, intellectuals and students are taking up the fight. Refugee organizations in Switzerland and Germany are sending funds, supplies and experienced guerrillas. Eventually Albania, Macedonia, Greece, Turkey and Bulgaria will give the world another Balkan war which America will be asked to settle. Greece has hated Turkey since the Turks took Byzantium in 1453 and both are members of NATO.

When Clinton took off for Africa with an entourage of 600 on March 23, the London **TIME** called it "less a feat of international diplomacy than a simple, crude and urgent message to American blacks: don't desert me." American prestige was at rock bottom and reports of impending subpoenas made Hillary decide to extend the trip for five days, without including Zimbabwe, where Mugabe, whom Kissinger put in power, was negotiating the purchase of a castle in Scotland.

European columnists had worn out "Oral Room" as a term for the President's office and were comparing the scramble to trash women who came forward with stories on the President with the search through FBI files for dirt on the travel bureau employees, after they had been fired. Consequently, they ate up the London Times report of March 31 on the "opposition research team" maintained by the White House to dig up anything destructive on people such as Kathleen Willey and the special prosecutor, Kenneth Starr. According to **THE TIMES**, any dirt they acquire is handed to friendly journalists in such publications as **TIME** and **The Washington Post**.

The way **TIME** of March 30 dragged Kathleen Willey through the mud with

accounts of every mistake of her life, back to when she was in high school and an illegitimate child was secretly put up for adoption, should make any lady with a complaint have second thoughts about coming forward. The Times of April 3 editorialized: "Mr. Starr's public standing has been thoroughly tarnished, predominantly by the ruthless campaign of vilification run from the White House."

Other matters abound. Though the breakdown of standards in education, dress, manners and deportment is as general in Europe as it is in America, those who deplore it see it as coming from across the Atlantic. The Wilson and Colonel House theory that deposing Kings would make the world safe for democracy started the breakdown from the top, the point the most vulnerable.

If Italy has been a basket case since World War II, many intelligent people think it was because a communist OSS team campaigned for abolishment of the monarchy and helped Italian reds set up their plebiscite before the army was demobilized.

Attention of the public in England was fixed on the campaign to surrender their money and sovereignty to a Tower of Babel government in Brussels while attacks on the throne, the House of Lords and tradition were becoming bolder in the press. Next in line was the church. Though it is returning in Russia, elsewhere it's influence is being chipped away. Churches are being closed and those that are open are half empty. France is not producing enough candidates for seminaries to replace priests that are retiring.

People are turning to mediums instead of the clergy and 172 sects are flourishing in France while Islam has become the country's second religion. France and Belgium are now setting up "observatories" to watch the phenomena of sects and assist those who want to break away. It became news when John Travolta was reported to have softened scenes embarrassing to the Clintons in the film version of *Primary Colors*, in which he plays the role of the President. In return, the President is reported to have interceded with

Chancellor Kohl for a halt in German opposition to Ron Hubbard's church of Scientology, to which Travolta is dedicated.

Loss of power of the church has been accompanied by a lowering of discipline in schools and the home. British parents may no longer spank their children. Spengler foresaw all this when he predicted "A world in which everything old is discredited and weakened; all props fall; revolutionary chaos ensues, and generals inherit the earth."

A writer whose name I have long forgotten warned: "be careful of how you strip the leaves from your trees; life is barren enough for all her trappings." The destruction of society's props is usually in the name of democracy. Now Europeans ask if it has not been carried too far. Egalitarianism carried to an extreme, they claim, reduces society to its lowest common denominator. They recognize that their countries are corrupt and while some blame America for the deterioration, there are others who see America as she was when the Constitution was written.

Paul Johnson, the brilliant and prolific author of "MODERN TIMES - The World from the Twenties to the Eighties," has brought out a 1,088 page "HISTORY OF THE AMERICAN PEOPLE" (Harper & Collins, \$35), which is a long paean of praise.

Steve Forbes, the President of Forbes Magazine and a former candidate for the Presidency, so admired Johnson's book he wrote a review quoting its first sentence and the last: "The creation of the United States of America is the greatest of all human adventures," it began, and it ended with: "The great American republican experiment ...is still the first, best hope for the human race."

As a participant in the most important events Mr. Johnson covers in MODERN TIMES, having watched the approach of World War II from the dress circle that was Paris, studied at the Institut de Sciences Politique, ridden into Addis Ababa a prisoner in Badoglio's northern column, been saved from a communist firing squad in Spain, and seen the last phase of the Japanese war from

a prison camp for men charged with espionage, I can attest to Mr. Johnson's incredible accuracy. His respect for Alexander Hamilton is justified and shared, but his enthusiasm for present and future America may be distorted by disillusion with things at home.

Mr. Forbes was as fine a candidate as one could wish, but that experience and common arithmetic should have made him understand the politically-minded European's fear that only a miracle will permit a man of integrity to sit in the White House again.

Down-to-earth Europeans do not see all bearers of American nationality as Alexander Hamilton type Americans. They think of the early immigrants as people who, regardless of country of origin, were proud to be citizens of the new land and to work to make it great. Astute foreigners viewing America with the perspective of distance feel that the country of a single loyalty may have been deliberately destroyed by politicians in search of votes.

By playing on a keyboard of blocs, foreigners see unprincipled politicians creating unbeatable and alien majorities at will. The Nation that voted as Americans in Alexander Hamilton's time now votes as members of an ethnic, social, religious, country of loyalty, age group, or gender bloc. Barring a revolution that will have to start in homes, schools and universities, any future President of the United States, as they see it, will be the candidate willing to promise most to arms-purchasers for Ireland, unionized workers wanting more pay and shorter hours, Afro-Americans voting as a tribe, citizenship-holders loyal to Israel, feminists opposed to men, homosexuals loyal to each other, elderly citizens unable to afford hospitals, and Hispanics naturalized en masse without speaking the country's language.

People who demonstrate against military action, even against a Saddam, form a bloc by themselves, and pro-abortionists must be courted as well as the anti ones. This situation could not exist in any other democracy in the world, which is why foreigners increasingly question whether America is a democracy. It does not

necessarily follow that all members of ethnic or other groups vote with the bloc. Many are dedicated citizens, but there will be enough with party loyalty to give the keyboard-player a majority.

That is why Mr. Forbes did not get more votes. He had too much integrity to wage a separate campaign for every bloc that goes to form a majority. Edmund Burke, who said "I could not serve you as I have and court you too" would be unelectable in America. The press expresses surprise that despite his personal troubles, the President has such high ratings in the polls. Europeans see nothing surprising about it. With polls representing a collection of regimented blocs, how could they possibly be low?

Intelligent foreigners in general found America's courts and media on a par with their own until TV station KTLA edited out the first few seconds of the film showing a drunken Rodney King rising to fight the police and making his suppression with a baton necessary. Why there was no process against KTLA for doctoring a film to make it cost Los Angeles the worst riot it ever had, 55 deaths, 3,676 buildings burned, and damages nearing a billion dollars is something no foreigner can understand. By the time KTLA's biased editing cost tax-payers another \$3.8 million in damages to the man who should have been sent to jail, anything seemed possible.

With CNN carrying the O.J. Simpson trial around the world, respect for American Justice plummeted. Millions of foreign TV watchers asked: How could intelligent people expect a jury of 9 blacks, two whites and one Hispano to find a black sports idol guilty of anything? Anne Aschenbach, an Afro-American post worker who was number 9 on the jury, telephoned her daughter in tears: "I thought he was guilty but I couldn't convince the others." Johnny Cochran, the Afro defense lawyer, demanded acquittal "in the cause of human rights." Foreign watchers knew the defense team would have rejected a reasonable number of whites on the jury and understood there would be riots if it were not stacked. What they couldn't understand was

how killing a wife could come under "the cause of human rights."

The Supreme Court is another matter. Americans have disapproved of some of its decisions and some of its members, but abroad its position as interpreter of the Constitution is highly respected. They may accept American leadership as something they can do nothing about, but the thought of leftist infiltration of the Supreme Court and a conspiracy to so discredit conservative justices that leftist politicalization of the court becomes inevitable is frightening.

London papers of March 8 announced publication of a book by Mr. Edward Lazarus, who while working as a clerk of the Supreme Court in the eighties made notes which he has put together in a book to prove that the arbiters of America's court of last appeal are puppets in the hands of extreme rightists who form their opinions and dictate their decisions.

In CLOSED CHAMBERS, he pictures the Supreme Court as a closed institution ruled by a rightist clique which guards its inner workings as zealously as the Sicilian mafia. Under their influence, conservative Justices are shown as men who "resort to transparently deceitful and hypocritical arguments." The book's appearance could not have been more carefully timed. It appears on the eve of a court decision on whether or not the President can invoke executive privilege in the fight to prevent his aides from being forced to answer questions before the grand jury. "I felt that I had something to say," he explains. He became a clerk in the court undoubtedly because he had such a book in mind and a publisher waiting to bring it out.

Such men do not get a job with people they hate and remain silent for years, while gathering material for a book that turns out to be scurrilous, just by accident. But so much for the rambling letter I felt impelled to write this month, not because there was nothing else to write.

That Japan is on the brink of a depression that may make hari-kari reach epidemic proportions is something everyone

in what Londoners call "the City" have been talking about for months. That India is on the verge of becoming the world's sixth nuclear power, and Pakistan immediately demonstrated that she has a missile capable of hitting Delhi, is news worth more than a page. But there is a human interest story about a wronged man I would like to tell my readers.

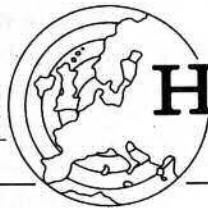
His Majesty the Emperor Bao Dai died in Paris on August 1. His closest foreign confidants were Monsieur Yves Gignac, former secretary-general of the Association of War Veterans of the French Union, and myself, and the story is something we are now free to write. There was tremendous elation in America when CIA officers and leftist professors from Michigan State University masterminded the rigged plebiscite which deposed His Majesty and made Ngo Dinh Diem President of South Vietnam in 1955. A Marine colonel confirmed His Majesty's statement that if America had given him a thousandth of what she spent to depose him, he could have won that war.

On his investiture as Prime Minister, Diem swore allegiance to his Emperor on bended knees, but once in office he hired a thousand dollar a year public relations man to extol his piety as a Catholic and denigrate the Emperor. The New York huckster played on the sentiments of Rome's American devotees to the full. It could not be divulged that in 1934 His Majesty begged permission from Pope Pius XI to marry the Empress Nam Phuong, accepted the faith and decreed that their children would be brought up in the church.

To his people His Majesty was a demi-god and with Papal consent his conversion was kept secret as long as there was a possibility that loyal subjects might call for his return to restore order. In 1988 hope was abandoned and he was baptized in the Paris church of Saint Paul de Chaillot. It was from that church that he was buried on August 6, 1997, under his Christian name, Jean-Robert Vinh Thuy. The Gregorian hymn, Magnificat, was played at his funeral.



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A CENTURY IN WHICH ANYTHING MAY HAPPEN

The Belgian Government, seat of the world's new superstate with its 11 official languages, is doing what politicians do when in a spot. It is setting up a committee. As Andrew Cruikshank, the English writer, put it: "In the ghastly conformity of the 'country called Europe' which the European Movement is campaigning to create, there will be no national borders, so Belgium will act for the packaged continent."

A campaign of blatant propaganda has already started and the Sunday Times of March 29 announced that the European Commission has placed "classroom guides to the E.U." in over 30,000 schools. The idea is to give 11 to 14-year-olds "a better understanding Of Europe," and provide teachers with "background information which they may wish to use in teaching about Europe in the classroom."

The line given students is that the European monetary system, which all but collapsed in 1993, was a success. The loss of national control over interest rates and possible increase of unemployment under a single currency are not mentioned, and the fisheries policy is described as helping to "guarantee fishermen their future livelihood," though EU quotas reduced the British catch and allowed Spanish

fishermen the freedom of British waters. Only one teacher, a member of the faculty of Brunel University, is known to have denounced the EU information campaign as propaganda disguised as education.

By April 26 a 32-ton traveling library was distributing thousands of glossy brochures to English schools, "to prepare young people to take part in making concrete progress towards European Union." Slogans such as "Europe against cancer" depict the EU as an infinitely benign organization dedicated only to improving its citizens' lives. The parallel between the rosy picture spread by the mobile EUROPEAN UNION INFORMATION CENTER and the 1936 Constitution of the Soviet Union is striking. Every kind of right and freedom is guaranteed its citizens, "whose well-being is continually rising." It will come to America. So will the arguments for a single currency, which are being used to condition the British electorate for the referendum ahead. Prime Minister Blair's opponents call it "the strategy of Eurocreep."

Meanwhile, the fatal day is only twenty months away, when New Year's eve will see 1999 become 2000, For this prestigious event an institution called "Le Forum

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Millesime 2000" has been set up to study what should be done when the dates on monies and everything else will change.

Mr. Blair announced on March 30 that England is spending 97 million pounds sterling to enable her informatic systems to pass from 1999 to 2000. The following day Monsieur Hugo Vandamme, a Belgian member of the board of the "Forum for the year 2000", announced that an internet site (<http://y2000.fgov.be>) would become operative in mid-April, along with other measures "to establish a code of honor among furnishers of informatic services and materials." Though honor or its absence has never bothered those selling the Common Market or the European Commission before, Belgium is also appropriating 6.2 billion Belgium francs to solve problems that will come with the year 2000.

How appropriations of money and a site on the internet will help governments cope with the computer problem, only time will tell. Realization that man has created a technical monster with a flaw he did not count on comes as half the world is posed on the brink of a religious war and crashing financial institutions shake the other half. Destiny could not have chosen a worse moment to throw everything from advanced defense systems to money transfers into a state of chaos. Five volatile areas of conflict may be ignited by a spark and carried abroad by fanatics.

The war between Serbs and Albanians in Kosovo is a religious war as well as an Albanian fight for independence, and a worse combination would be impossible to find. The smoldering war between bomb-brandishing India and armed-to-the-teeth Pakistan is a legacy left by Jawaharlal Nehru, who seized Moslem Kashmir when India was divided, because he had been born there and wanted it.

This again is a war which will start as a fight for land and become a massacre with Hindus, Moslems, Sikhs, Bhuddists, Christians and countless sects killing each

other to settle scores. The Israel-Palestine conflict was about to be defused by the Oslo accord of 1993, but a fundamentalist clergy, as certain as the throat-cutting mullahs of Algeria that their mandate is from God, opted for conflict rather than yield an inch of land acquired by conquest.

Martin Van Creveld, whom the publishers of VALEURS ACTUELLES consider one of the world's foremost military historians, has written a book, the thesis of which is that lack of contiguous borders between Israel and her principal enemies make it inevitable that third countries will be battlefields in the war to come. "La Transformation de la Guerre" (Edition du Rocher, Monaco. 318 pages, 165 francs. Aprox \$28) has not yet been translated into English and may well not be. Organizations and lobbies able to make or break any candidate to electable office will oppose it.

While Saddam Hussein is preparing for a new toss of the dice, Martin Van Creveld predicts that neither classic war between states with their heavy battalions nor a nuclear era war faces the world as the XXI century approaches.

As he sees it, the confrontation to come will be a terrorist guerrilla war on a grand scale within nations. He asks how nations brought up in Clausewitz will confront war as the Islamic Armed Group (GIA) and its countless allies will wage it. The war which will be the alternative to Mr. Rabin's peace accord at Oslo will be fought by widely separated groups under no over-all command.

The Great Satan will be enemy number one, on the theory that any country receiving \$3 billion a year is not a sovereign state but a vassal. No place or time is predictable, but as THE ECONOMIST of April 25th wrote: "After Mr. Netanyahu's accession in 1996, the halts were to a process the government did not truly want to proceed with." No frank portrayal of what Europe will face if Netanyahu's obstinacy forces a showdown is likely to appear in print.

Fifteen million Moslems are in Europe's borderless Schengen countries and no powerless Head of State wants a nation-wide panic. France, where police cannot cope with North African Moslems, black African illegals, and those who want both to be sent home, would be hardest hit. The National Front Party, which the government and press denounce as racist, would reap a windfall at the polls.

Many in the American Government are worried, but the *ECONOMIST* Of April 21 reported: "Mr Netanyahu and his aides blithely brush off American mutterings that the London meeting (of May 4) is a last chance, that hard decisions need to be taken and that, if they are not, America will wash its hands of the whole business...They (the Israelis) have heard all this before, and each time another last chance is constructed...Pro-Israel lobbyists recently coaxed more than 80 American senators to sign a letter urging the administration not to exert pressure on Israel by formally publishing its proposals on redeployment (withdrawal from the occupied territory)...Opinion polls show a large majority of American Jews favoring a fair deal with the Palestinians. But not many are anxious to see a bruising confrontation between their government and an Israeli government, whatever its complexion. Mr. Netanyahu and his diplomats energetically manipulated that sentiment."

To date only Con Coughlin, of the London *SUNDAY TELEGRAPH*, has predicted: "If the West can't bring the peace process back to life, Arab and Jew could be at war within a year" The London talks of May 4, he added, were being held a year before the 5-year term agreed on at Oslo is due to run out. If nothing comes of the London parley by that date, Mr. Arafat will unilaterally declare independence, in which case, Netanyahu has declared, Israel will annex the parts of the West Bank under her control.

Coughlin wrote in the *Sunday Telegraph* of April 26: "The more intractable Netanyahu

appears, the better Arafat's chances of receiving international recognition...Such a scenario could quickly degenerate into war, especially if neighboring states such as Egypt, Syria and Jordan come to the Palestinian Aid."

France prepared public opinion for more terrorism by showing a TV documentary on April 28th of hate-filled mobs in Tel Aviv denouncing Rabin as a traitor and calling for his death. Netanyahu appeared prominently among the rabble rousers, alternating with shots of Lea Rabin, her sad and priceless dignity showing the gap between those who want war and those willing to pay the price of peace and existence. When the history of this period is written Lea Rabin may emerge as one of the great women in destiny's script.

In our April issue we touched on the foreign command bases of Islamic organizations in Europe and Hassan Hattab's direction of the Algerian Islamic Armed Group (GIA) from an inconspicuous house in north London. Intelligence reports have since revealed that the Algerian leader, Ahmed Zaoui, who was arrested in Brussels in March 1995, has gained asylum in Switzerland.

Though confined to residence and forced to report twice a day to the police while Switzerland searches for a country willing to accept him, he receives emissaries at will and directs the provisional bureau of The Coordination Council of the Islamic Salvation Front Abroad (CCFIS). His communique number 3, dated March 30 and reproduced on internet, was issued as the showdown between Netanyahu hardliners and members of the peace party in Israel hardened.

Signing himself "Brother Zaoui, he used the internet to appeal for a regrouping of FIS members and their sympathizers wherever they are, in support of the Algerian (terrorist) cause, and resistance to the Algerian authorities. He called on Moslems abroad to start preparing for a grand congress to plan the regimentation of Islamic society in the service of the CCFIS.

This was not a call for Iran to use her ground to ground missiles with a range of 1,300 kilometers (approximately 815 miles), the distance from Teheran to Tel Aviv. Or the nuclear warheads purchased from Russian officers in Kazakhstan. He was not asking Saddam Hussein to use the chemical or biological weapons he has been hiding. Brother Zaoui was issuing a call to arms for war against those whose support Netanyahu counts on.

Netanyahu faces civil war at home if he makes a move towards peace and it was no favor to Israel that a majority of America's 435 congressmen wrote letters to the President urging him to tell Netanyahu not to yield an inch. There is latent anti-Semitism among taxpayers who resent the yearly \$3 billion to Israel and Netanyahu's shouts that Washington is not going to tell him what to do were not in Israel's interests.

Voters may not dare speak but they can reflect that not a pro-American congressman would have written such a letter to the President unless under threat of what would happen if he did not. Newt Gingrich has not forgotten the Minnesota senator who voted to sell Awaks to the Saudis and lost his seat in the next election. Going over the head of the President to appeal to pro-Israeli organizations can only induce voters to try to outpace the lobbies.

This is the climate in which terrorism approaches as an accepted form of war with the innocent as its principal victims. In France it started with bombs in trash cans on crowded streets and moved to bombs in the metro. Tunnels have a particular attraction since they represent maximum effect with minimum risk.

The bombing of the World Trade Center in February 1993 was followed by attempts to close the tunnels leading into New York. Late at night on Thursday, July 30th 1997, an Arab named Mohammed Chindluri ran into a New York street, frantically waving his hands to flag down a police car. Screaming something in

Arabic and repeating the word "bomba", the police took him to an interpreter.

His room-mates were going to do like in Jerusalem, he told them. There was no time to be lost. He gave an address and police cordoned off a seedy four story building in Brooklyn where two Palestinians with Jordanian passports and a third terrorist were sleeping. Two were wounded as they appeared to be reaching for weapons.

Since no time or remote control detonators were attached to the five pipes loaded with nails wrapped in explosives, it was meant to be a suicide operation. The plan was to bomb the Atlantic Avenue subway station in Brooklyn where ten subway lines and a long Island Railroad terminal connect. One of the wounded admitted that they were part of a "plan to target US and Jewish interests around the world."

Each bomb was powerful enough to kill everyone within 25 feet of the detonation and until the Arab who liked New York chose to risk his life by warning the police, officials were unaware that such a plan existed or that a bombing was about to be carried out.

On November 18, 1996, a bomb exploded in the tunnel linking England with the continent. It came while France was negotiating the extradition of a top leader of the Islamic Armed Group (GIA) from London. Not until March 19, 1998, did police and military experts conclude that the explosion, which generated such heat that it melted the engine of a truck on one of the flatcars at the end of the tunnel train had been a warning.

Two weeks, to a day, later, a crude bomb loaded with nails, black powder, chlorate of soda and icing sugar exploded in the Port Royal metro station in Paris. The same combination as was in the bombs that terrorized Paris from July to October 1955 and filled the five pipes in a Brooklyn apartment.

In the Channel tunnel bombing it took from 9:45 pm until the next morning to get the flames under control. Rails were twisted

like spaghetti. Trucks carried through the tunnel on flatcars are diesels so the intense heat could only have been produced by gasoline loaded on a truck without the driver knowing it. None of this appears in the press lest it create a psychosis among the public. It provides an idea, however, of what is hanging over America where the President, his staff and two-thirds of the House and Senate are considered biased in the books of terrorist leaders in London, Brussels and Switzerland.

When the big meeting in London was over, the TIMES of May 7 sub-headed its editorial "Neither Albright nor Clinton is running US foreign policy." The most powerful paper in Europe wrote, "Madeleine Albright took center stage but clearly lacked any real mandate or delegated authority from the White House." While America seemed rudderless the Vatican broke its usual silence on world political affairs by "chastising" Israel for endangering peace in the Middle East in his Easter message, as the London Times of April 13 put it.

Though Pope John-Paul II was the first Pope to ever pray in a synagogue, and in 1993 he established diplomatic relations with Israel, he did not hesitate to say that he hoped his Easter message of peace would be heard by all men of goodwill, especially in the Middle East "and particularly in Jerusalem where peace is being put at risk by dangerous political decisions," meaning the building of more settlements and the work at Har Homa.

On April 24 the Vatican announced that His Holiness would call a gathering of European bishops in Rome in 1999 to seek the possible salvation of the continent. There was more than Netanyahu's defiance behind the "dark clouds" which the Pope saw as hanging over Europe.

The world has long known of the three prophecies the Virgin Mary disclosed to three shepherd children in the mountain village of Fatima, some 90 miles north of Lisbon, in 1917. The 13 of May is a particularly

meaningful day to Pope Jean-Paul. It was on that date that Ahmet Ali Agca, the Turk, wounded him in Saint Peter's square in 1981, and on May 13, 1967, Pope Paul VI made his pilgrimage to the onion-domed shrine of Fatima which has become one of the church's holiest places.

It was just as the Angelus was sounding and seven-year-old Jacintha Marto, his nine-year-old brother, Francisco, and their ten-year-old cousin, Lucia, were reciting their prayers in the Cova da Ira on May 13, 1917, when a Lady came down from heaven. The same Lady had appeared three times in 1915 and three times in 1916.

This time she repeated seven times the message the children were to deliver. "Pray for peace in the world," she told them, "The great war will last 3 years." Three secrets were divulged to the children. The first was confided to Lucia, now 75 and in a Carmelite convent. She was told of the approaching death of her comrades, in 1919 and 1920.

The second, which she confided to Pope Pius XII on the 31 of October, 1943, revealed a dramatic vision of hell and a promise that Russia would be converted. According to J. Alonzo, the official historian of Fatima, the Lady from Heaven told Lucia: "My immaculate heart will triumph. Russia will be converted, and a period of peace will be accorded the world on condition that His Holiness consecrate Russia to the heart of the immaculate Mary." This the Pope did, fervently believing in Lucia because her first vision on May 13, 1917 was on the day when he became a bishop.

Lucia told him that if this was not done Russia's errors would spread, bringing wars and persecution against the church. There would be many martyrs, the church of Saint Peter would suffer and nations would disappear. It is now accepted that Russia's conversion began "when Gorbachev went down on his knees to ask the Pope for forgiveness for the sins of Communism," according to a new account of the "Secrets of

Fatima," But Lucia omitted to reveal the third secret. She said the time was not yet right.

In her convent in Coimbra, on a special request from the church, Lucia wrote the third secret on a single sheet of paper in less than an hour on January 1, 1944, and gave it to the bishop to whom she was to confide it. He did not read it but put it in another envelope on which he had written "May be opened in 1960."

On March 1, 1957 the Holy See had the paper brought to Rome by Monsignor Cento, the Papal Nuncio to Portugal, but did not report its arrival to Pope Pius XII, who died in 1958. John XXIII asked for it on August 17, 1959, read it carefully with Monsignor Tavares, of Portugal, and sealed the envelope. A short time later it was officially opened in the presence of Cardinal Ottaviani, then resealed and confided to what Cardinal Ottaviani called "the deep well, black, black, where all disappears." It bore authorization for publication in 1960, "if the Pope sees fit."

John the XXIII and Paul VI thought long on the subject and decided not to reveal it. The document was filed among the most "inaccessible" documents in Rome.

The church recognizes the apparitions of Fatima but because of the nature of the third secret and the effect its contents might have, it has never guaranteed the veracity of the message brought by the three children. The nearest it came to disclosure was in the summer of 1967, on the 50th anniversary of the appearance of the Lady from Heaven, when Pope Paul VI went to Fatima for a pontifical mass and presented Sister Lucia to two million pilgrims. But he refused her request for a private audience.

No mention was made of the secret reposing among the archives of the Vatican, but the appearance of the Virgin before the three children was always on his mind. He called on "the countries in which the church is repressed, where denial of the existence of God is presented as modern truth and liberation of people, all of which is false."

He told Portugal's leaders: "The world is in danger. We have come to the feet of the Queen of Peace to ask for that which God alone can give. For the church, for the Church of silence and for all. When John-Paul II went to Fatima on May 13, 1982, it was, he declared "to renew the consecration of the world and of Russia to the heart of the Immaculate Mary."

Italian papers reported on March 2, 1998 that two cardinals had visited Lucia, now 91, and what she told them will in time appear in the Portuguese monthly, *Christus*. Parts that have been leaked quote her as saying that the key event which averted nuclear war came in March 1984 when John-Paul II "dedicated Russia to the Virgin Mary" and prayed in St. Peter's square for Russia's conversion. A year later, on March 25, 1985, Gorbachev was elected Soviet leader and Lucia told the cardinals "He was the unwitting instrument of God."

Theologians discussing the meeting of Lucia and the cardinals have suggested that the reason the third secret has been so long concealed is because it predicts a "universal loss of faith in the next millennium and the collapse of Catholicism."

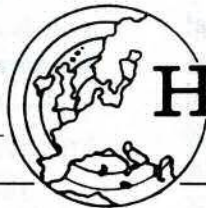
With war festering in the Middle East as Islam permeates the world and loyalties to home and country are rejected in the West, no tragedy is unimaginable.

The lateness of this issue is due to H. du B's illness with the flu, and we beg readers to welcome Mr. Otto Scott, publisher of *THE COMPASS* (828 S. 299th Pl. Federal Way, WA. 98003) and Hal Bryan, publisher of *THE HARD MONEY INVESTOR* (Box 11. Enumclaw, WA. 98022) as guest editors of the next four issues of *H. du B. Report*. These friends have offered their services, to permit H. du B. to complete the book on which he has been working for twenty years and for which so many readers have been waiting. We thank you for your cooperation and promise that we will return.

2016-98



A FOREIGN AFFAIRS LETTER



H du B REPORTS

PARIS

VOLUME 41, LETTER 3 JUNE 1998

THE ADVENT OF THE *EURO*

What It Means

Mr. Hal Bryan, publisher of the Hard Money Investor, has honored us by being guest editor of this issue while H. du B. is racing against time to get his autobiography, which H. du B. readers have long awaited, to English and French publishers.

In May, the European Union set the exchange rates under which the first eleven countries, including Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, Netherlands, Portugal and Spain, will enter the European Monetary Union (EMU).

A Common Standard

The idea of a common European currency is not new. In 1815, at the end of the Napoleonic wars, Continental Europe embarked on a similar venture, each country minting gold coins—florins, coronas, francs, marks, etc., according to national custom, but of precisely the same weight and fineness, so that each was the exact gold equivalent of the other. In this way, value was constant, irrespective of the costs of goods and services in the various countries. Each nation preserved its sovereignty, foreign exchange was facilitated, currency speculation was quieted, prices were stable, saving was encouraged, local tradition was preserved, and each country's money was as good as its neighbor's.

That monetary equivalency, achieved through an honest money standard, played a part in advancing the industrial revolution on the Continent seems beyond question, since a country which bought more than it sold lost currency (gold), while the more productive saw

their gold reserves rise. It also provided a sound basis for the extension of credit to new industries, creating millions of new jobs and raising standards of living in the process.

Surely, it was a heady time—the motor car was developed in Germany, railways linked Europe with Asia, and Louis Bleriot flew the English Channel. But magnificent as its prospects appeared, the 20th Century inherited the seeds of disillusionment and destruction in the form of old ills. Two of the most destructive were Socialism (including Fascism and Communism) and unsound money. It is perhaps no accident that the friends of Socialism were also friends of paper money.

The Paper Money "Standard"

Twentieth century politicians, whose careers depend upon the election process, have learned that, like Bismarck, they can buy votes using money from the public treasury. So prevalent has the practice become that the money supply has had to be expanded well beyond the limits a gold standard imposed. Thus, the promises of politicians to workers, the old and the infirm have been made good not only by the taxes of the middle class, but by the expansion (inflation) of the currency, with the attendant loss of purchasing power and the rise of the general price

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level, which robs all citizens, rich and poor, and decimates the life savings of the thrifty.

The fact that the beneficiaries of government largesse have unwittingly paid many times the cost of their benefits remains largely unrealized. That the private sector could have provided much greater benefits for a fraction of the cost has not penetrated the minds of those who have never really made the transition from serfs to free men. Indeed, it is the serf mentality which causes men to look for government handouts and to forego essential liberties, including the freedom to trade without the force of legal tender laws, made necessary because paper is deficient as a store of monetary value.

As one nation after another abandoned gold, their currencies began to decline, sometimes catastrophically as in the Great Inflation of the early 1920s in Germany, Austria, and Hungary, and sometimes gradually, as in the United States, where a dollar, formerly "as good as gold" has lost 95% of its purchasing power since 1939. It is no accident that the American currency has declined more slowly, as the gold backing was reduced over time—from 40% to 25%, then to zero, and finally, in 1971 President Nixon ended the international convertibility of the dollar to gold. *Now, Switzerland alone among the major currency nations maintains its tie to gold.*

Exchange Rate Problems

After World War II, the nations of Europe were obliged to accept the fixed-rate exchange network established at Bretton Woods in 1944, wherein the US dollar replaced gold as the international standard. Even then each dealt with their financial crises depending upon their monetary experience.

Haunted by the hyperinflationary collapse of November, 1923, Germany, though suffering from a devastated economy, an industry in ruins and a severe labor shortage due to their heavy war casualties, opted for a very disciplined approach that contributed heavily to what became the West German "Economic Miracle", which so contrasted with economically depressed Communist East Germany that a wall had to be built to avoid obvious comparison and migration.

Other countries' politicians with different monetary experience and less dedication, allowed their currencies' values to decline as a consequence.

Exchange rate fluctuations (including dollar devaluation) inevitably caused the collapse of the lock-step of Bretton Woods, and the "floating rate" system resulted.

It is instructive to compare the dollar values of European currencies as an illustration of their rise or decline since 1970. (In descending order):

Currency	1970	1998	Change%
Swiss franc	4.30	1.49	+289
Austrian schilling	26	12.9	+201
German mark	3.66	1.83	+200
Dutch guilder	3.62	2.06	+76
Belgian franc	50	37.7	+33
French franc	5.55	6.13	-11
British pound	.41	.60	-43
Spanish peseta	69.5	155	-223
Italian lira	625	1802	-288

The divergence of Euro-currencies over the last 28 years is obviously very great, as the stronger have diverged more from the weaker than either from the dollar.

The European Monetary System (EMS) was formed to provide an artificial mechanism for stabilizing exchange rates, but it was dealt a severe blow when both Britain and Italy could no longer maintain their exchange rate margins because of severe economic problems at home. Italy has rejoined, while the UK has not, and the question of whether membership in the EMS is a prerequisite to admittance into the European Monetary Union (EMU) is currently being debated.

The basic idea is that exchange rate fluctuations which reward monetary discipline and penalize monetary expansion (inflation) may be eliminated through a common currency issued by a European Central Bank (ECB), suggesting that a multinational body of bankers will follow a more enlightened policy of money management. It is far more likely that the elimination of foreign exchange markets (at least intra-Europe) is calculated to remove embarrassing tell-tales from the path of ECB bankers bent on inflating the common currency in order to finance the new super bureaucracy in Brussels.

Recent attacks on Switzerland can be seen in

light of the independent status and statutory gold backing of the Swiss franc, which remains as a barometer of the future inflation of the new *euro*.

Likelihood of European Monetary Union

The importance of a common currency to the international socialist agenda is crucial, for the fact is that the European welfare states are dying because they cannot keep the promises they have made to the working classes, whose support was, as Karl Marx clearly saw, necessary to the overthrow of governments in order to advance the Socialist Revolution. To preserve their power, socialists must abandon Labor, erase the notion of a Workers' Utopia, and distance themselves from the popular electoral process, erecting an international Welfare State, and ruling through the power of the currency press—the *euro* being the indispensable centerpiece of their grand design.

That Labor has not understood this and clings to the idea that their future still lies with Socialism is largely responsible for leftist victories in England, France and Italy, and very possibly in Germany at the next elections.

As this is written, the German Bundestag (lower house) has given overwhelming support for the launch of the *euro* on schedule next January, the vote being 575 to 35. This in spite of the fact that the most recent poll indicates that 60% of the German people oppose the *euro*. In addition, the new currency is supported by 15 of the sixteen federal states in the Bundesrat (upper house).

It is clear that all the stops are being pulled to launch the *euro*, but its birth will be accompanied by emotional as well as economic trauma. It is difficult to imagine the French without their franc, the Germans without their D-mark, and Italians without the lira—each currency, by dint of its shape, depicted emblems of sovereignty and portraits of national heroes—are mini-flags of their respective countries. It will not be easy to stamp out the very concept of patriotism which undergirds national monies. It may be traumatic for Italians, Belgians, French, Spanish and even Austrians to be separated from their millionaire status, or to see the Irish as suddenly affluent.

The May Day Window

That May Day, the date of traditional parades

of Communists throughout the world, was selected as the date on which the economic sovereignty of eleven European nations was handed over to a group of central bankers in Frankfurt seems logical in that such a move is an important milestone in the attempted socialization of the globe.

For billions of people unaware that their economic futures are thereby endangered, the date will have passed unnoticed—an obscure and irrelevant event unrelated to their personal well being. But the fallout from the machinations of the Eurocrats could have an immediate as well as a long term impact on lifestyles.

With the exception of Luxembourg, it has not been easy to qualify the Eleven under the Maastricht Accords, which set out the requirements for membership. All manner of “creative” accounting and special considerations has had to be employed to include them. Had the US stock market crashed into oblivion, pulling down European bourses, the resulting economic chaos would surely have prevented most Euro-states, even with the most outrageous pretenses, from entering into EMU.

This raises legitimate and serious questions—has Alan Greenspan, Chairman of the Federal Reserve, who has lectured prospective members on how to qualify themselves for EMU, supported the US markets with massive Fed intervention for the purpose of allowing EMU to succeed? And, once having qualified the Eleven via the May Day Window, will that intervention cease, allowing the markets their long overdue correction?

The burning question for investors now is, “Will the markets be supported at least until after January 1, or is that assistance no longer crucial to the success of European Monetary Union?”

To reach January 1, 1999, intact, the markets must survive the summer doldrums and Red October, 1998, a truly Herculean task, even for the talented and ubiquitous orchestrator of Fed policy.

The conservative assumption is that market risk is greatly increased after closure of the May Day Window, and that the prudent choice is to liquidate at least 50% of equity portfolios, *no matter where these funds are invested*. Because of the virtually continuous and instantaneous interconnection of

the global marketplace, any weakness in the US or Europe is certain to be swiftly transmitted to markets everywhere, as recently demonstrated in the Asian crisis.

It may be that European Monetary Union propaganda will actually spur markets to new highs after closure of the May Day Window. Investors should be alert for opportunities to take profits from remaining positions if this occurs. But remember, euphorias have a history of evaporating just as they appear most beguiling.

The phase-in of the *euro* will be accomplished over a two-year period. In the six months beginning on January 1, 1999, just a few months away, member governments will issue *euro*-denominated debt instruments, including bonds, notes, etc., and begin to convert pensions, "social security" and other benefits to the new currency. In January, 2002, *euro* notes and coins will become a part of the circulating media alongside national currencies. In July, the latter will be withdrawn, and all transactions will take place in *euros*.

Euro Envy

One can see that this will give rise to agitation by welfare beneficiaries and organized labor in poorer countries to "harmonise" benefits payments over the European Union. This will be socialism on a scale not seen before, even in Europe. Just as stronger currencies such as the Deutshemark have had to be manipulated lower in order to provide "convergence" with weaker units like the Italian lira, workers in richer countries will see their benefits diluted in order to raise those in poorer nations.

This will not be accomplished without protest. Already, French farmers feel threatened by the lowering of their agricultural subsidies in order to assist farmers in EU designate countries —Poland, the Czech Republic and Hungary. No doubt we shall again see Charolais cattle on the Champs Élysées or tractors clogging Parisian boulevards.

If one recalls the hostilities engendered between people of one racial and cultural stock in the unification of East and West Germany, certainly one must conclude that attempting benefits convergence among people of markedly different makeup will give rise to emotional confrontations,

no doubt occasionally resulting in general strikes and even trans-border incidents. Of course, as in all socialist schemes, a huge share of the "transfers" will be skimmed off to support the plethora of new agencies springing up in Brussels, which will attempt to micro-manage every aspect of EU trade.

Government intervention in trade increases the cost of doing business and lowers the standard of living. When intervention is on a supranational scale, there is no escape from it, so businesses and labor which might have moved from a more restrictive to a less restrictive environment are trapped. Investors should be aware that in such a repressive atmosphere, companies without political connections to Brussels are not likely to prosper.

To survive, businesses will be obliged either to be small and local with few employees or to become trans-national entities. Currently there are efforts by French shopkeepers to incorporate in England. As the countdown to the *euro* progresses, all manner of clever maneuvering to increase the chances of survival in the new environment will be evident, while at the same time, the Eurocrats will be drafting new regulations to prevent them.

Euro/Dollar Speculation

Finally convinced that the *euro* will become reality, the financial press is rife with speculation as to the relative value of the dollar versus the new currency. Since Britain, a member of European Union, but not a first round participant in European Monetary Union (EMU) will remain with the pound until 2002-3, we can perhaps gain an insight to what is ahead for the dollar.

It might seem logical that the British pound, though only a shadow of its former, gold-backed self, is still a proven monetary unit, and would offer a suitable hedge position for investors whose D-marks, francs, lira, etc., will cease to exist in 2002, the more so since pound interest rates are in the neighborhood of 7%, twice that of the D-mark. But the pound has dropped recently as investors have sold the English currency to buy Ecu futures.

Since it has been agreed that one *euro* will be equivalent to one Ecu, it is clear that speculators believe the pound will *depreciate* against the *euro*, at least initially. This suggests that, in the run up to the *euro*, a certain euphoria will prevail, and

perhaps a honeymoon period will ensue if things go well in the beginning. But, already, there is a mini-crisis over the loss of the hologram developed by a French company to prevent counterfeiting of high-value *euro* notes. The one-kilo package, scheduled to be delivered by Brinks to Roissy airport near Paris on May 12, failed to arrive for boarding on Air France flight 2522 enroute to Nuremberg.

Until January 1, 1999, the outlook is probably favorable for the new currency, and this will likely prevail during the dual currency period, until perhaps early 2002. Also, if there are serious setbacks, it is reasonable that Europeans will from time to time retreat to their own currencies as long as they have the option. Increasingly, however, they will find themselves locked into the *euro*, with no possibility of escape. As the July date for demonetization approaches, there will be a scramble to divest themselves of Continental currencies by all but the most resolute Burgundian farmers, who have not yet accepted even the current franc, but still talk prices in terms of "old centimes" last minted in 1958.

Is the Dollar a Viable Hedge?

As the European Central Bank (ECB) takes up its duties in Frankfurt, a new "virtual reality" will come into play, as the bank will no doubt issue its own reserves in *euros*, reducing European reserves of dollars, which are at this writing about 70% of foreign exchange. If the ECB carries just 50% of reserves in *euros*, demand for dollars could drop precipitously. It is this economic fact of life that leads commentators to predict a weaker dollar.

It is only because the US has been able to export dollars that it has continued to sell its government debt abroad. (Foreigners convert excess dollars to Treasury bonds). The question in the minds of investors everywhere is, "What happens if billions of Euro-dollars come home to the United States?" Were this to occur, a highly inflationary and volatile US economy would result, and we expect that there must be contingency plans at Treasury and the Federal Reserve to deal with such a crisis.

Some possible solutions include the demonetization of Euro-dollars through a new trade dollar which would be legal tender only *outside* the US. Or, Euro-dollars could simply be shunted off

to the IMF or World Bank to bail out Third World and ex-communist states. On the other hand, in the event that the *euro* falters *after* the demonetization of Continental currencies, the dollar would be much in demand as a hedge.

In any case, the future of the dollar is uncertain—if the stock market suffers a major correction, the US unit will suffer dramatically and immediately because, like other fiat currencies in Asia, it has neither gold backing nor a strong balance sheet to support it. While Europeans may wish to hedge short term in the dollar, their investment in US equity markets is at best a very high risk one. The same is true of bonds, which will plummet along with the currency. Investors must be aware that viable currency options will be severely limited with the demise of the D-mark, Dutch guilder and Austrian schilling.

Whither Gold?

In spite of the fact that no major currency nation except Switzerland maintains a monetary link to gold, central banks have traditionally kept a supply of gold to give some credence to their paper currencies. Once they have abandoned these in favor of the *euro*, they will be encouraged to give up their bullion. The likely recipient is, of course, the European Central Bank, which, after July, 2002, will become the only bank of issue. The ECB can make a good case that a strong gold reserve is necessary to maintain the integrity of the new currency.

Thus, we can expect that the gold belonging to the people of the other 10 EMU members will be whisked away to the vaults of the ECB in Frankfurt. It is not yet clear whether Europeans—the French in particular—will stand idly by while their gold is carted off to Germany—a situation unimaginable to Continentals over 50. One wonders whether the German socialists may be on the brink of carrying off by guile what the Nazis failed to do a half century ago by force. This prospect may have engendered some of the gold sales by member central banks which accomplished two goals: it provided the ready cash necessary to meet the Maastricht accords for EMU membership, and it avoided the prospect of their bullion falling into German hands

There is currently circulating on the internet a

story that there is an ongoing gold-for-oil swap agreement between the central banks and oil producers which has the outcome of keeping prices of both commodities below market in dollar terms; basically, it is alleged that Arab oil sheiks keep oil prices in check in exchange for lower gold prices. If true, one may ask a rather startling question:

Have central bankers bribed oil producers to keep prices low so as to hide inflation and support lower interest rates—and the markets which depend on them—in order to provide economic stability for the launch of the euro in January?

If this is a valid assessment, it would seem *both* oil and gold are underpriced, and worthy of interest. But, keep in mind that if oil/gold prices rise significantly, this would certainly translate as “inflationary”; consequently, interest rates would rise and markets would fall. And if markets fall, it should be apparent that energy demand will also decline. Gold is obviously the safer bet, not merely as a commodity, but as a money of last resort at a time of unprecedented currency instability—in Asia, in Russia and elsewhere in the world.

And what happens *after* the *euro's* debut? If markets have been artificially supported in order to accomplish European Monetary Union, what is the prognosis for EMU and the *euro* afterward? Can a new and unproven money survive in an environment of market collapse and currency crisis? Will other countries join EMU if the *euro* is shaky? Will EMU shatter as panicked members ignore their commitments to Brussels and return to issuance of their national currencies? Or will they embrace the British pound, the Swiss franc, and even a much lower dollar in preference to a collapsing *euro*? As can readily be seen, monetary union raises many unanswerable questions. The scheme is a very risky one—a monetary Tower of Babel—which could fall heir to the same fate as the Biblical edifice.

Global Depression?

The incredible expansion of credit has produced a gigantic market bubble and a debt overhang which cannot be absorbed. In 1929, it was the collapse of cheap credit which triggered the crash of the overbought stock market. Yet the US dollar was backed by gold and outstanding debt was only a fraction of today's. By comparison, the current

bubble, inflated with derivatives, mutual funds and other intangibles should be keeping bankers up late at night with contingency planning for the survival of their institutions. Instead, they are preoccupied with cross-border mega-mergers, acquisition of brokerage houses and the extension of credit to the uncreditworthy, even family pets—dogs and ponies—inadvertently receiving pre-approved credit cards. It is frightening to think these same bankers support the creation of a new fiat currency based on credit, and therefore debt, on a scale literally beyond the imagination.

Meanwhile, the introduction of the common currency in Europe is being sold as an economic panacea which will usher in a new era of peace and prosperity in Europe, to be subsequently emulated across the globe. In actuality, it is a shocking violation of the investor's first rule: *Don't put all your eggs in one basket*. Those who ignore it will learn to their sorrow that it is applicable to currencies even more than to stocks and bonds.

That centrally planned (socialist) economies cannot survive should have been amply demonstrated to Europeans both by the dramatic example of East and West Germany, and more recently by the economic crisis in the former Soviet Union, which at this writing is attempting to save the rouble through quadrupling interest rates to 200%. Russia is currently the subject of a \$9.2 billion bailout by the nearly insolvent IMF. When the agencies responsible for bailouts are themselves short of funds, the prognosis for global economic health cannot be very reassuring.

Even in the best of times, the advent of a centralized fiat paper currency should be greeted with trepidation for the economic well being of the participants. For a world caught up in the greatest speculative bubble of all time it is sheer lunacy.

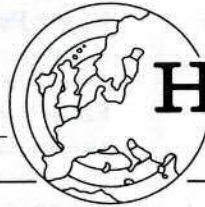
Now is the time for all prudent men and women to convert pensions, annuities, endowments and other long term assets to those denominated in strong currencies which will *not* be converted to *euros*, and to seize the advantage of cheaper gold as the ultimate paper currency hedge.

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A FOREIGN AFFAIRS LETTER



H du B REPORTS

PARIS

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THE VIEW FROM EUROPE

by Otto Scott

It's a signal honor to be asked to substitute for Hilaire du Berrier, although everyone knows that the task is impossible to fulfill. One can sit in for a column or two, but never really take his place. That place is an irreplaceable, 41-year old running footnote on the unofficial history of our time, specializing in the French reaction to changes in France, the Orient, the United States and the world.

We have no means of checking, but we believe that du Berrier is the oldest living working American foreign correspondent in France today. It is more than remarkable that destiny has assigned him this role. Life before World War II placed him amid the ebullient Parisian twenties, the barnstorming times of American aviation, the Italian invasion of Ethiopia, the Spanish Civil War, the experience of torture by the Japanese, the disruption of Vietnam, close acquaintances in the restored Court of Haile Selassie, and the transition of France from a great colonial empire to the relatively modest international position it occupies today, over 50 years after it shared, officially, in the defeat of Nazi Germany with the strange assistance of an ambivalent United States and the USSR. To witness and describe so many changes in the world is, in itself, a remarkable achievement of not only longevity but of lucid, informative, and insightful commentary: to understand what one saw, experienced, and reported, and to have one's contemporary comments verified by results,

is more than remarkable: it is little short of astounding.

Our qualifications to substitute, however briefly, for du Berrier are slight: they consist largely of having lived through the thirties, of having been marginally involved in World War II, and having been in communications through the years since. Sitting in du Berrier's illustrious chair, however, virtually forces one to take a look at the modern world from the European viewpoint, which is - inescapably - a vantage from which American behavior since 1939 does not appear as beneficial or intelligent as is so often claimed.

We recall, for instance, that the United States of pre-World War II still regarded the great civilization of Europe, our mother continent, with awe. Great Britain was the largest and richest empire in the history of the world. Its Navy was the most famous and feared ever created; its land possessions encompassed one-third of all the peoples on earth, representing virtually every race; its financial center was the world's most important, its literature the most influential, its culture the best-known, its political theory the predecessor of our own. France, England's rival from the Middle Ages to the first five decades of the twentieth century, was not far behind. Its wealth was immense, its colonies were scattered from Africa to Indochina to the Pacific; its cultural eminence in art and fashion, music, philosophy, politics and intellect, was eminent for centuries. Spain's

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once unsurpassed colonial empire was free, but its past glories in Latin America and the Pacific left an immense heritage. Portugal still had colonies in Africa and could look at Brazil with pride; Italy was forever the heir of Rome and the center of world Catholicism; Germany was resurgent after its defeat in World War I, threatening the stability of the world in a new and amazing form - all imbued American correspondents with awe and fascination.

Their names still ring in newspaper annals, although their dispatches are now items for archives and even their books have grown yellow and remaindered. Shortly after the end of World War II, one author - now, alas, forgotten in our memory - published a book comparing U.S. press predictions before the war by various columnists about what would occur - with what did occur. Major George Fielding Elliot, military expert of the New York Times, estimated that France, which he credited with having the strongest army in the world, would prove invincible against a German onslaught. It lasted six weeks. He thought the USSR, with a military weakened by Stalin's purges, would fall in six weeks. It not only lasted, but absorbed sixty percent of all Germany's might, recoiled, and was in the vanguard of the victors. Dorothy Thompson, the most famous female political journalist of the time, analyzed Adolf Hitler in a personal interview, as a mediocre individual - but the world still shudders. Yet most of these pundits retained their positions after the war, although virtually proved to be incapable of accurate analysis of what they reported. The author who summarized this contradiction concluded that they remained popular because they were wrong at the right time. They told their readers what the readers thought.

The prevailing U.S. attitude when war erupted in Europe was that the United States should not intervene in the defense of Europe. We watched, relaxed, and played while Hitler conquered all of Europe, and Britain fought alone until we were catapulted out of indifference by Pearl Harbor. Meanwhile Britain's navy was defeated in the Pacific by Japan. By the end of the entire stupendous conflict, England's Pyrrhic victory was the most spectacular in all history: its vast empire was dismembered in the postwar period under the combined pressures of its wartime allies the USSR and the USA.

The same fates befell all the Atlantic powers of Europe; all the former colonial empires

crumbled. India, the "jewel of the Empire" was the first to extract independence from Great Britain. The Dutch East Indies became Indonesia and Malaysia; French Indochina fought France - and then the U.S. tooth and nail to become Vietnamese - and communist. Algeria reverted to Islam after rivers of blood. The French, English, Portuguese, Belgian, Italian, and black African nations accomplished their respective independences through a variety of methods. South Africa's black majority only recently established its communist-led majority into dominance over its white minority.

During the decades of decolonization the former masters of most of the world watched silently as the State Department's rationale of the inherent right of all peoples to self-determination blended with the Soviet's charges of western racism to become the common conclusions of global intellectual opinion. Since this enormous change did not occur everywhere in the colonial territories simultaneously but first in one region and then in another, its overall world significance was simply too fragmented and irregular to summarize. The first consequences were in the newly independent former colonies themselves - and these were far from the expectations of Washington or even Moscow. Nor were they limited to the newly independent colonies. In Uganda for instance, the black leaders who orated for years the racial sins of whites, seized the property of their Hindu citizens, who long comprised the small merchants of the country, and expelled them all. These hapless overnight refugees were then rejected - that is, forbidden - by their homeland, India, a nation that demagogued about the racial sins of the West without ceasing for well over a century.

These exhibitions of prejudice by presumed leaders of anti-prejudice turned many reproaches toward England as the government that had transported Hindu untouchables to Uganda in the first place. In response the English government, still enthralled by the equality myths of socialism and latter-day Christians,¹ opened its arms to these tens of thousands - and more to come.² That launched a significant transformation of the English population to other refugees from newly independent former colonies, who claimed to be victims of discrimination because they were persecuted or under attack for their former cooperation with colonial overlords. England's new citizens were Asian Buddhists and Hindus,

as well as large numbers of Blacks from Jamaica who began, fairly soon, to complain that the English culture did not alter in respectful recognition of their presences.

Meanwhile France, which had hoped to resume its colonial position in French Indochina, found itself being fiercely resisted by the forces of Ho Chi Minh, which had been originally supplied with arms and assistance by the U.S. in order to resist the Japanese occupation and subsequent communist influence. With peace, the Vietnamese communists turned these weapons against the French, with the usual assistance of Moscow. Hilaire du Berrier, with his excellent Asian and French connections, kept his subscribers well acquainted with the personalities, issues, and tides of this situation and its developments through the years, so we will not attempt to synopsise his far more knowledgeable reports. But we must observe that his excellent flow was never - never - acknowledged in Washington, because they were picked up by "right-wing" sources in the U.S. These - then and now - being considered "biased," cannot even report rainfall and achieve credibility. Hence the best informational flow was ignored and because U.S. publishing circles are nothing if not respectable (which means that they are close to nothing, since part of the news is equal to none of the news.) The American people never understood the protracted Vietnamese struggle that finally ended in an independent, united - and communist - Vietnam.

In the course of reaching this denouement, France had the humiliation of being defeated in a major engagement with the Vietnamese communists and had to surrender its effort to retain South Vietnam in favor of the U.S., which supported only the South. French bitterness at the loss of its position in Vietnam was ignored by Washington, which refused even to accept French strategic information about the region, which France had ruled for at least a century.

Virtually no Americans and very few French people ever realized that part of the Vietnam quagmire was caused by President Roosevelt. During the war "he asked his son Elliott: How do they [the colonies] belong to France? Why does Morocco, inhabited by Moroccans, belong to France? Or take Indochina. The Japanese control that colony now. Why was it a cinch for the Japanese to conquer that land? The native Indochinese have been so flagrantly downtrodden that they thought to themselves: anything must be better than to live under

French colonial rule! . . . ' To Roosevelt . . . France could no longer be counted among the great powers. These views colored his ideas about the future of the French colonies about which he held stronger feelings than any of the other European colonial empires. In order to encourage resistance against the Nazis, Roosevelt in public speeches would assure the French people that their empire would be returned to them; in his private conversations with his political and military advisors, and with foreign leaders, including Churchill, Stalin and Chiang Kai-shek, he made it explicitly clear that the French colonies, and Indochina in particular, would not be restored to France. . . ."³

That view, which permeated the State Department, remained basic American policy in the decades after World War II just as all the Rooseveltian policies remained American policy as long as the Democratic Party ruled the nation. General de Gaulle was well aware of it, and so was the entire French elite. Individuals, after all, dominate history, not "trends" which arise from empty air, as "social scientists" and mediocre historians assume.

To say that Roosevelt's views were erroneous is insufficient. To assume that he was not as committed to the destruction of the British Empire as he was to the French would be in error. He was against all western empires. But his behavior to Stalin would prove that this was not against Soviet expansion, and this contradiction would remain part of American policy even during the Cold War. Presidents like Carter would continue to pursue a policy of appeasement and Quasi-sympathy for the USSR even when that "war" was at its chilliest.

Meanwhile, the argument that France did not improve the situation of the Vietnamese people during colonialism is in error. Geoffrey Hudson, a respected expert, said that the French had built "roads and rail communications, dyke construction and irrigation, and agricultural and industrial developments. Exports, imports, and population had risen remarkably, while the standard of health had been much raised. Educational progress had been notable, the use of the French language as the language of the educated was definitely established as the only common vehicle of expression between the Annamite and Cambodian intelligentsia . . . a university was created in Hanoi, four Pasteur Institutes in the Union, various special and technical colleges. . . ."⁴ and more.

But there was more - and worse - for the

French in the years to come after their ouster from Vietnam. That was to occur in Algeria, a land the French had incorporated into their national union, which had equal voting and legal rights with the residents of greater France, where a million or more French men and women lived as French citizens, and where the Algerians were equally French citizens. The French believed that Algeria was not a colony, but a part of France. But the Algerian rebels declared that they were a different race, a different religion (Islam) and if they could not obtain special rights, they demanded separation. One might say Algerian apartheid.

It was in Algeria where for the first time ever a modern army was defeated by a guerrilla force that had neither tanks nor planes nor artillery. The communists of Algeria (and they were communists) launched a campaign of limitless terror against any of their own people who cooperated with the French in any way. This meant girls who worked in French factories, merchants who sold to French customers, babies born to these parents, old people who parented them - anyone. No group ever conceived so heartless a program, and it made life hideous and hopeless for everyone in Algeria until a reelected de Gaulle declared a surrender.

We cannot help but recall, at this point, the du Berrier dispatches about the outrage of the French Army at de Gaulle's unexpected solution to the Algerian situation: it came close to creating a French civil war. The U.S. press, unfortunately, made a mess of its reports: their correspondents had no sympathy for the unexpected blow de Gaulle delivered to French pride, and the French communists and socialists, working together (as indeed they always do), declared the great change was splendid - wonderful. The diminution of France has never discouraged the Left - as long as it is in the name of greater justice.

This again was a European event about which the mass of the American people learned only in spasmodic snatches, in brief bulletins, in footnotes, so to speak. But elite audiences learned more in books and lectures, and in university circles. John Kennedy, a rising personality, issued a call for Algerian independence in his first speech in the United States Senate. He was rowing in the mainstream media. Algeria was the focus, for a time, of one of the Soviet's justly famed international campaigns, and Ben Bella was

expected to become its dictator once it achieved independence. Paris under de Gaulle was well aware of Washington's role in assisting the Algerian rebels; it was one of the reasons de Gaulle had American NATO forces removed from France.

It is nearly impossible, in this tangled web, to deal with all the relevant issues in a tidy chronological fashion. France's wounding experiences with Washington were no worse than London's. At first, piqued by Roosevelt about India, Churchill and his ministers could not believe that the ally they expected to help them survive was intent upon stripping them of their colonies.

At first Washington soothingly talked about "trusteeships." But these were to be of limited duration, and as time - and talks - extended, it became clear that Pax America and Pax Sovietica were combined in believing that the West should abandon colonialism.

India's huge departure, accompanied by massacres between the Hindus and Muslims that resulted in more deaths than the English accomplished in all their years of dominance, was hailed as a great step forward for all the world. No voices were heard marveling at this strange scale of values, in which lives were regarded as nothing compared to abstractions - and to the decline of west European power and the destruction of the economic system the Atlantic nations had created over a period of 400-odd years.

We cannot help but believe that it was after the repercussions of French families returning to France from Algeria after de Gaulle's "settlement" that some of the more brilliant minds in France began to plan toward a more unified European continent in the face of overweening American and Soviet power. No doubt a study of du Berrier's reports from 1957 until today would make this chronologically clear, although du Berrier is also a valuable source for more years than these. He has a wonderful way of recalling origins and personalities in prewar years that led to turns, conclusions, and events later. At any rate, it is now clear that leading French personalities did decide, somewhere along the line, that Europe would have to drop its ancient quarrels and combine to save itself from being crushed into insignificance between the massive anticolonial and competitive campaigns of the United States and the USSR.

This began with the idea of customs unions, to lift trade and traffic between western European countries, and moved from there to GATT, and now to the edge of a merged, single currency, a single European Central Bank, and to open competition with Washington on a global basis.

But to resume our summary, we have to return to the still-relevant past. In the decades after World War II, American correspondents continued to enjoy special privileges inside the Soviet Union, so long as they did not seek to discuss more than the Soviet censors allowed either from Moscow, where they were stationed, or from New York on their trips home. Perhaps that's why they failed to convey the reality of the Soviet Union in their dispatches; why they shaded their comments to make it seem that a great, organized power had emerged, instead of a power based on pure terror in the hands of mediocrities. Nuclear power in incompetent hands can, of course, make the world suitably wary. But it should not have made the U.S. as timid as it was for so long, in so many administrations.

A recent book, titled Autopsy for an Empire⁵ reviewed by Gabriel Schoenfeld in The Wall Street Journal in mid-April 1998, describes Stalin's heirs as the results of Lenin's and Stalin's success in "annihilating the successful stratum of their society and to forge an entirely new, wholly mediocre ruling elite." "Khrushchev," writes the author, "was endowed with enough energy to make mistake after ruinous mistake" to create what Pravda labeled "harebrained scheming." "Brezhnev . . . had little in the way of education or intelligence; increasingly lacked vigor as well [and] by the end of his life and while still in charge . . . lapsed into the blissful second childhood of senility." After Brezhnev expired in 1982, Yuri Andropov's mental prowess was offset by flaws, notably unbending political orthodoxy and precarious health . . . suffered from hypertension, coronary heart disease, coronary kidney disease, shingles and arthritis, among other maladies . . . he could hardly walk. . . . [A]n escalator was installed next to Lenin's tomb (eleven and a half feet high)." The next was Konstantin Chernenko, 72. "By the time the hale Mikhail Gorbachev arrived . . . [if] he had known what he was doing and Volkogonov makes clear he did not - it was too late. . . . [I]n a flash the Soviet Union was no more."⁶

In all the long years when these mediocrities

ruled the Soviet, the U.S. continued a policy of decolonization and wartime readiness and to behave in what reviewer Schoenfeld⁷ terms "timidly pursuing unobtainable friendship and detente with doddering mediocrities who engaged in ceaseless accumulation of arms and who recklessly lit bonfires around the globe."

While these "bonfires" were being ignited, the U.S. pursued its decolonization policy in huge Africa via money and preachments about democracy, while the USSR promoted Marxism via guns and advise on how to create dictatorships. The latter were, of course, far more effective, since they mirrored real African native patterns, and stressed racist attitudes toward all, and not just some outsiders.

The myopic nature of the decolonization complex is enough to deserve a tome and tons of "studies." We can only touch upon it. But for the nonce let it suffice to note at this point that it took the thirteen English colonies in North America, speaking the same language, sharing the same race, culture, and history as their remote overlords, over 200 years to achieve a sufficient size and strength, as well as experience in self government, to rise and achieve independence by force of arms with the forgotten assistance of France.

To expect African colonies, created at two conferences in Berlin in 1884 and 1885 by diplomats with no real grasp of the reality of 2,000 tribes, each with its own language or dialect and numbers, with no respect for tribal territories, to cram these different tribes (and they were all different) together in all but three regions in enforced propinquity to accept such artificiality was, in the first place, to lose sight of reality. Only great force could do that and expect actual melded societies to appear in less than many centuries. That assumption alone reveals an ignorant continental provinciality we do not generally associate with late 19th century Europe. "Yet by 1920 every square inch of Africa except Ethiopia, Liberia, and the Union of South Africa was under European rule or protection or was claimed by a European country."⁸ That the State Department and the American left were united in the belief that these black African "nations," artificially created and held together by force and a tiny European-educated elite, could, if sufficiently financed and advised, become self-governing overnight was astonishing. But the U.S. was not alone in its idiocy. English socialists thought the illusion of a speedy emancipation of Africans was quite

feasible in the near (one almost says "nearest") future.

It did not seem to occur to them that Europe had gone remarkably far in knitting these admittedly imperfect "nations" into the global economy, and into the needs of Europe and other regions. By creating roads and teaching new techniques of agriculture, manufacturing, education and skills, etc., Europe had created a flow of commodities from their colonies to their overlord nations that both spread and strengthened economic ties between a largely primitive continent with the world's most advanced. Left to mature it went far, for a time, to reduce Europe's internal wars (which was the purpose of the Berlin Conferences) and in time could have gone much further in benefiting both the forty-six black colonies and the entire globe.

What neither the State Department nor President Roosevelt seemed to realize, however, was the effect of the Baku Conference, summoned in 1920 by the young and vigorous USSR, which invited only nonwhite representative, pro-Marxist leaders of the colonial World of Asia and Africa. It was at that Conference that the Soviets first convinced the nonwhite colonials that their oppression was not based on economics or simple power politics, but on race. Their target was the British Empire, largest in the world, which held captive vast numbers of nonwhite people: Asians of all varieties and Blacks of hundreds of tribes. They argued that the notorious English snobbery was only the most obvious manifestation that white people of the world were the world's greatest and most dangerous racists; that they regarded all other races to be inferior, fit only to work to advance the white race wherever it existed.

They produced racist statements from white representatives high and low, from Kipling to vulgar cartoons, from the Jim Crow regulations of the American South to the attitudes of the Boer Afrikaners; from the icy attitudes of the English in India and their memsahibs to the local administrators of colonies everywhere, and to the special privileges of whites around the globe - from China to Latin America. It was racism and racism alone, that spurred the whites; racism that no other race in all the world believed or practiced. Racism was the great evil that whites introduced, practiced, and maintained in the world, and defeat for whites would end racism and colonialism everywhere, forever.

Not even the Soviet speakers (themselves

with whites well represented in their ranks) dreamed that these provocative speeches would light a fire that still blazes. It proved to be a fantastically effective weapon in the short term, enormously increased Marxism's followers, and fueled rebellions around the globe for seventy years. They had opened Pandora's Box and let loose a monster that plagues every society on earth today. At the time, it emerged as a mere whispering campaign, a sub-theme that every nonwhite colonial leader carried back to his people, from New York to Nairobi, London to Lisbon - everywhere throughout western colonialism - and, for that matter, everywhere throughout western liberalism. President Roosevelt never knew the source of his opinion on French and English colonialism and its origins, but he was simply one of millions of western liberals whose views were in large part shaped by the enemies of his nation - and his people.

NOTES

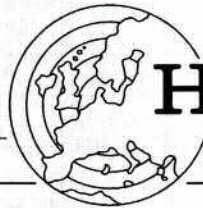
1. Although the Ugandan Hindus were not Christians.
2. For which generosity they have been pelted by accusations of being racists ever since.
3. Imperialism at Bay: The United States and the Decolonization of the British Empire 1941-1945, by Wm. Roger Louis, Oxford University Press, 1978, op. cit., pp. 27, 28.
4. Ibid., p. 39.
5. Autopsy for an Empire: The Seven Leaders Who Built the Soviet Regime, by Dmitri Volkogonov, Free Press, 572 pages, \$30.
6. The Wall Street Journal, 15 April 1998.
7. Senior Editor of Commentary, the official organ of the American Jewish Committee.
8. The Africans, by David Lamb, Random House, N.Y., 1982.

(The first of two columns)

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A FOREIGN AFFAIRS LETTER



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THE VIEW FROM AMERICA

by Otto Scott

Suicide has always been a mystery, except in circumstances of obvious defeat. The suicide of seemingly successful individuals - which does occur - usually leaves observers puzzled. Theologians, who are professionally interested in the reasons for behavior, have described suicide as the only unforgivable sin - for it proves a lack of faith in the ability of God to change the circumstances that lead to suicide by persons of little faith.

We cannot, therefore, say that America will absolutely commit suicide. It may pull itself up. It may recover its nerve and its intelligence. It may decide to overcome its internal failures and decide to save itself by changing its suicidal pattern to embark on a new and healthy program of survival. But at present it shows neither the wisdom nor the courage to do so. And if it does not, this nation which is, briefly, the leading member of the western civilization may crash in the mid-21st.

It is highly unlikely that if such an event occurs, that Europe will remain intact, strong and ascendant. For Europe is America's brother and shares most of America's problems. It was, after all, French and English socialists who initially infected America with their dreams of an authoritarian Utopia, and who are today the leading casualties of Christianity's great wars. England's recollections of empire reside today in Spain's imperial museum together with Imperial France, Imperial Germany, Imperial Turkey, Imperial Austria-Hungary, Imperial (and Communist) Russia, Royal Italy, Royal Holland, and Royal Scandia as a permanent exhibit.

To trace and predict the downward fall of the United States is to face the darkest of American fears. It also requires some patience with what seems contradictory evidence, because it now appears to have been inherent for a long time. This is especially difficult for it contradicts many fabled events of our history and many assumptions that have long marked the differences between the United States and Europe. As usual, when assessing issues of civilization, some will find our comments about Christianity in America to differ with long-established evaluations; but if we did not differ we would have little that is serious to say. To repeat what "everyone knows" rarely constitutes discovery.

One of the deepest of American fallacies is the idea that a great society can rise without an aristocracy. It is, of course, a comforting fallacy in a nation that prides itself on not having an upper class, but a moment's reflection convinces that it is not possible. Every nation and people progress in the wake of the discoveries and ideas of those in its vanguard. Only primitive societies are angered by innovators,¹ and seek to punish them in the manner of our trustbusters. It is true that envy is widespread, but the government that encourages it is making crime legal, and retarding the advance of the nation. It is true, of course that the innovator achieves immediate advantages. But such advantages soon lose their novelty; the innovator dies and takes his creativity with him, but his achievements remain forever for the benefit of all. The petroleum industry, for instance, which lifted modern technology to its

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present height - and without which we could not enjoy it - should have entitled John D. Rockefeller to every honor this society can bestow, instead of its hatred and slanders, which endure even after he has been long dead.

We can blame, to a far greater extent than is recognized, our jealous literati and the politicians who tirelessly stoke the fires of envy. Envy, not simply excused but fostered and organized by a deeply planted Marxism, is today pervasive. It is rarely defined; seldom denounced for its poisonous and insinuating abstractions. Our semi-educated millions and even our professional specialists deeply resent the wealthy businessmen who employ them. It pains us to say this, because we respect the expertise of specialists. But too many are not ranked by merit or marked by creativity. They cautiously perform within "professional" limits. Their tiny cores of independent thinkers are "outlaws," who are deplored and even expelled whenever possible.

The extraordinary de Tocqueville detected that as a distinctly American flaw in the 1830s, and defined its essence.² He perceived that a mass market, such as the U.S. quickly developed, meant that any who differed with the mass became an outsider, subject to all the phases of banishment from the crowd in terms of opinion, expression, and belief that such a difference implies. Almost everyone becomes familiar with this at school in one form or another, prevalent in a society without an aristocracy's standards. For an aristocrat, in de Tocqueville's definition, is above the crowd. In a society with an aristocracy, the aristocrat cannot be outlawed for his independent opinion. Independence of thought and expression can be maintained only by those who cannot be impeded, silenced, or punished by the crowd.

The initial argument of the American society was not, of course, against superiority, (as the original Constitution and the personalities of the Founders made clear), but against its abuse by an inherited, often incompetent elite, and ultimately by royalty. That was reduced by Cromwell and his intellectual heirs in England, during their Civil War, and was still influential enough to convince the English colonists to fight for freedom. The Founders did not foresee - and could not have foreseen, no matter how prescient they were - that an ignorant mass would assume that independence meant an end to superiority. But this fallacy became popular within a generation. It dismayed both Jefferson and John Adams, who became letter-writing friends in their old age. They were appalled at the crudities that

flourished around them, when the nation lost the aristocratic backdrop of England's long and inspiring history.

One of the more conspicuous members of that second generation, Ralph Waldo Emerson (1803-1882), expressed what had already become a common American contempt for the past when he said, "Whatever is old is corrupt, and the past turns to snakes. The reverence for the deeds of our ancestors is a treacherous sentiment."³ (Emphasis added.) Emerson, a minister who lost his faith, was a typical American middle-level intellectual. Although carefully aloof from mass movements, he shared many of their opinions. (That was a major reason for his popularity.)

He associated with other failed ministers in the Boston area, deplored the religious establishment into which he had been born, and (like Robespierre) believed that the traditional church was insufficiently sensitive to the injustices of society. He never understood that they were too aware of the realities of a sinful world to expect success in any open movement to eradicate its sins rather than to reduce them. He was a carefully modulated, but leading eminence in what was called The New England religion.⁴ Emerson, Channing, Parker et al considered Christianity a failure. They did not seem to realize that their religious views were actually political, based on the assumption that political solutions could create a perfect world. This eventually led New England to concentrate on the abolitionist movement.⁵

Their views of the black minority have long since become part of the official American political creed, which is that black people are not only equal to whites in every respect, but the same as white people. This powerful abstraction, coined in sentimentality, became a major element in New England's religious heresy. Accompanied without any investigation into the experiences of the South with the black minority, any investigation into the black African races in Africa, no comparisons made with the English, French, Portuguese, Belgian, Dutch, German, Italian or Islamic societies, regarding their interrelations with black people, whose civilization does, after all, stretch from the pygmies to the Watutsis, from Ethiopians to the Zulus.

Lincoln was rare among the progressives of his time in openly taking issue with that argument. He did not believe the races could live harmoniously together. But that was part of his effort to separate himself from the more strident arguments of the unpopular abolitionists, who nearly doomed his candidacy for the presidency.

Later he found the abolitionists his most insistent critics. They burned with impatience over his reluctance to issue an emancipation order, which would have been unconstitutional, would have violated his pledge to leave slavery alone in his Inaugural Address, and which - when finally issued - applied only in the South, where Union forces had not prevailed, and not in the North, where slaves were still held.

After the war ended, however, chants about John Brown's Body and the "Battle Hymn of the Republic" lifted a tidal wave of propaganda about the iniquity of slavery, swept Northern literature, while removing from memory the long cooperation of the North in the "peculiar institution." The Reconstruction period, which did not end for a dozen years after the war to "unite" the nation, was used to delay the re-entry of the South into the Union⁶ and to integrate the blacks of the South into the political structure of the South - without which the victorious Republicans could not maintain their dominance. The noble abstractions about black "equality" could not overcome the chill winds of a land still drenched with antiblack sentiment.⁷ The famous Fourteenth Amendment, hedged with restrictions against blacks serving on juries, or even voting where prohibited by States, was successively expanded later, but not at its inception. Meanwhile, by insisting on Northern virtue and Southern evil, the heirs of the abolitionists and the audience they commanded and converted made the tenets of the New England religion officially triumphant. The decline of faith among the majority clergy began in this period, and has continued to this day. (Although the mass of the people remained devout until after World War I.) This division of opinion between the majority of Americans and its intellectuals is now enormous.

The unreal - and dishonest - abstractions of official American rhetoric created by northern intellectuals in the mid-19th century are now deeply embedded in the American educational system, social circles, and official policies. Its presences about race are fostered by impossible governmental programs that exacerbate rather than diminish its realities.

America signally ignores the historical fact that it was western Europe, led by Britain, that ended black slavery in the West. The American North was, in fact, so proud of ending slavery at the end of its Civil War that it overlooked that Europe's antislavery success was accomplished without its citizens slaughtering each other.⁸ Meanwhile, despite the obvious fact that the various races of humanity have physical and cultural differences, the U.S. insists that all races

are the same. This insistence promotes an almost insurmountable gap between American realities and its increasing insistence that its favored abstractions be obeyed by the rest of the world.

In its development and expansions, this policy led to the implicit idea that the white people of the U.S. are responsible for the condition of their black minority. This assumption took time to develop: it was not assumed immediately after 1865, nor was it accepted prior to World War I. Nor was it needed. As Dr. Thomas Sowell, America's leading expert in racial realities, has pointed out in his writings, the climb of the black minority after the Civil War has been both remarkable and equal to that of the European immigrants and white working people whose combined competition did much to make that climb competitively difficult.

But the arguments that energized the North in creating a national tragedy via the abolitionist movement, with a false concept of Christianity arming self-righteousness, was too successful a political mixture to die. Embedded in the official history and continuing rhetoric of the United States, it produced the political position that Woodrow Wilson carried to Paris in the wake of World War I, that FDR held at Tehran and Yalta. It did not matter to either of these leaders that the actual realities of race in America in 1917 and early 1942 did not match their real positions about the rights of all peoples to independence: they were impregnable in their noble abstractions.

There was a great difference, however, in the victory of World War I, which the U.S. entered not as an ally but as an independent participant whose contribution was mainly financial, and in World War II, when the U.S. managed to push an exhausted Britain aside, and shared the final victory with the USSR. FDR found his views and the evident hypocrisies of his position far closer to that of Stalin than to the honesties of Churchill. The U.S. and USSR, with their artificial constructions of their own histories and their mutual indifference, not to say contempt, for longer historical realities, were able to compete and cooperate simultaneously to demolish the colonial system of the West. This game is continuing, even after the bankruptcy and dismemberment of much of the USSR, with American loans, and a tacit agreement not to investigate over 70 years of communist tortures, murders, and slave labor camps - or to look at those in the West who supported the system that pioneered these atrocities. (Some of these, who include eminent college professors and clergymen, still parade their Marxism in the U.S. undisturbed.)

But some changes did occur, even during the ambivalent Cold War. Post-World War II America experienced a new, sixties generation led by John Kennedy that was nurtured in the myths of America as the most "racist" nation in the world. These new voices energized The New England Religion's abstractions to argue that it is the duty of the post-World War II U.S. to care and support the entire free world. To launch, in other words, a new Reconstruction that would lift the black minority at home to full equality and spread that accomplishment to the entire world.

This misreading of the American culture overlooked the real historical fact that abolition caused over 600,000 battlefield deaths in the 19th century: the greatest and bloodiest war in American history. Allen Nevins, one of America's senior historians, wrote seven volumes stretching from 1947 to 1971⁹ to explain this tragedy as a failure of leadership. But the sixties generation had been taught that it was a triumph. Under the leadership of the Kennedy Brothers and Lyndon Johnson, it launched two immense, simultaneous campaigns. One was to lift the black minority into full political and social equality in the South and the rest of the nation, and the other to open the gates of the nation to virtually unlimited immigration to end the reign of its white majority.

The reaction of the black minority to the wave of special legislation that swept aside the rights of the States to establish their own voting qualifications¹⁰ revealed some racial realities that American intellectuals neither noticed nor understood. Each new bill expanding black rights was met with angry and violent riots, arsons, murders, and lootings. That was, by any standard, a far cry from gratitude in response to unprecedented concessions by any majority anywhere at anytime for any reasons except force - and more like a reaction to weakness. Beyond the wave of destruction mounted by American blacks (the most prosperous of their race anywhere in the world) to their expanded rights was a wave of angry black books, speeches, meetings, and political agitation. The political effect was to destabilize the South, which witnessed parades, struggles with the police, and a renewed wave of updated Northern propaganda abolitionist-style that dwelled on inequalities and injustices, which did much to damage the reputation of America around the world.

The result was to change the U.S. political scene by introducing millions of new voters into the system. The white South lost control locally and nationally. National elections were changed

by making black needs, lobbies, and demands politically more influential. In effect the entire nation experienced a replay of the Reconstruction on a permanent, national level and not on a regional, temporary basis. Black mayors and Congressmen, presidential candidates, and local politicians became more prominent and important.

Despite the assumptions of American "social scientists" who became increasingly influential in the U.S. after World War II, these very great changes did not improve relations between the black and white races in the U.S. In fact, they worsened remarkably. Not only did black crime increase - it soared. And it soared against the white majority. The effects of this new phenomenon were socially as well as politically awesome.

First neighborhoods and finally virtually all metropolitan areas became unsafe after dark. American women of both races today dare not emerge alone after dark. Statistics on rape and murder are truly horrifying. The most remarkable change of all, however, is the official insistence of the government that this situation represents a general - and not a racial problem. There is a deliberate, officially enforced silence, a taboo, in fact, against open recognition of the situation. This is the bureaucratic crowd reaction that de Tocqueville described, and the U.S. has no aristocrats able to speak openly and candidly about it.

The media pretends that there is no race war. It does not report who commits the most crimes, on the strange theory that factual reports will worsen - instead of revealing - realities. This means that the nation operates without a true press. A false press continues to fan, wherever possible, the illusion that whites are oppressing blacks, who need ever increasing help from whites. There is no better proof that the New England Religion has conquered the mind of intellectual and governmental America than this cowardly presence, maintained at the cost of defending the majority, at the cost of abandoning truth, honor, and national stability in obedience to the abstraction that there are no differences between races.

One would imagine that this situation, which worsens every year, will inevitably push the white majority of the U.S. to eventually rise against being attacked, robbed, murdered, and terrorized by its black minority. But that possibility has been anticipated. Steps have been taken against its occurrence - by the leaders of the white majority government itself. The precaution is

called immigration. The New England Religion's solution, in keeping with its obsessions, is to increase the numbers of the black minority, the Asian minority, and the Hispanic minority, to equal the number of whites in the land. This would, of course, reduce the whites from a majority to a minority among minorities. That, we are told by social scientists, will end discrimination in what Ben Wattenberg, one of our TV "thinkers" calls "the first universal nation."¹¹

The Plan was presented, as always, as a "reform" of the U.S. immigration laws in 1965. These had for several decades, maintained a population mix that was 90 percent white and 10 percent black. This was attacked as monstrously discriminatory. Promises were made that no major changes would occur.¹² In the course of legislation, provisions were added to the final Bill that allowed for one million legal immigrants each year, plus an uncountable number of refugees, and the relatives of those eligible, including cousins. Since cousins also have relatives representing another wing of the family, that means that for all practical purposes there are no real limits to the numbers of immigrants Congress made eligible for entry into the U.S. On top of that, the practice has been to favor blacks, Asians and Hispanics and to virtually bar whites except from especially favored nations such as Russia, whose immigrants are granted "refugee" status from a defunct despotism. All the world's teeming population is welcome in America, in other words, except those from white Europe.

Meanwhile, the borders of the nation, relaxed to the edge of being officially open, have become close to unguarded. Enormous numbers openly rush across the U.S./Mexico border in open defiance of a handful of guards. Experts now estimate that 5 million such "illegals" now reside in the U.S. - and have achieved, thanks to the US Supreme Court, equal constitutional status with traditional, legal citizens. This situation is, incidentally, paralleled in western Europe, which is flooded with illegals from black Africa, Asia, the former Soviet, Turkey, and other countries. France's government is resisted when it tries to deport these; Italy has over two million illegal blacks that have infiltrated its borders; Germany has problems with Turks, and England's civil order is disrupted, in some cities, by Jamaicans, Hindus, and Buddhists.

President Clinton, to whom this is simply wonderful, in speaking to a university graduating class, referred to this phenomenon here when he told the predominantly white students that by 2050, they will be a minority in the United States.

They responded by proving that they had been properly educated out of their common sense by applauding him. The Plan, in other words, is to end the United States as a white-ruled nation in favor of the admission of a formerly Third World population by the tens of millions.

There is no precedent for such an official policy in the history of the world. No great nation's government has ever before decided to deliberately change its own population for a polyglot mixture from all the depressed populations of the world. This government is leading our people into societal suicide. Such a policy resembles, on an immensely larger scale, the twisted tragedy of Jonestown. It fits, however, a religiously misguided nation following, unconsciously, the direction of the New England Religion, which calls for white people to martyr themselves for other races; for an abstraction.¹³ It was in pursuit of its racial abstractions, that the New England zealots drove over 600,000 young men in 1861-65 to bloody deaths to accomplish what every other nation achieved with a stroke of a pen.

All this is, of course, a long string of follies, in a true sense, committed by the world's largest haphazardly self-made nation. But it is not, by any means, all. We are well aware that liberal Britain, subtly influenced by the French Revolution and its rhetoric about the equality of nations, introduced the theory of free trade to the world in the mid-19th century. Like the idea that all races are the same, the free trade idea reduces the complexities of international commerce to the simple abstraction that all nations are the same. When Adam Smith recommended the elimination of internal tariffs in pre-Revolutionary France, his admirers have since assumed this will work for the entire world. But not even Smith believed that. After all, he worked for the Customs Office.

But in the abstract, there are few ideas that appear more sensible than a world of Free Trade. Britain embarked upon it by reducing its tariffs against foreign agricultural products in the mid-19th century. One result was that by 1870, for the first time in its long history, it could no longer feed all its own people. It was saved from an ignominious surrender to Germany in two world wars only because America sent it food, as well as oil and other commodities. Nor was agriculture all that fell in England under Free Trade. Its huge industries shriveled while its export market position steadily dropped below that of protectionist Germany, Australia, and the U.S., year by year, decade by decade. By the turn of the 20th century it could barely sustain its huge Navy. Its socialist, self-styled intellectuals began

to argue that the empire was too expensive, and that they would prefer a Little England. Well they got their wish.

The U.S. began to follow Britain's downward path under FDR and his ironically-named Brains Trust. After all, there's nothing more unique than deliberately imitating failure. We lowered our tariffs, which provided virtually all our governmental income. A strange step during a depression. Then we raised and expanded the income tax to make up for the loss of tariff revenues. What a bargain! Instead of accepting foreign money for an income, we taxed our own people to help foreigners profit more.

It took a little while, but this remarkably generous international policy soon showed British results. Within a few years, our international sales fell and our imports increased. Our "smokestack" factories began to stagnate. We watched the rise of industrial Japan, among other high tariff nations, while our industrial position steadily dropped. Finally, the world's largest creditor nation became the world's largest debtor, where we are today - amidst our jubilation about being so far ahead.

It's not necessary to look at history, in other words, to see where Free Trade lands a low tariff industrial nation in a fiercely competitive world. We need only look around us. If, however, we prefer not to look around us, but choose instead to listen to what our cognoscenti tell us, we must agree that Free Trade, like universal peace, sounds wonderful. A world where goods move freely without customs officers and smugglers and charges and duties, there would be - in the abstract - no need for wars. Universal peace and Free Trade, which are almost always associated together in speeches, sound brilliant: an answer to world troubles.¹⁴

But when a great experiment brings down two immense industrial powers in a row, a scientific conclusion would be that repeated failures prove a point - and that a nation that deliberately imitates a proven failure is not being sensibly led.

In fact, when we add the results of the pursuit of abstractions that have steadily led the U.S. into its present crisis (and it is a crisis, we can come to only one conclusion: we are now in the midst of a visible intellectual collapse.

NOTES

1 See: Envy: A Theory of Social Behavior by Helmut Schoeck, Professor of Sociology and the Johannes Gutenberg University, Mainz,

Harcourt, Brace & World, N.Y., 1966, passim.

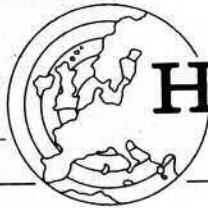
2. Democracy in America by Alexis de Tocqueville, Vintage Books, 2 Vols., 1945. See Chapter XV in Vol. I and Chapter II, passim.
3. The Past is a Foreign Country by David Lowenthal (the title is from L.P. Hartley), Cambridge University Press, 1985, p. 105.
4. Which denied the divinity of Jesus, and is today known as Unitarianism.
5. See: John Brown and the Abolitionist Movement by Otto Scott, Uncommon Books, P.O. Box 69006, Seattle, WA 98168.
6. Though the war was ostensibly fought to achieve this.
7. See: Government by Judiciary: The Transformation of the Fourteenth Amendment by Raoul Berger, Harvard University Press, 1977, passim.
8. Britain ended slavery within Britain first, in the late 18th century, and in its colonies in the 1830s.
9. Scribner's.
10. Originally established in the Constitution.
11. This citation is from Alien Nation: Common Sense About America's Immigration Disaster by Peter Brimelow, Random House, N.Y., pp. 87-88., 1995.
12. All these promises were broken, which is usual with promises made by the U.S. Congress to the American people by both its major political parties.
13. Theologians call this Kenosis.
14. See: The Great Betrayal: How American Sovereignty and Social Justice are being Sacrificed to the Gods of the Global Economy by Pat Buchanan, Little Brown & Company, Boston, 1998.

(The second of two columns for Hilaire)

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A FOREIGN AFFAIRS LETTER

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THE ASIAN SYNDROME

Global Financial Markets Are Coming Unraveled

Mr. Hal Bryan, publisher of the *Hard Money Investor*, has honored us by being guest editor of this issue while H. du B. is racing against time to get his autobiography, which H. du B. readers have long awaited, to English and French publishers.

While government officials, including President Bill Clinton, insisted at first that the Asian crisis was merely a "glitch", and that economic fundamentals were sound, the continued slide in currencies, stocks, emerging market and hedge funds, and other derivatives has proven beyond any possible doubt that the collapse which began last year with the devaluation of the Thai baht is both serious and systemic.

Believing the establishment nonsense that "*Smarter government policy, globalization, changes in employment, advances in information technology, and emerging markets all cushion shocks and dampen the familiar boom and bust.*" (Steven Weber, *Foreign Affairs*, July/August, 1997), many investors who were urged to "remain fully invested" lost fortunes. Even significant numbers of the touted "smart money" professionals were seduced by their own propaganda, including, of course, the Long Term Capital Management Fund, George Soros' Russian fund, and the emerging market funds of several prestigious international banks. Wooed by high-profit investments in the "Tiger" economies and reassured by the potential of International Monetary Fund (IMF) bailouts, they ignored the most basic of investment fundamentals. It was easy enough to see: HMI

reported in October, 1997, that "...globalization facilitates almost instantaneous reaction on financial markets around the world", warning its readers that, "...foreign bourses are not a reliable hedge against Wall Street stocks—and vice-versa."

But we must dig a little to find the myths which had led to the immediate cause of the Asian decline which resulted in the sharp sell off in other markets.

What economists call "over capacity" surely played a role in the debacle, the market being so flooded with computer chips, for example, that prices had dropped precipitously for several months. But if the manufacturers believed the myth that, as long as they could produce goods more cheaply than anyone else, the market could always absorb their entire production, *why also did the bankers, the brokerage houses, and the investors who provided the capital for their constant expansion?* Was this mania for expansion any different than the mania for mutual funds in the absence of solid profit potential in US stock companies?

Even then, we have not gotten to the great underlying myth—the economy as perceived by market participants is *itself* a myth, in that *there*

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is nowhere near enough actual capital to support growth on the scale which investors were led to expect in the "Tiger" economies. This perception is created through fractional reserve banking, resulting in an almost unlimited supply of credit, made possible by political control of interest rates set artificially low to hide the fact of government inflationary spending. *In a word, the boom was artificial, subsidized by central banks, a fact to which we have often alluded.*

To stop the decline and cover their tracks, finance ministers, treasury officials and central bankers uttered the usual platitudes that "fundamentals underlying the (Hong Kong, Indonesian, Korean, US, German, Latin American, etc., etc.) markets are sound, so there is no reason for investors to panic." This is perhaps the biggest myth of all, for it is precisely the *fundamentals* which are unsound and which have led to the current crisis.

Currencies

One of those fundamentals is the currencies themselves. *Fiat currencies, having no gold or silver backing, derive their perceived values from the viability of markets traded in terms of them.* When Asian markets began to falter, it was obvious that confidence in their currencies suffered as a result, further driving down the values of shares and setting in motion a new cycle of decline. Thus, by the time of the meltdown in Hong Kong, the Thai baht had lost 37%, the Indonesian rupiah 33%, the Korean won 30%, the Philippine peso 23% and the Malaysian ringgit 24%, decimating portfolios denominated in them.

Here is a great lesson for American investors to ponder as regards their own markets, as every stock is also a currency play.

The panic selling in Southeast Asia had quickly spread north to Korea and Japan, as well as westward to Europe and the US. Taiwan was first to see that their currency, the New Taiwan Dollar, would not be able to maintain its pegged value, and it was allowed to float. This touched off a series of official and unofficial devaluations throughout the region.

Hong Kong alone announced that its peg with the US dollar of approximately 7.75 to one would be maintained. This has been acclaimed as a

determination by the Chinese to maintain the Hong Kong dollar as a matter of international pride, but it is unlikely it will be able to do so.

The Reaction

Watching the US market, one was treated to a new myth—that small US investors, reacting to the overnight collapse in the Hang Seng index on a Monday (Sunday night in the US), panicked out of equities, seeking a safe haven in Treasury securities, precipitating a steep decline in US shares. This was unworthy even of the authors of often farcical explanations for market behavior. Firstly, few small investors are sophisticated enough to monitor foreign bourses, particularly those which operate while they are fast asleep. Secondly, even fewer would be capable of evaluating the potential impact on their portfolios in time to contact their brokers by the opening bell. And thirdly, since it was a business day, how many of those at work were in a position to keep sufficient track of the chaotic Dow—including two temporary market closures—and even if they could, how many could reach their brokers with sell orders before the close?

Even more incredulous was the assertion that the small investor was quick enough to sell his bonds, after holding them for only one day, to spark the rally in stocks. Quite obviously, professional money managers, and very possibly the central bank, not small investors, were active in the market, moving the huge blocks of shares necessary to set new records for trading volume.

Meanwhile, government officials across the globe were making the usual statements of reassurance that all was well, so reminiscent of those days and weeks following the stock market crash of 1929, and which proved to be dramatically wrong when the crisis deepened into the Great Depression.

The Aftermath

While falling stocks captured the bulk of media attention, there was major action in currencies and bonds, European governments receiving a huge boost toward meeting the Maastricht accords as billions in Asian currencies were sold to buy Euro-currencies to invest in domestic bond markets. Therefore, not only did their currencies rise, but interest rates on bond issues also fell, giving

governments increased breathing room as the countdown to European Monetary Union proceeded.

Meanwhile, the situation in the Far East continued to deteriorate. Korea, suffering a loss of nearly a third in the *won*, finally asked for US\$20 billion from the IMF, then later hinted it would need much more. While banks and securities firms were hardest hit, debt defaults at Soosan Heavy Industries and Boo Hung sparked fears of a chain of corporate failures.

Japanese banks, already reeling from disastrous losses in real estate loans, were impacted by the fall of Korean financial institutions, where they had major exposure. The failure of Yamaichi Securities, the country's fourth largest stock brokerage, and rumors of banking failures triggered lines of anxious depositors. At Yasuda Trust in Tokyo, depositors were turned away by bank officials. Similar queues occurred throughout the country the last week of November. Hokkaido Takushoku Bank and Sanyo Securities, the seventh largest broker, also failed.

In the interim, the Bank of Japan had reportedly flooded the markets with liquidity in an effort to stem the tide, including "secret" loans to key financial institutions. But, with interest rates near 1/2%, the BOJ had little room to cut interest rates to calm the waters.

In summary, despite the claims of government officials, *it is precisely the fundamentals which are unsound*. The house of cards built on fiat paper currencies, fractional reserve banking, and virtually unlimited credit, with bail-outs waiting for the favored few, have fueled the global stock market boom. Now it is beginning to come unraveled.

In the final analysis, huge losses in share derivatives were glossed over as mutual fund shills, citing the official myth of sound fundamentals, continued to tell investors to buy.

Were the current conditions in Japan and elsewhere in Asia existent in the United States, with long lines of depositors standing at the doors of failing banks, and major brokerages going bankrupt, it is not likely that there would be much interest in buying mutual funds. Perhaps this is what it will take before the mania for stocks finally subsides.

We have devoted several recent issues to the instability of global stock markets and to the probability of massive market intervention by central banks committed to the inauguration of the European Monetary Union, whose new currency, the *euro* is slated for launch in January, 1999.

The great question is will they succeed in maintaining the solvency of the US and Europe until next year, or will markets implode, bursting the artificially created and supported financial bubble? *This is a highly dangerous market, both from the long and the short side*. The sums needed to bail out faltering financial sectors are so enormous that they strain credulity. *Expect continued volatility*. Don't rely on the notion that it can't happen here.

The Worst of all Worlds

What is happening in Asia is *precisely* what we have warned of over the last two years—a *market collapse in a fiat money economy*. In effect, Korea and the Little Tigers face the worst of all economic worlds—the advent of a severe recession which could easily become a depression, with unemployment already forecast to be worse than that of the US depression of the 1930s, but with the added horror of a failure of the *currency* as well as a collapse of credit.

It also reminds us of another popular myth—that it takes a hyperinflation to destroy a currency. But there has been no hyperinflation in Asia, just as there was none in Mexico in 1994. Yet their *currencies*, like the *peso*, fell dramatically practically overnight, all because the Asians, like the Mexicans, could not make the payments on their international loans.

We would all do well to heed the outgrowths of the peso collapse—the austerity programs with which the working people were saddled, the huge increases in the price of staples, and revolution in the provinces—these are the legacies of currency collapse, and they can tear a country apart, devastating lifestyles in the process.

Even this is not the whole story, as we shall soon see, for to attempt to avoid such a fate, Asian governments (as have those in Latin America) must go hat-in-hand to the Group of Seven (G-7) industrialized nations to plead for a rollover of their

loans, and in return accept the conditions imposed by the International Monetary Fund. It is explicable that riot police had to be called out in Seoul to quell angry demonstrations against the IMF sanctions.

This was the same agency that three months before in its 1997 annual report said, "*Directors welcomed Korea's continued impressive macroeconomic performance [and] praised the authorities for their enviable fiscal record.*"

Jeffrey Sachs of the Harvard Institute for International Development complained in the *Financial Times*, Dec. 11, 1997, "*It is time that the world take a serious look at the International Monetary Fund. In the past three months this small, secretive institution has dictated economic conditions to 350 million people in Indonesia, South Korea, the Philippines, and Thailand. It has put on the line more than \$100bn of taxpayers' money in loans. These bailout operations, if handled incorrectly, could end up helping a few dozen international banks to escape losses for risky loans by forcing Asian governments to cover the losses on private transactions that have gone bad.*"

Wall Street bankers were reportedly jubilant at the insolvency of Korean banks, foreign ownership of which had previously been limited. Under the IMF rules, foreign carpetbaggers may now take over failed financial institutions—the first such acquisition, the intended takeover of Korea First Bank by Citibank, already having been announced.

Events in Asia have followed a familiar pattern, repeated again and again, both at home and abroad, which has effected the ruination of lifestyles and the foreclosure of assets through the socialization of money and credit.

It is a perfectly understandable and predictable sequence:

- 1) Bankers make profits through lending money, so they promote borrowing.
- 2) As debtors repay the interest, banks increase lending.
- 3) Borrowers expand their operations with the new loans in order to capture increasing market share.
- 4) As debtors become overextended, they are unable to repay loans.

5) As long as the US or the IMF are willing to arrange bailouts, the lending banks are protected from loss, so they continue to make risky new loans.

6) The borrowers, in order to have their loans rolled over, must abide by the conditions laid down by the lenders/IMF, thus ceding effective financial control of their institutions to the lending banks.

7) IMF conditions require austerity measures on the part of client governments, which then pinch their populations with additional taxes/inflation to pay the bankers. Those who cannot pay are foreclosed upon, while mainly US taxpayers get the final bill through pressures for the replenishment of IMF funds.

(Developing countries cannot hyperinflate their way out of debt because most of the borrowing is repayable in hard currencies, rather than their own won, baht, ringgit, rupiah, etc.)

Fiat Currencies & Fractional Reserve Banking

The reason there is so much instability in markets and so much potential for failure, is that with a fiat currency, and fractional reserve banking, credit has no finite limits. Add to this the removal of risk through bailout money squeezed from taxpayers, and banks are provided with what amounts to a license to steal. If banks could lend only a percentage of actual deposits, were obligated for bad loans themselves, and were responsible to their depositors, rather than being insured by the FDIC, they would take pains to see that their loans were sound in the first place.

On the borrowers' side, if they took only loans that they were certain of being able to repay, refusing the cheap money being offered by the bankers, they could withstand financial shocks without begging for bailouts. Note that cheap money is extremely hard to resist when your competitors are using it to cut into your market share.

The lure of inexpensive loans made possible through fiat money and fractional reserve banking has been the demise of businesses, farmers, banks, and governments throughout the twentieth century.

Every investor must learn to analyze the vulnerability of his holdings in this regard.

What actually happens is really quite simple: *Both fiat money and fractional reserve banking greatly overstate the amount of investment capital (savings) actually available to the market.* Business decisions based upon the cost and availability of credit are thus made on the basis of incorrect information, and therefore are not viable.

Preserving Lifestyles

But cataloging the reasons for the collapse is hardly productive unless we can avoid a similar fate by applying the lessons of Asia to our own situation, for Asians could have protected themselves from the collapse of their economies and their lifestyles had they been aware of the magnitude of the risks inherent in the modern fiat money global economy. What specifically could Asians have done to avoid the decline of their lifestyles?

The answers are quite straightforward:

- 1) They could have kept more of their money in cash.
- 2) They could have avoided over-exposure to the domestic stock and bond markets.
- 3) They could have invested in more stable overseas assets.
- 4) They could have resisted the temptation to borrow additional money to expand their businesses in the expectation of higher profits (which led to over-capacity).

These are the very things which Western investors must do if they are to maintain their lifestyles through the end of the century, for the years remaining will not be kind to those who remain ignorant of the immense risks which accompany this artificial financial boom.

Timely Steps for Western Investors

At least the Asians had savings—in the US people have minimal savings, relying instead on the equities in their homes, which, being highly illiquid, can melt away in the twinkling of an eye. Hong Kong properties, for instance, are down 20%, and buyers are walking away from their deposits. (This means that those with 80% financing have just lost 100% of their equity.) For this reason the potential collapse of real estate values should be uppermost in the minds of every

investor and homeowner.

- 1) Reduce your exposure to financial markets now—be aware that fiat currency denominated government bonds are not a safe haven.
- 2) Keep one to three month's supply of staples on hand.
- 3) Keep a supply of cash in small bills.
- 4) As a currency hedge, acquire a bag of "junk" US 90% silver dimes or quarters for small purchases. Keep a few gold pieces for larger transactions.
- 5) Don't keep checking and savings accounts at the same bank—credit unions are likelier to be safer for savings.
- 6) Keep bills paid up ahead of time so your banked funds remain at a minimum. The "float" is definitely passé.
- 7) If you are thinking of refinancing your real estate, do so at once, but keep a large segment of the proceeds in liquid form.
- 8) Consider converting longer term investments, including mortgages, endowments, annuities, etc., to the Swiss franc, which, after all is the most stable currency in the world.
- 9) Delay buying large ticket consumer items like autos, motorcycles, televisions, stereos, computers, etc., as these will be plentiful and cheap as a fallout of an Asian-type collapse.
- 10) Reduce your risk in all emerging markets now, as they could very well become *submerging* markets in the event of another major sell-off.

Remember—it can happen here!

I wish to thank Hilaire du Berrier for the honor of inviting me to attempt an impossible task—filling in for him as he labors to complete his memoirs, and to extend my appreciation to those readers of H.du B. Reports who have become my subscribers as well.

Hal Bryan

Hal Bryan, publisher, THE HARD MONEY INVESTOR, Box 11, Enumclaw, WA 98022, USA. One year subscription (12 issues), US\$39, first class mail/foreign airmail.

The H. du Berrier Tapes

On September 25 and 26, Otto Scott, Bill Inda, and I had the rare privilege of recording an interview with Hilaire in Brussels, Belgium, encompassing his remarkable life of adventure from boyhood through first person accounts of some of the most momentous events of the 20th century. Look for ordering information for these extraordinary tapes in the November H. du B. Reports. In the meantime, this from Hilaire:

What We Have Been Predicting Has Come

While Otto Scott and Hal Bryan write four issues of H. du B. Report that I might finish my book on the road that started in a little town on the North Dakota prairie and led through wars in strange places to a Japanese torture house in China, what I have been predicting is happening.

Our January 1998 report was headed: A WAR IS BEING BROUGHT ON BY MEN WHO WANT IT, and gave 1999 as the date foreseen by authorities. Our May issue quoted passages from Martin Van Creveld's book, *La Transformation de la Guerre*, and stated that organizations and lobbies able to make or break politicians would no doubt oppose its translation into English.

Van Creveld wrote that lack of contiguous borders between Israel and her principal enemies make it inevitable that third countries will be battlefields in the war to come. It will be neither classic war between states with their heavy battalions nor a nuclear area war. It will be terrorist war on a grand scale *within* nations. That war has already started.

The London *TIMES* of August 28 reported Osama bin Laden's fatwa declaring war on the United States. The United States invited such a move when she and Micronesia voted against a UN motion to censure Israel for expanding her settlements and not accepting the peace that was offered. The *ECONOMIST* of April 25th reported: "Pro-Israel lobbyists recently coaxed more than 80 American senators to sign a letter urging the administration not to exert pressure on Israel."

The London *TIMES* of April 15 reported: "Congress remains firmly behind the Israeli government with about two-thirds of the House of Representatives regularly backing pro-Israel

motions." This is how the war which Martin Van Creveld foresaw began.

Some 17 million world Jews and politicians who seek votes face 1.2 billion Moslems on the crest of a rising wave. Britain's less than 300,000 Jews are threatened by 1.5 million Moslems headed by Sheikh Omar Bakri Mohammed, who commands a world-wide al-Muhajiroun organization from his office in Edmonton in North London.

Sheikh Bakri has announced complete support of Osama bin Laden and all actions against American and Israeli "occupying" forces. He will also approve military action against British and French forces if they support America.

Osama bin Laden's \$400 million war chest permits 5,000 agents to regiment followers around the world. Frustration over Netanyahu's expansionism has made Osama bin Laden Islam's hero. Pakistan's army is under Islamic law and the nation will follow. Should an Islamic wave sweep over Saudi Arabia the family that disowned Osama will be at the mercy of fanatics.

On February 15, 1982, Congressman Larry McDonald and I were guests of the bin Laden brothers in their construction firm on the road to Mecca. These Westernized, beardless men constructed Saudi Arabia's marble palaces and Jedda's famous hospital. The dinner given by Badr bin Laden was out of Arabian Nights, on cushions and rich carpets in a tent with two camels tied at the door, to give the impression of a desert camp. The bin Laden family which disowned its terrorist son will be the first casualties in a war which American firmness could have prevented.

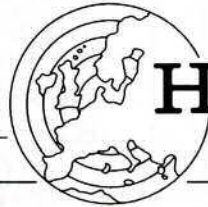
Whoever leads Islam's terrorists will be a hero. The man leading the free world is regarded by enemies and allies with contempt. No head of state has ever received such treatment by the European press. Respect was once important. J.F. Kennedy's supporters campaigned on a charge that American prestige was slipping and their man would push it up. The sub-heading of a story in the dignified *TIMES* of London of August 25 declared, "The Sinking Ship is leaving the Rat". Nothing like it has ever been seen before.

Hilaire

21-11-98



A FOREIGN AFFAIRS LETTER



H du B REPORTS

PARIS

VOLUME 41, LETTER 7 NOV. - DEC. 1998

THE CENTURY PROMISES TO END IN VIOLENCE

From the standpoint of a newsletter's reason for existing, one could not have picked a worse time to accept the kind offers of Otto Scott, America's greatest writer of history in belle lettres form, and Hal Bryan, the specialist in economics, to write four issues of H. du B. Reports. It was a play for time, to get the story of the boy from North Dakota who had been in three wars and whom the Japanese charged with espionage, into the hands of a publisher, but the moment was ill chosen.

It came at a time when events that will shake countries were developing and satellite TV was detracting attention by diffusing sensational if not outrightly dishonest reports of happenings in Washington as a diversionary measure at home. It was a painful period to watch. There was no way of begging foreign viewers to wake up as Representative John Conyers, Rodney Slater, Carol Browner and others of the damage control team paraded across CNN screens on September 10th with the theme that the President would emerge a greater and a finer and better man for the experience. No foreign leader forced to accept American leadership thought that getting caught could reform a congenital liar.

London's Sunday Telegraph of August 16

conceded that the 23-member grand jury panel sitting in Washington was dominated by 14 women, Clinton's greatest supporters, and that twelve of them were black, with two blacks among the eight men. "Black Americans generally take the view that they don't need all the details and just want to get it over with," was the London paper's comment.

A few days later CNN's Christiane Amananapour screamed in the voice of La Passionaria that the whole thing was a storm over what was nobody's business but the President's and the women concerned. It was the reply pollsters were getting at bus-stops for estimates of the incumbent's popularity.

Lord William Rees-Mogg, whose father had him taught Latin, Greek and French while he was learning English, so he would be a great writer, summed up the case as foreign leaders see it in the London TIMES of September 7th.

Two lower-case lines headed his almost half-page indictment; "From Little Rock to the Oval Office, Clinton trails a stench of depravity and corruption." The heavy-type headline was concise and brutal: "On every count, a moral bankrupt." Lord Rees-Mogg is one of the most respected writers in Europe and his summing up of a story the

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world is tired of must be repeated for the sole reason that he expressed what those at decision level in other nations were thinking. He summed up his case with a paragraph: "The authority of the President of the United States depends on public confidence in his moral character. Clinton now has no more moral authority in politics than Robert Maxwell, another charismatic sociopath, had in business."

Put clearly: as political, military and financial storms hang over Europe and the world, the blind acceptance of American leadership is no longer automatic. Whatever the polls may tell the feel-gooders, leaders who matter are disgusted and tired of the reports that reach them on America's President, his wife and the hangers-on (some in blue jeans and with pony-tails) around them. Worse, they are aware that the days when a Moslem leader would dare line up with any coalition of which they are a part are gone. Clinton's refusal to press for observance of the 1993 Oslo Peace Accord in UN put the last nail in the peace accord's coffin. All the talks since then have been political bouts between two men who want to stay in office.

The cover of the reliable *ECONOMIST* of September 19th carried a criminal-wanted poster with the caption: UNWANTED--'SLICK WILLY CLINTON'--For lying, philandering and not inhaling." A week later the President was on the *ECONOMIST*'s cover with two words: Just Go. The *ECONOMIST* is a powerful expresser and former of opinions that matter, not a sensational tabloid.

While publications un-strait-jacketed by taboos or party loyalties carried Washington's sordid story abroad, the British Broadcasting Corporation (BBC) was producing a documentary, *THE FULL MONICA STORY*, which Americans would see on November 23. In it Monica is not a stalker. The President sees the starry-eyed girl for the first time, invites her into his office and asks if he can kiss her. Two hours later he calls her back and the account researched by Atlantic Productions, of England, carries on from there.

Bronwin Maddox, the *TIMES*' Washington correspondent, told his readers on October 9 that Democrats themselves were pressing for the Starr inquiry to go further "despite hours of lobbying by Hilary Clinton." According to Maddox "The First Lady lobbied 25 representatives serving their first term during an hour-long coffee session in the yellow Oval Room of the White House residence."

If the wife of any prime minister in Europe were to do that before a parliamentary vote her husband's government would fall. Papers that are far from sensational carried scathing comments on the President's request that Mr. Starr and the press let him "get on with his job of leading America."

No one has been leading America, as those above the approaching power of pollsters see it. The country has been coasting. Ferdinand Mount wrote in the *SUNDAY TIMES* of September 20: "William Rees-Mogg of the *TIMES* and Ambrose Evans-Pritchard of the *DAILY TELEGRAPH* have mountains more evidence of dirty doings in Arkansas, yet so far two-thirds of the American public refuse to concede that Mr. Clinton's offenses amount to 'the high crimes and misdemeanors' specified by the American Constitution as necessary to impeach a President."

Andrew Sullivan expounded in his weekly column in the *SUNDAY TIMES* of September 27 on the tendency to forgive the President and stigmatize those he used and, to quote Mr. Sullivan, "dropped like a stone. Even though Clinton committed perjury in four hours almost as many times as most of us blink, and Monica told the whole truth at great cost to her privacy and dignity and future, Clinton emerges bloodied but with a reserve of good will, and Lewinsky doesn't emerge at all."

Stories abound on what Tony Allen-Mills, as far back as March 22 described in the *SUNDAY TIMES* as "Clinton's smear squad", maintained to trash any woman who talks and frighten others from coming out. Since the FBI could not be used, as in the case of the travel office employees, Europeans ask

how many private reputation-hit men it took and at what cost to dig into Kathleen Willey's past, all the way back to her high school days, for the scurrilous report the White House turned over to Clinton supporter, Margaret Carlson, on TIME Magazine.

With the Willey-trashing successful, Allen-Mills observed "The President's so-called 'slime-corps' had reason to be satisfied: opinion polls confirmed that 48% of Americans believed she was motivated by personal gain." So the stories go on and on.

Such is the confidence of allies in the man they are expected to follow as trouble looms in Kosovo, Iran, Africa, India, Pakistan, the Middle East and among the tigre nations of Asia. The Middle East is the flash-point where the expected years of blood and chaos will start.

Our May issue devoted space to Martin Van Creveld's book LA TRANSFORMATION DE LA GUERRE (Transformation of War). Mr. Van Creveld is not just anyone. He is a world-respected teacher of strategy and military history at the Hebraic University of Jerusalem. His seminars have drawn thinkers to many of the great schools of the West and his untranslated works include Technology in War, Command in War, and Supplying War. His Transformation of War (Published by Editions de la Rocher, 28 Rue Comte Felix Gascaldi, 98000 Monaco) is the only one translated into French and should be studied by serious editors abroad. It is the only book in which an authority on the struggle that is dividing Israel and her army exposes the country's weakness as the new kind of war approaches.

Yitzak Rabin achieved something beyond Israel's fondest dreams when the principal Arab nations agreed to recognize her right to exist in peace, in return for a gradual pullback to original borders and a halt to the establishment of settlements. With acceptance by the principal Arab states, terrorism would end in time as peace became profitable and terrorists would have only Iran, Iraq and Libya to flee to. Netanyahu and his supporters pictured Rabin in a Nazi uniform

and, Madame Rabin charges, created the climate of hate that led a hothead to kill her husband.

The Land of Israel Front was formed to represent the ultra-orthodox hardliners and settlers and any withdrawal from the occupied territories in return for peace was rejected. The Moledet Party, led by the black-hatted men who made and can break Netanyahu, took on the fight. On July 6 Moledet introduced a bill to extend Israeli law to settlements on the Left Bank and in Gaza. If passed it will be tantamount to annexation.

THE ECONOMIST attempted an explanation of the present trouble in its April 25, 1998, special survey of Israel's 50th anniversary. "In Brooklyn, Paris or London's Stamford Hill, the (black hatted) Haredim are tolerated as a colorful minority, a harmless reminder of the life of Europe's vanished shtetls. At Israel's founding, the state's political leaders looked upon them in much the same condescending way...Why should the energetic young Israel care if a small group of Jews wanted to dress and behave as if they were still in their medieval ghettos? In time, it was assumed, the Haredim would surrender to modernity and blend in with everybody else.

"No calculation could have been more mistaken. Far from withering away, the Haredim have gone from strength to strength. The parliamentary strength of the Haredim is a thorn in the side of secular Israel...The power of the Haredim is specially resented. Because Haredim society is organized on the principle that men devote their lives to studying the Torah; more than half the men are economically inactive. Haredi families produce large numbers of children, which means that many families are exempt from local taxes. At both national and municipal level, therefore, secular Israel finds itself subsidizing - and defending - a community that refuses to serve in the army."

This is the community that celebrated the assassination of Mr. Rabin and threatened to oust Netanyahu if he surrendered an inch of occupied territory in what was to be a four-

day meeting at the Wye Plantation, near Washington. There was little that President Weizman and the PEACE NOW movement could do when Netanyahu launched a campaign on May 26 to settle more people on the Golan heights. Hagit Yaari, a member of PEACE NOW, charged that the government was lying when it said the increase of settlements from 310 to 730 in the first quarter of 1998 was natural, but none of this appeared in the American press. On June 6 the Yesha Settlers' Council, representing 170,000 settlers, vowed to use women and children if the government tries to dismantle their settlements.

When the UN Security Council introduced a vote to censure Netanyahu, the Clinton Administration, supported by only Israel and Micronesia, blocked it. As far back as February 1980, President Carter, who was considered weak, warned that the extension of settlements on the left bank would lead to trouble and despite its being an election year voted with the rest of the Security Council to condemn expansion of the settlements as illegal.

According to Martin Van Creveld we are about to see the results. In his Transformation of War (published in 1987) he states the obvious, that lack of contiguous borders between Israel and her principle enemies make it inevitable that third countries will be battlefields in the war to come. Many of these countries are, like America, filled with closed communities of resentful immigrants of another race and culture.

America's present Administration naturalized immigrants by the thousands on the eve of the last election that their votes might assure power in perpetuity for their sponsors. Such citizens will be the first to profit by the chaos Van Creveld's war within nations would bring. More trouble faces America with four million bona fide Moslems, not counting Louis Farakhan's followers, to whom orders to join a holy war would legitimize the killing of whites. In January

1983 France learned that unionized Moslems in her Renault automobile industry had formed secret Moslem unions within the two French ones and were receiving orders from Algeria and Teheran.

In preparation for the war Van Cresveld foresees, Osama Bin Laden founded the World Islamic Front for Jihad against Jews and Crusaders. By Crusaders he meant Americans. In mid-August his Peshawar office, on the Pakistan-Afghan border, sent a fax to Al Muhajiroun, their organization in London, stating that the war had begun. It is to be a pitiless war. The front's estimated 5,000 agents were ordered to attack Israeli and American targets wherever they are. A leading Arab newspaper announced that Bin Laden had acquired nuclear arms from the former Soviet Moslem states in Central Asia.

Orders to make all lands a place of dar al-harb, a place of endless conflict, increased when Bronwin Maddox reported from Washington in the London TIMES of April 15: "Congress remains firmly behind the Israeli Government, with about two-thirds of the House of Representatives regularly backing pro-Israeli motions."

Bari Atwan, editor of the Arabic newspaper, Al-Qods, interviewed Osama Bin Ladin in his hidden headquarters in the mountains overlooking Jalalabad, Afghanistan, and reported: "As soon as the call to kill Jews and their supporters appeared in print the editor's phone began ringing. Young men called from the Middle East, Europe and America to ask how to contact Bin Ladin to offer their services.

When Congressman Larry McDonald and I were the guests of Bin Ladin's family on February 15, 1982, and his westernized, businessman brother, Badr, gave us a dinner that was out of Arabian Nights, little did we imagine that at the speed with which Islamic fundamentalism is spreading, the brother who left home at the age of 18 to join the fighters in Afghanistan may in the near future be in a position to execute the King that exiled him and the family that disowned him.

Considering Netanyahu's past record of stalling and finding reasons for not doing what he does not want to do, no European observer believed that the meeting on Wye Plantation, in Maryland, would re-establish the confidence Mr. Rabin built up in 1983 or that a Prime Minister who wants to stay in power will sign anything resembling what Mr. Rabin accepted.

Since the alternative is war as Bin Laden intends to fight it and as Martin Van Creveld foresees it, Paris' Valeurs Actuelles commissioned Frederick Pons to go to Van Creveld for an appraisal of Israel's chances in a non-conventional conflict. For the moment she hangs suspended between civil war if Netanyahu recognizes what Rabin agreed on and the new kind of war her military specialist in the Hebraic University predicts.

Mr. Pons' report cannot be called anti-Semitic, since he reported only what Mr. Van Creveld wrote or stated, and Mr. Van Creveld is still at his post. It is hard to imagine an American publication printing the interview described as "convincing and sensitive," in which Mr. Pons emphasized that "Van Creveld's sources are irreproachable, his documentation of great breadth, and that the thesis he supports is being fiercely debated."

Defying officialdom, the Israeli authority began by declaring: "The fact is still new but already disturbing. The Israeli Army doubts herself, her soldiers, her chiefs, its mission and its civil duty... The army, heir to decades of military heroism, victorious in five conflicts, the crucible in which it forged Israel's history, is mined from the interior and has begun to corrode."

This is from a Hebraic military historian recognized by the entire world for his works, author of The Sword and the Olive, which is soon to appear in the United States and a history of the Israeli Army which is about to be published in France. Putting his life at stake, he defies the forces that killed Rabin and states that the explosive situation in the occupied territories today is a threat to stability in a Near East still in search of peace

five years after an accord was signed in Washington.

The prolonged occupation of the West Bank and Gaza is the cause of the present trouble, according to Van Creveld. The hardliners hold that demoralization is the result of campaigns by the left and the extreme left, but on one thing all agree: the army that was the melting pot that united the nation is politically, culturally and socially divided. General Shahaka, the former chief of staff, recently admitted before the Knesset that the country is tired and everywhere individualism triumphs.

Gripped by the subject and Van Creveld's personality, Monsieur Pons continues: "The pacifist historian declared; 'I have told my children not to do their military service in occupied Palestine. If you do you will lose your soul. If you kill you will be criminals. If you are killed you will be idiots, I would rather see you dead than destroyed by this unsolvable and perverse dilemma...After ten years of intifada the army and the people to which they belong have replaced pride with bitterness, shame and sadness...Neither superiority in numbers nor superiority in arms will ever give Tsahal (the army) a decisive advantage over the intifada."

This is the philosophy Van Creveld is teaching in Jerusalem, but it was doubtful from the moment the Wye Plantation meeting was announced that Clinton and Madeleine Albright would have the courage to insist on a return to the Oslo Accord, which was America's baby.

Many things went on behind the closed doors of the plantation in Maryland which we will never know. To President Clinton some sort of progress was a political necessity. The hero of the meeting was King Hussein whom the doctors give three months to live. His hair lost by chemotherapy, his suit hanging loosely on his wasted body, but always smiling, the King sacrificed weeks of the precious days that are left, to bring the two parties together.

When Netanyahu threatened to walk out and said he would discuss nothing but security if he remained, the dying King never

lost hope. In the end an accord that would save Clinton was reached but it means nothing. The big trouble is yet to come. In return for agreeing to withdraw from 13% of the occupied territory and give up 40% later, the Palestinians were asked to end terrorism. A hundred per cent effort is possible but neither Britain in Ireland nor Yasser Arafat in Palestine can guarantee 100% results. When it is needed a bombing by some lone terrorist will provide an excuse for tearing up the papers signed in Wye Plantation.

At the last minute Netanyahu intimated that he had an understanding with Clinton that Jonathan Pollard, convicted of spying in CIA, would be released if he signed the paper which still leaves him an out. Clinton promised that talks will start on Pollard's fate, perhaps in return for the release of Vanunu. Foreign opinion is that if there are talks Pollard will be released, though he obviously applied to be assigned to CIA on orders and would have threatened to charge discrimination if had been refused.

Such was the climate in the Middle East as the Talabans who are martyrizing Afghanistan's women and whom Pakistan conjured from the vase prepare to take over the country that financed and armed them. As we reported in our February 1998 issue, Unocal, the Houston-based oil firm which heads a consortium of companies covering Saudi Arabia, Pakistan and Japan, brought Talaban leaders to America and poured millions into a project to construct a pipeline from the Caspian sea to the Indian Ocean.

Now Washington is having second thoughts. India and Pakistan acceded to independence in 1947 with Indira Gandhi voicing pious phrases about self-determination for all people. Preaching anti-colonialism, non-violence, disarmament and the scrapping of atomic weapons, she called on all nations to follow India's example.

Some five million Moslems, Sikhs and others caught on the India side of the new border were massacred as the sub-continent was divided into two countries with the Moslem states promised to Pakistan and the

Hindu states to India. Kashmir was a princely state of some four million people, 80% of them Moslem, and Krishna Menon wanted it because he was born there, so he took it on grounds that the Maharajah was Hindu.

Playing for time to swallow the country, Nehru placated the people by promising a referendum later. He had no intention of giving it and each time the question was brought up in UN America sided with pro-Russian India. War simmered until UN arranged a cease-fire in January 1, 1949, but history teaches that land seized by conquest always brings trouble.

Today, according to the October issue of Jane's Intelligence Review, India is capable of assembling 455 nuclear bombs and Pakistan 105. India has massed 100,000 troops on the Pakistan border for military exercises this month. They would support the 250,000 stationed in Kashmir. Units of a newly-formed Talaban-i-Kashmiri force took up position in Pakistan on September 10 and ordered women to start wearing head-to-toe Talaban dress. A war over Kashmir could become part of the Islamic jihad around the world.

Islamic extremism is spreading and Jamiat-i-Islami, the largest fundamentalist group in Pakistan, is training Kashmiri, Pakistan and Afghan guerrillas in camps near the Khost base which the Americans bombed in August. If the Great Powers had ceased extolling India and given Pakistan justice in 1948 the explosion between an Islamic, nuclear-powered Pakistan and a corrupt nuclear-powered India with some 11% of her population Moslem would not be hanging by a thread as 1998 nears its end.

The January issue of H. du B. Report and forthcoming issues of Otto Scott's COMPASS (P.O. Box 69006. Seattle, WA 98168. Toll-free 1-800-994 2323) will bring information on the interview tapes made by Mr. Scott and H. du B. in Brussels on September 25th and 26th. The tapes will be made available by Mr. Scott.



A FOREIGN AFFAIRS LETTER



H du B REPORTS

PARIS

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THERE WILL BE MANY HEADACHES IN 1999

Let us leave the millennium computer bug that is about to come and consider some of the other problems men and nations are going to have to face in the century ahead. The world we knew is disappearing as nations formed by centuries of tradition are taken over by a creeping super-state based in Brussels. January first saw the introduction of a new money as eleven nations took a step towards surrender of their sovereignty.

There was never any sense to the utopian dream of a monster federal state that would include Soviet Russia. A state with a government too remote to be affected and in which individual states would be powerless minorities. Russia, if admitted, would in time dominate or destabilize the whole.

While such a federal state, referred to by its architects as the new world order, is being constructed the new kind of war we have never ceased predicting has found a leader and may come sooner than we expected. It will not be a war of battle lines with nation against nations, but a war within nations, as we have said. A war in which bombers and fleets will be helpless.

The explosion of impoverished black Africa has already started and worse is yet to come. But let us consider the errors that

made this possible and ask how a supposedly intelligent nation gave power to the men who committed them.

The January first destruction of national currencies saw the surrender of a symbol as important as a nation's flag. Forgotten were the words of that long dead man who said: "Life is barren enough for all her trappings; man should be wary of how he strips her of them." Those who sat by while their money was replaced by a traditionless Euro were conditioned for the gradual surrender of nationhood by what could only be called a conspiracy.

Eleven nations joined the European Union on January 1st. Fifteen more are considered in the bag and in a decade over 25. Our March 1998 report carried an account of how four men plotted in the American embassy in Paris to bring about what is happening, with no word of their actions reaching the people. The Times of London of August 21, 1995, called the federation they were forming "A superstate set up by stealth." History will find that two of them did a great disservice to their country.

One of the first open steps towards stripping Europeans of their birthright was the meeting of the Council of Europe Assembly in Strasbourg in August 1947,

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with Paul-Henry Spaak as its first president. Today the parliament of the superstate they were forming takes precedence over the parliaments of member states and has 626 representatives whose debates are translated into three working languages and eleven official languages before being passed to fifteen thousand bureaucrats in Brussels. The boondoggle they were creating is staggering and opportunities for corruption countless.

Every month the 626 members of the European Parliament with their hundreds of secretaries and tons of documents in eleven languages move from offices in a new 830 million pound building in Brussels to a new 300 million pound parliament in Strasbourg 300 miles away. The cost of their 5-day monthly meeting there runs to over 140 million pounds and will not lower taxes.

Six years after the Council of Europe Assembly met in Strasbourg President Rowan Gaither made his famous admission to Norman Dodd, "of Congressman Carroll Reece's special committee investigating American foundations, that all those at the policy making level in Ford Foundation had had experience in OSS or the European Economic Administration and were working on directives from the White House to use their grant-making powers to so alter life in the United States that the country could comfortably be merged with the Soviet Union." No one took it seriously.

Forty-five years later, on November 26, 1998, Germany's new Chancellor, Herr Gerhard Schroeder made his first visit to the European Commission in Brussels and announced his commitment to a unified Europe that will embrace the states of the former Soviet bloc.

Russia has 1.2 million men under arms who have not been paid since April and her former states are bankrupt, but her aggressiveness will make her a dominant voice in any federation she enters. Meanwhile her military are staving off mutiny by selling weapons to outlaw states unable to produce them. Germany will hold the Presidency of

the European Union in the year ahead and Mr. Schroeder will be in position to implement his policies. (H. du B. Reports of November-December 1993 and March 1998 should be read in conjunction with this report)

But to follow the chronological sequence of developments. One year after Mr. Gaither made the statement for which Mr. Dodd was ridiculed, Prince Bernhard of Holland approached President Eisenhower with a plan to hold yearly meetings to combat anti-Americanism in Europe. Ike had no way of knowing that international money, principally Rockefeller, was behind the meetings which were to start in the Bilderberg Hotel in Holland and had nothing to do with anti-Americanism.

The prince was used as a royal front and assured that a new world order state was being formed which he might someday head. Men of political, financial, and media importance from many countries, but a mandate from none, had their expenses paid to these meetings by those doing the organizing. Hotels were emptied of guests where they would meet, so they could decide in secrecy the policies they would go home and cause governments to implement. Cyrus Sulzberger was a permanent representative but no word ever appeared in the New York Times on the policies to which he would help commit America. Many of the secret decisions taken are at the root of troubles the world is facing. One explanation for what is to come may be traced to Frederick Wilhelm IV of Prussia's observation that liberalism is a disease whose first symptom is an inability to believe in conspiracies.

In 1959, four years after the unofficial Bilderberg parliament was founded, Henry Cabot Lodge left UN to set up the Atlantic Institute in Paris. Thus, with the help of socialist associates from the Monnet-Schuman team in Brussels, the link between Monnet's utopians and America's one-worlders was established. Cabot Lodge's son was working for the International Labor Organization in Geneva, through which African unions

agitated for independence and made their bosses Presidents until generals were strong enough to depose them.

On November 27, 1961, de Gaulle asked Cabot Lodge the purpose of his new institute and Cabot Lodge told him it was cultural. The Paris edition of the Herald Tribune reported the following day that it was a private organization for promoting the political, and economic unity of the Atlantic Community. Two years later the Atlantic Institute called for the international currency which replaced Europe's money on January 1st. People were told it was "to prevent fluctuations of the dollar," the world's reserve currency.

Eleven years later the October 20, 1972, issue of LE MONDE, France's leading political journal, featured a large U.S.E. with a toppled A lying at the feet of the E. (The design is reproduced in H. du B. Report of Jan. 1973) LE MONDE was proclaiming that the United States of Europe had become powerful enough to defy the USA and would supplant the dollar as the world's reserve currency.

And here is where the senselessness of the aims of an institute directed by a Boston brahman with a son working for labor's world domination via colonization becomes apparent. Only by stripping America's allies of their Colonies could the mother nations be brought to accept rule by a government in Brussels in which they would be a minority.

Before taking his new post as Ambassador to South Vietnam, Cabot Lodge, Paul Van Zeeland and others of the Brussels team, prepared a progress report in which Mr. Cabot Lodge stated that the Atlantic Institute's decolonization objectives had been achieved. That the Institute was an instrument in the conspiracy to separate European nations from their colonies had been concealed and as a result Europe is being inundated with more refugees today than their populations will accept.

People of the countries which do-gooders and one-worlders decolonized today want only to get into the countries of those whom their leaders ran out. The demands of over 2,800

refugee-seekers were being supported by the Collective Against Expulsions in Belgium in October. In Holland, the gateway to countries that abolished border controls, 3000 refugees are demanding asylum weekly.

Under Article 63-2-A of the Treaty of Amsterdam, Europe's superstate obliges member nations to offer temporary protection to 3rd world refugees who cannot return to their country of origin and who need international protection. This has been a boon to lawyers. Every native able to get to Europe claims political asylum. During the temporary protection period a couple will have a child or single ones will arrange a marriage. Intellectuals, celebrities and human rights activists then provide a lawyer, streets become unsafe at night and indignant nationals are vilified as racists.

By November 6, 1997, Italy had 38,000 demanders of asylum, some without papers and more arriving weekly, Belgium and Holland each had over 40,000 illegal immigrants by the November 1997 count. By December 1998, over 30,000 refugees had reached Britain, and over 500,000 from Croatia and Serbia had poured into Greece as the easiest way into Europe. North African Moslems whom Roosevelt promised to help if they would drive the French out took French nationality if they could and their sons have set up no-go communities for the police. This has caused the birth of the extreme right National Front party which is gaining votes yearly. Over 180,000 blacks were resisting deportation from France at the last count.

While unwanted immigrants were causing racial tensions in nations governed by European Commission laws, monetary union was introduced. Saddam provoked America and Britain into bombing him, knowing it would further hatred of the nation considered responsible for Israel. Africa was on the verge of civil war and Netanyahu reneged on everything he had agreed to at Wye Plantation.

There are various explanations why people who knew so little about Africa were so

determined to introduce one-man one vote in tribal societies a hundred years before they were ready for it. Mr. A. K. Chesterton, in his book, *THE NEW UNHAPPY LORDS*, describes some of the huge conglomerates that suddenly appeared in newly liberated Africa. But there were others besides the Rockefellers and the financiers behind Dag Hammarskjold's brother who wanted ignorant Africans running once orderly and prosperous black Africa.

To Franklin and Eleanor Roosevelt and their fellow do-gooders decolonization was an obsession. UN saw it as a source of more nations. To American labor moguls black Africans would be made labor bosses and become heads of state in a socialist empire directed through the International Confederation of Free Trade Unions in Brussels and a regional council in Accra.

Ghana was the first to gain independence in 1957. Britain left it prosperous and with \$560 million in its treasury. Lawrence C. McQuade, the New York Lawyer, accompanied Irving Brown, the organizer of African unions, to a labor conference in Accra in December, 1958 and shouted: "Africans, unite. You have a continent to regain and nothing to lose but your chains!"

Labor's man, Nkrumah, emptied Ghana's treasury and filled its prisons. A general named Idi Amin seized power in Uganda and fed his enemies to the crocodiles. The Ivory Coast's representative left the French senate to visit his country and his constituents ate him. Leon M'ba, the President of Gabon, served a prison term for eating his mother-in-law. Mr. McQuade presumably still practices law in New York. The two men likely to plunge Africa into an expanding war are Kabila, who ousted Mobuto from Zaire, and Robert Mugabe to whom Henry Kissinger and Lord Carrington made a present of Zimbabwe, which had been Rhodesia. Ian Smith declared it independent in 1965 and fought Mugabe's terrorists for ten years and ten days. He told Kissinger on September 19, 1976: "All I have to offer you is my head."

Kissinger told him to accept majority rule or else and so what is happening came about. Dr. Ernest Lefevre, an Africa specialist in the Brookings Institute, agreed with Nigel Wade, the London *SUNDAY TELEGRAPH* correspondent in Washington, that in Africa "Majority rule is a catch-word for black rule, which actually means rule by a minority of self-appointed militants."

Nigel Wade wrote that to Kissinger Rhodesia's guerrillas were a majority. "No one is going to stand up and say this," he declared, "because race is the one issue in which no one speaks honestly." Mugabe replaced Ian Smith, and America and Britain were soon pouring money into a bottomless pit so ministers and Mugabe's henchmen could ride around in Rolls Royces while the Africans whom Kissinger counted but never questioned were starving.

Today Zimbabwe, which white farmers had made prosperous, is bankrupt and Ian Smith's farm is on the list of 841 properties marked for seizure "to allow resettlement by landless Africans." The promises Kissinger and Lord Carrington gave the whites were broken and none of the 2 million acres of land Mugabe took over was given to landless natives. General Rex Nhongo, who led the first guerrilla attack on a white farm, is Zimbabwe's biggest landowner, with 17 farms on which the land is lying sterile. Joshua Nkomo has 16 farms and the countryside around Harare is littered with abandoned farms being eaten by termites. All were once food producing properties employing thousands of Africans. Inflation is hovering at 45%, unemployment at 50% and the currency has collapsed. No investment is coming in and Mugabe blames it on the whites. At the moment he is spending a million dollars a day on a military adventure in the Congo, said to protect his and his friends' investments.

What is happening in Zimbabwe and the Congo will in time spread and engulf mineral-rich South Africa. The most reliable information on South Africa is provided by Aida Parker's newsletter (\$80 a year, address:

APN. P.O. Box 91059, Auckland Park 2006, South Africa). It will probably continue to be tops until something happens to the courageous Aida Parker.

While black Africa drifts towards war the armies of now borderless Europe are on alert, with the arrival of refugees from Kosovo coinciding with that of hundreds of black Africans and Moslem North Africans struggling to join the millions already there.

Osama Bin Laden is preparing for war, rebuilding his terrorist Universities and constructing an underground complex in the Pamir mountains of northern Afghanistan. The recruiting centers, training camps and weapons depots of his Al Quaida organization spread as hundreds of volunteers pour in from North Africa, the Middle East and Bosnia. A 38-year-old Palistinian named Zainul Abideen and known as the schoolteacher handles the movement of men and money into Al Quaida's command center, established in a missile-proof and satellite observation-proof cave system in Kunduz province near the Tajikstan border.

Euroland leaders blame America for the religious war about to turn their countries into battlefields. And with their growing strength they are not enthusiastic about accepting the leadership of a country in which a small minority dictates its policy in the Middle East. No member of parliament in Euroland or its 11 components fears he will lose his job if he votes against a minority advancing the interests of a country that is of no concern of his. And this is where the nation about to challenge the dollar is going to change history in 1999.

Dean Acheson and David Bruce did their country no favor when they helped set up a Federal Europe of 390 million people with reserves of \$350 trillion, seven times that of the dollar. European leaders knew Clinton had to gain some foreign affairs points at Wye Plantation to keep his polls score up at home. So did Natanyahu, which made him try to attach Jonathan Pollard's liberation to his terms. The Financial Times of December 16

reported: "He asked the US to break the deadlock, believing the Palestinians could be blamed for everything." Now all is changing.

On December 17 the Belgian Parliament met to discuss the European Union's association with Israel. Brussel's leading paper, Le Libre Belgique, of December 18 carried a report headlined: "Belgian Senators distrust Netanyahu." At a full meeting the Belgian senate voted unanimously that "Netanyahu's blocking of the peace process justified a measure of retaliation."

The subject had been dodged before but this time Netanyahu was held solely responsible for the breakdown of the American-Israeli-Palistinian summit of December 16. Belgium and France previously voted against ratification of an accord between the European Union and Israel and were about to change their minds when Netanyahu's refusal to carry out the withdrawals he had agreed to at Wye Plantation hardened them. It was a victory for the Belgian Palestinian Association and a signal that Israel is no longer solely an American affair. Put bluntly, Bin Ladin's war is too near and Euroland is fed up with politicians courting a pro-foreign vote.

Aside from the war which Osama Bin Ladin is expected to launch in single terrorist acts or simultaneous strikes, a long forgotten ghost of the past has come to trouble intelligence agencies in Europe.

The British have kept it under their hat but sometime in the summer of '98 a KGB defector code named "Curb" reached Britain with a large bundle of papers containing sketches of spy networks and hundreds of cover names which he carried to his dacha outside Moscow in 1992. The haul threw light on 50 important espionage cases and caused the service to launch 12 new investigations, many concerning the most explosive information he brought, which was that Willy Brandt had been a KGB agent.

How much harm he caused the West may never be known but at last we have an explanation how Gunther Guillaume, the East

German spy, rose to become Brandt's right hand man. H. du B. Report of March-April 1961 told how Herbert Frahm, alias Felix Franke, alias Willy Brandt, had arrived in New York on March 12 for American ovations to help his campaign against Conrad Adenauer for the chancellorship of Germany.

It being the duty of all socialists to help into power socialist governments elsewhere, Victor Reuther, the labor boss, gave him an Americans for Democratic Action dinner in Washington on March 13. On the 16th Leo Cherne gave him a dinner in New York in the name of the International Rescue Committee (IRC) and conferred on him the Admiral Byrd Award, "as a free nation leader". It was the phony award the IRC, under Angler Biddle Duke, Leo Cherne and Joseph Buttinger, the former Austrian socialist leader, created in February 1957 as a propaganda gimmick for Ngo Dinh Diem.

No American paper told its readers that Cherne and Buttinger were also running American Friends of Vietnam, which was not to help Vietnam but to sell the President America installed there in a rigged election. Therefore, when Diem gave the IRC a check for \$100,000 of American aid money, the public did not know he was really paying his own image-makers.

No CIA committee or panel was set up without Cherne on it. He was on the Secret Intelligence Information board. Gerald Ford made him head of CIA's Independent Oversight Board, Under Reagan, despite having advised Americans to invest in Vietnam when the country was already doomed, he was a member of the Committee of the Present Danger and Vice-Chairman of the Foreign Intelligence Advisory Board, as well as Executive Director of Research Institute of America.

The biased books, *Dragon Embattled*, and *The Lesser Dragon*, by Cherne's associate, Joseph Buttinger, were published by Praeger with CIA funding and were not books to be read. They were heavy and impressive volumes for the research of professors who

would form students. Buttinger plugged Cherne and Cherne turned out favorable reviews on Buttinger, who wrote in the June 27, 1955, issue of *New Leader*, the official publication of American labor, that Ho chi Minh was the man America should have supported in the first place.

These are the sort of men who imposed the family that doomed thousands to death by making Pham Ngoc Thao, the Hanoi spy, their chief of intelligence, the sort of CIA officials who campaigned to make a KGB agent chancellor of Germany. Euroland considers the present American administration even less worthy of respect than the one that doomed two million Vietnamese to death in reeducation camps and rotting boats or years as refugees where they were not wanted.

Tim Hames' verdict in the *London Times* of December 19, as Europe was about to plunge into the economic unknown of a single money, was as follows:

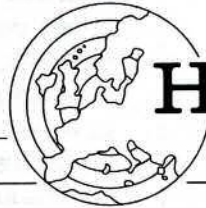
"There is an all-pervasive culture of deceit surrounding the White House as powerful as the climate of dishonesty that characterized the Nixon era. Mr. Clinton lied to the American people about the means by which he avoided the Vietnam war, he lied about his relationship with Gennifer Flowers, he misled congress on countless domestic and foreign matters with an almost psychopathic intensity. This is a man who has even been caught on camera misrepresenting his golf score. Professional dishonesty is not merely an element but the essence of Mr. Clinton's presidency."

And so we start the last year of the second millennium, two thousand and a few years since Vercingetorix threw his arms at Caesar's feet.

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A FOREIGN AFFAIRS LETTER



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MORE ON WHAT IS IN STORE IN 1999

Whether the world hears about it or not, there is strong opposition in Britain to the surrender of sovereignty and the money that is intertwined with the nation's history. Every imaginable form of propaganda is being used to drown that feeling out and schools are rewriting text books to extinguish attachments to country and traditions before they have time to harden. At the same time, powerful groups and organizations are resisting every inch of the way to where Tony Blair and his "New Labor" are taking England.

One of the most active is the EUROPEAN FOUNDATION at 61 Pall Mall, in London. In a pamphlet published last September, Bill Cash, the Foundation's chairman, warned that Germany's conciliatory stance was a posture and that a single currency would create an undemocratic and German Europe. The single currency came on January 4. The price of the London TIMES immediately went up, and Americans in France could no longer learn from the London papers how much the dollar was worth in francs. Quotations were suddenly made in Euros and the quest for closer integration started.

Monsieur Jacques Santer, President of the European Commission, which is Euroland's legislative branch, and his nineteen commissioners were under attack.

Six billion pounds sterling, out of a budget of 65 billion, had disappeared. Some funds had been simply "lost", others eaten by fake contracts, building projects that never existed, jobs for hangers-on, and bogus payments to third world countries. Many in the European Parliament had been afraid to criticize it lest it damage the cause of integration. The lack of interest Europe's MP's showed in such powers as they had was only equaled by their appetite for new ones.

In the meantime, Germany pursued her slide to the left as Greens (the ecologists) moved closer to the country's Christian Democrats and Social Democrats. Europe's labor unions began planning the Euro-strikes that will follow Euro-money. Euro-money is a step towards a United States of Europe in which national parliaments will have no power of veto, and companies moving to countries with cheaper labor will be torn apart by internal unions.

An across-the-page headline in London's SUNDAY TELEGRAPH of January 17 announced: "German leaders step up drive for United States of Europe." The report from Bonn started: "Two weeks after the launch of the Euro, Germany's new left-wing leaders are unveiling their blueprint for a federal Europe built on the back of the single currency." The Euro was about to

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give Germany what Hitler failed to get with the wehrmacht.

Glossy brochures tell the mixture of people corralled in a man-made Euroland that a glorious era lies ahead. More jobs and a surge in prosperity and growth will come, they proclaim, with the spread of a single money. Anyone who does not believe that acceptance of the Euro and integration under a 20-member commission as a legislative branch and a Council of Ministers as its executive is branded unpatriotic.

While waiting for the social unrest which is certain to turn violent in France and East Germany when disillusionment comes, let us leave the crisis that is shaking an over-sold Euroland and study a non-fiction story which the West still refuses to take seriously.

On February 15, 1998, safe in his mountain hide-out in Afghanistan, Osama Bin Laden founded "The World Islamic Front for Jihad against Jews and Americans." It would serve as an umbrella organization for Moslem groups around the world - 150 in France alone. While carrying on individual operations they would follow directives of the parent body.

Three months later, on May 28, the American TV network, ABC, gave Bin Laden the sort of airtime politicians pay a small fortune for, to tell the world that his followers did not differentiate between those dressed in military uniforms and civilians. "They are all targets," he declared. Around the world his 3,000 to 5,000 agents were working to prepare an offensive that would disperse before officers and soldiers, only to close in behind them.

In mid-August delegates from foreign groups made their way to Bin Laden's HQ for an action-planning session. They were about to broaden their front and train a new generation of terrorists using the weapons and technological advances of the West.

Khaled Fauwaz, the London-based Saudi dissident, or Ghayasuddin Siddiqui, the head of the Muslim Parliament in Britain, were considered as possible representatives of Bin Laden among Britain's 1.5 million Moslems. Knowledgeable men among the Arab specialists in MI5, the equivalent of America's

FBI, however, saw Abu Hamza al-Masri, the cleric who preaches at the Finsbury Park mosque, as the link between Britain's Moslems and what at times appears to be an occult power directing Islamic actions from abroad.

Abu Hamza has a place on the internet, provided by the Islamic Gateway website, and a year ago his organization, ANSAR SHARIA, which means "the followers of Islamic law," called for young Moslems to attend a meeting of the Islamic training camp in the Finsbury Park Mosque from December 24th to 26th. It was from such meetings that the recent kidnapping and murders in Yemen are said to have been planned and financed. From an office in north London, his predecessor, Sheikh Omar Bakri Mohammed, commands al-Muhajiroun, a group which calls for resistance against Britain and America by Moslems wherever they are.

America, as the founder and supporter of Israel, is enemy number one, followed by Britain as the ally of America. Al-Muhajiroun calls for a single Moslem state and declares on its website: "British man made law is war against God...Islam will dominate the world."

A page on the Ansar Sharia website shows a hand grenade above an appeal and offers audio and video tapes obtainable through Abu Hamza's e-mail address. The same address carried Osama Bin Laden's 17-page declaration of war against Jews and Americans. There was no action from the police, because incitement is legal as long as no acts are carried out. "The walls of oppression and humiliation cannot be demolished except in a rain of bullets," Christianity's enemies declare openly on their website.

Those making this call are far from the kindly Moslems I knew in my younger years when Saïd Abdullah Mohammed, the Yemenite whose title of Saïd marked him as a descendant of the prophet, led me through the souks of Djibouti at night as his adopted son. To please him I was photographed wearing the head-dress and gold-banded agal he gave me. In my hand was the curved sword of his grandfather, whom, he said, lived by poetry and the sword. (This photograph, taken in

1936, was reproduced in Soldier of Fortune Magazine of January 1983).

To the kindly people who ate watermelon in the cool of the Djibouti evening and listened to the teller of stories, or tossed coins to a youth dancing to a native instrument, Christians and Moslems were both people of "the book" (el Kitab), worshippers of the same God but followers of a different prophet. There was no hate. By their chivalrous code, protection of a guest was a sacred duty. By an act of Truman all that changed and everything that has happened since was predicted by Alfred Lillienthal in 1957, in his book **THERE GOES THE MIDDLE EAST**.

The story of the kidnapping of 16 tourists and the killing of 4 in Yemen on December 28, started on December 19 when 21-year-old Ahmed Sarmad, Malik Nasser Harhara, 26, and Shaheed Butt, 33, all from Britain, checked into a single room in Aden's run-down Al-Waffa Hotel.

The following morning they paid in cash and checked out. Nasser, reportedly, went to meet Abu Hassan, the leader of the operation, at a gas station near the place of the kidnapping. Hassan loaded TNT, weapons, mines and guns into the trunk of Nasser's car. Three days later, on December 23, Nasser and his companions unloaded the car, parked it in a slum area and returned to the same room in the hotel at 2:30 p.m. Two hours later Yemeni police arrived and found the three men priming bombs. Hand grenades were stashed behind the door and in the cluttered bomb factory were tapes from Abu Hamza's website, satellite telephones, automatic weapons and hoods with eye-slits. The list of targets found by the police included the British consulate in Aden, a clinic next door to Christ Church and The Royal Hotel where 35 American soldiers training Yemeni forces were staying. The videos gave instructions on how to make bombs and booby-trap cars.

The next day police raided another hotel and arrested other members of the team with British nationality Sheikh Hamza's stepson, Mohsin Ghalan, 18, and Ghulam Hussein, 25. Al-Hamza's 17 year-old son, Mohammed Kamel Mustapha, is still on the run at date of this writing.

When Ghulam Hussein left his home in Bedfordshire on December 18, he told his British wife he was going to Yemen for Ramadan. Malik Nasser Harhara, from Birmingham, told authorities he was sent on the mission by **Supporters of Shariah**, who gave him \$2000 at their HQ in London, to pay Hassan for teaching them how to use rifles and prime explosives at his base 150 miles northeast of Aden. Shaheed Akran Butt, a father of four children, wept as he told a British consul he had come to Yemen to study Arabic. A strange excuse, since the Arabic spoken there is barely comprehensible in Mecca.

None of these men had police records, though Sheikh Omar Bakri Mohammed admitted training four of them in London, and it is hard to understand how they happened to appear in Yemen at the same time, unless it was part of a well-coordinated plot. On December 28 the kidnappers were waiting where the tourists would pass, even to the hour their car would come. Their first act was to take their victims' passports. They were looking for Britons and Americans and their mission appears to have been commanded from London, though Hassan boasted that he was the leader and only regretted that he did not kill more of the hostages.

Ruth Williamson, the 34-year-old healthcare training-consultant, walked with dignity as one of the killers marched her ahead of him, calmly shot her in the back of the neck and ran away. The Yemeni Army could have captured the 13 who got away, as there is no place to hide in that rugged terrain.

This well-planned kidnapping in as out-of-the-way place as one could ask for opens many questions. That volunteers were ready and waiting to be called to it should convince skeptics that Bin Laden's declaration of war was not empty bombast. It was the first act in what will be a year of the warfare predicted in our January report. And this leads to the question of how well America is prepared for the day when it will become a more serious battlefield in a joint conspiracy-terrorist war.

A number of Moslem organizations, one with a center in Oklahoma City, received

attention as possible suspects when the April 19, 1995, bombing of a federal building shocked the world, but the known organizations and leaders appear to be innocuous. Where are the American links in the world-wide network with its lines running to London, Paris, Brussels, Cologne and Bin Laden's command center in the Afghan mountains? They must exist, since there were American volunteers when Bin Laden made his declaration of war.

Did the real leaders go underground with the assassination of Bobby Kennedy and remain there ever since? The most important American Moslem to have operated in America and in North Africa with American backing was Mohammed Kamal, of whom nothing has been heard since Bobby Kennedy's death. Kamal was born Cimarron Hathaway in Denver on February 2, 1914, of a family that migrated to Budapest from the Turkoman region of Central Asia at the end of the 18th century. In 1874 his ancestors entered America under the name Kamal, as Austrian immigrants.

After the death of his father, Cimarron was educated by a Prussian officer named Lothar von Richter who instilled in him a love of the military. Growing up as he did, in a turkophile environment, surrounded by archaeologists and ethnologists, he became a fanatic Moslem. In 1935 he was 21 and inherited enough money to let him do as he wished. In 1938 he changed his name to Mohammed Kamal and went to the Turkoman area in the far northwest of China to study the ana yurdu, the mother hearth, of his ancestors. There he wrote "THE SEVEN QUESTIONS OF TAMERLAINE", an erudite book on Turko-Tartar legends which was brought out in a limited edition of 480 numbered copies.

Though he was an American he apparently had no trouble passing from one border to another in what was then part of Soviet Russia. In 1939 he was in Tientsin doing what he called "personal researches." There is a suggestion that it may have been for the Russians because on May 2, 1940, he married Amina Ibrahimoff in Petroplovsk, Siberia.

At that time he became head of Jamiat al-Islam, (Organization of Islam) which had its base in San Francisco. Jamiat al-Islam was founded in Turkistan in 1868 and its cells ran through countries with Moslem minorities, where it professed to be fighting for liberty, equality and the human rights of oppressed Moslems.

Since Kamal had no serious trouble with the Japanese who, normally, would see no reason but espionage for an American's being there, it is possible that he also worked with Lieutenant-General Kenji Doihara, Japan's master of conquest by assassination and bribery in North China. Kamal and his wife were simply interned after Pearl Harbor. With the Japanese surrender they were put on the U.S. troop transport, Lavaca, in Tientsin in early October, 1945, and on October 10 arrived in Shanghai where he arranged passage to California before controls were established.

America was in the grip of her post-war crusade against colonialism and Jamiat-al-Islam received money from Moslem independence movements all over the world. In turn, Kamal's contacts with them, enabled him to get money from the American agencies and organizations fostering revolts in the colonies of their wartime allies. One of his first sources was the Par ul-Islam rebels fighting Dutch rule in the Dutch East Indies. In Iran he took up the cause of the Mullahs, which later triumphed. His greatest success was in the newly formed United Nations, where Jamiat al-Islam delegates penetrated committees dealing with refugees and pushed its offensive against Protestant and Catholic organizations.

After Truman's 1948 recognition of Israel Kamal's payments from Arab leaders rose in step with his income from Aramco for assuring Moslem nations that Aramco was not pro-Israel. He was the first to make being Moslem a profession. As an American he became America's authority and contact with Moslem leaders and nations. At the same time he served as their pipeline to policy-forming agencies in America.

The war in Algeria brought Kamal his

highest moment. He was married to a Pakistani by then and for a time ran a Moslem propaganda office in Madrid. Then the opportunity came, according to the file compiled by France's Colonel Henri Jaquin, to become CIA's most important agent in the Arab world. Thomas Braden, an Allen Dulles appointee, introduced the use of labor unions as intelligence fronts, and America's unionized workers were contributing from 4 to 11 cents monthly to the Algerian war through the Brussels-based International Confederation of Free Trade Unions.

This was part of American labor's drive to form labor unions in Arab and black colonies which would then lead independence movements. America and UN would pressure the mother country into surrender and labor leaders trained by Walter Reuther would claim the right to lead the country.

Geneva was the base of the International Labor Organization in which Henry Cabot Lodge's son, George, was in the governing body (and later became the head). Kamal set up a Jamiat al-Islam foreign office in Geneva under an International Islamic Association name plate and through his connections with CIA and the ILO helped Ahmed Bioud to a top rank in the Algerian war. In 1955 he gave Bioud a \$250,000 check, and Michael K. Clark, whom the New York Times fired for refusing to adhere to the newspaper's line, wrote in his book, "Turmoil in Algeria", of Kamal as technical, propaganda and financial specialist of the FLN as well as its arms purchaser, in partnership with Ahmed Bioud, who had worked for the Germans during the war.

The Algerian FLN (National Liberation Front) so conned the New York Times on what it would do to make the Arab world accept Israel, the TIMES sent Joe Kraft to live in the field with their troops. The first thing the FLN did on attaining independence was offer 200,000 troops for a jihad against Israel.

In 1957 Bioud was in Cologne with Kamal helping him set up a secret society in Libya called the Islamic Association of North Africa, to funnel arms and money to the Algerians. When Henry Taylor, the Hearst columnist, wrote an article in 1962 on Kamal's money-

raising trips behind the iron curtain for the Algerians, Kamal threatened a suit. I sat in a Hearst office with Taylor, Conde Nast, and a number of Hearst executives as Henry explained how Kamal worked, but America was sold on the Algerians so the newspaper chain offered Kamal a derisory \$1000 dollars and he dropped his case.

It was the period when the seeds of Arab terrorism were being sown. The Lenin Guerrilla School in South Yemen was using English as its language in forming men for seven guerrilla movements with their offices in Aden. Each group was training terrorists for action in a different enemy nation. Some years later, on February 1, 1967, the New York Times carried testimony by NSA (National Students Association) leaders that about 20 Algerians a year had been brought to America by CIA for education, with their planes carefully routed to avoid arrest by the French. The Algerian students were selected by Kamal and his friend, Mahmoud Kemisti, secretary-general of the Algerian Moslem Students' Union, and America sent many of them to foreign student conferences.

While CIA, the NSA and government agencies were bringing Algerians to America, Jamiat al-Islam was recruiting American born Moslems for training abroad. In 1964 Sichan Bishara Sirhan Abu Khatar was sent to the Middle East for seven months, four of which he spent in the Qataneh guerrilla training group near Damascus. In 1966 he returned for a stage at the Ma'adi Center in Egypt and went on to the advanced training camp under Algerian officers in Gaza.

His indoctrination paid off. Bobby Kennedy's team was whipping up hysterical mobs of youngsters in California in May 1968 when Bobby put on a yarmolka in a synagogue in Oregon and swore that if elected, America would support Israel. It was the last straw. On the night of June 5 Sirhan Beshara Sirhan shot him.

Kamal and Jamiat al-Islam were never brought into the investigation that followed. Europe understood. CIA's man in Algeria could not be involved. Foreign Arab-watchers are equally certain that America's most dangerous threat in the war that started with

the Twin Towers bombing in New York, may be the Algerians whom CIA, NSA and State Department armed with educations.

America's other Moslems and Louis Farakhan's blacks with their millions in foreign money are unknown factors in the minds of European specialists who do not take Osama bin Laden's declaration of war as bombast. The most assiduous and reliable organ probing the backgrounds of the hundred and some terrorists simultaneously arrested in France, Belgium, Switzerland, Italy and Germany on May 26, 1998, is Valeurs Actuelles, the Paris weekly published by men trained by the late Senator Raymond Bourguine.

According to a search carried out by Valeurs Actuelles, the organization pulling the strings on Islamic terrorism in Europe is **Takfir wal hijra** (Repentance and Exile), a small and closed extremist organization founded in Egypt in the 60s. It calls for a return to Islam's origins. The years when libraries were seized as indemnities in the Caliph's wars are out. In its strict and brutal return to the law of the sharia, anyone who does not follow the religious precepts of Islam must be eliminated.

Takfir not only legalizes crime, it commands it. The violent suburbs of great cities in a Europe stripped of border controls provide Takfir's volunteers. Also the prisons. Moslem criminals are in the majority; and the most dangerous are their converts. In prisons the strongest impose their law, force non-Moslems out of the exercise court when it is time for prayers, unless they join their ranks.

From France the Takfir lines run to Algeria where files seized by anti-terrorist forces led to the arrest in Germany of the lieutenant responsible for all Europe. Slowly, under the direction of Judge Louis Bruguières, terrorism's most tenacious and resourceful enemy, the net is closing on more and more regional leaders, but he faces a problem that plagues law enforcement everywhere. If he lets too much be known of where he stands in an investigation, he risks ruining everything. If he aims to keep the enemy in darkness, politicians and the media think nothing is being done.

NOW MORE TROUBLE IS COMING FROM THE EAST. Tens of thousands of refugees, the first wave of a mass migration of ethnic Albanians fleeing former Yugoslavia, are crowding Czech boarding houses and farms, waiting for a chance to slip into Germany.

Germany is their best bet. If they can reach the southeast corner of Saxony, through foothills of the snow-capped Lausitz mountains, they will be in "new world order" Europe. People-smugglers are making a clean up. Around 18,000 illegal immigrants were arrested last year along the 500-mile border between Czechoslovakia and Poland. Some, 13,000 have been caught this year near Zitau, at the end of the German railway line.

In spite of fast patrol cars, camouflaged trucks and savage police dogs the Albanians keep coming. Over 40,000 got through in 1998 to join the 300,000 refugees from former Yugoslavia who swamped Germany in the mid-1990s. Now the boat is full. With the massacres in Kosovo more Albanians are yet to come. Warriors whose favorite curse is "May he die in bed like a woman." If a Zitau taxi driver is caught transporting them into Germany he risks up to two years in prison.

That, roughly, is the situation as Euroland faces destabilization by a millennium crisis with computers, North Africans pouring through Italy, France and Spain; sympathy-deserving Albanians coming through Germany, a mad Arab in Afghanistan telling all of them it is their duty to kill Jews and their friends, and the man in the street being given a new money of uncertain future to replace the time-tried and familiar currency he has always known.

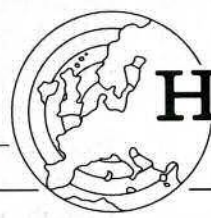
The first of the four tapes recorded by Otto Scott and H. du B. in Brussels was released on Jan. 11, the second on Jan. 22, the third on Feb. 8, and the 4th and last on Feb. 22. They may be obtained at \$7 per tape, \$8.40 for foreign orders, including postage, through **UNCOMMON MEDIA**, P.O. Box 781, Wauna, WA. 98395-0781.

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A FOREIGN AFFAIRS LETTER



H du B REPORTS

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ATTACK ON H. du B. AND SADDAM PLANS WAR

Dear Reader: forgive us but this month we are forced to begin our report by preparing you for a vicious and libelous attack on your writer by one Bernard Wasserstein in a book entitled **SECRET WAR IN SHANGHAI**, published by **PROFILE BOOKS, LTD.**, in London, and scheduled to appear in America if not stopped in time. Excerpts have already been published in the American magazine, **HISTORY TODAY**. It is not mentioned in Mr. Wasserstein's book that he is President of the Oxford Centre for Hebrew and Jewish studies, consequently the only imaginable reason for his 19 libelous pages on H. du B. would appear to be dislike or revenge for something written against a person or persons by H. du B. in the past that Mr. Wasserstein considers anti-Semitic. The slightest research would have proven kits statements groundless and good taste shows the terms he uses below the standards of gentlemen, much less one associated with Oxford.

Had the mail of Friday, January 29, 1999, not brought me Mr Wasserstein's hate-spewing book, with his compliments, I might not have known about it in time to take action against its circulation abroad and publication of an American edition.

Your correspondent's name tops the Who Was Who page, listed as "Adventurer, aviator, journalist; Japanese agent in Shanghai."

Fortunately, respected friends of the Shanghai years are able to testify to your author's decorations, still, it would be interesting to know how Wasserstein or a group behind him was able to obtain from the Historical Society of North Dakota copies of letters written hastily to my sister as far back as sixty years ago and quote portions out of context. My sister was fifteen years older than I and we had nothing in common, so the drivel I wrote her in the naive years of foreign adventure never merited the attention they have been given. Why they were made available to Mr. Wasserstein or a group of selective researchers looking for dirt on their writer is hard to understand.

The 19 pages in which Mr. Wasserstein links me with criminals I never heard of and uses the lowest word in the English language to define my role in a supposed project that never existed are being analyzed for use by publications and authors interested in old China. On page 31 I am "a nasty example of the species of politico-criminal adventurer, many of whom

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were drawn to Shanghai at this period."

In one of the letters which Wasserstein's investigators went all the way to North Dakota to get, I am quoted as saying I had no idea who I should tie up with, probably meaning a warlord or the national airforce, but inferred to be the Japanese, for whom I had a passionate hatred.

One of Wasserstein's favorite sources is the Special Section of the Shanghai Municipal police. Most of its officers were estimable men but they were no match for the combined wits of Shanghai's Russian informer community, a more cunning bunch of scoundrels than which it would be hard to find. During my period as head of a Chinese telecommunications ring I had no visible source of income, which made me a gold mine for Russians who lived by informing.

Any report naming a man as an agent of the enemy would naturally make the purchaser of such a report hate the person denounced and want more. The market thus created is both credulous and insatiable, and a community of rascals lived by feeding it. I might add that the conduct of one of the Special Branch men, a certain "Tiny" Pitts, who was put in Haiphong Road camp with me, along with other members, was less than honorable. He offered no apologies for circulating what he had been gullible enough to buy, nor did he correct his errors when the war was over.

On page 30 of Wasserstein's sleazy and otherwise extremely dull book he writes of your correspondent; "A gregarious and, to some eyes, attractive young man, he combined the promiscuous sociability of a billy-goat with the predatory viciousness of a rattlesnake." No writer of the class one associates with Oxford would have put his name to such a page void of any foundation.

The Shanghai we knew and loved in the pre-war years was a vibrant city in a romantic China of warlords and eccentric characters. Among the honest and hardworking were, naturally, the contemptuous.

The reason Shanghai's "white" Russian

informer fraternity was capable of more harm than any gang was because the reports they sold the British Special Branch were passed on to the French Concession police, the French Army and the American Marines. The informers worked in pairs, with one Russian making a Japanese agent of whoever they were selling to the British, French and Americans, and the other making him a British or American agent for the Japanese market.

Such reports were continued stories, cooked up in tawdry bars by the informer clique. The fact that each "chapter" showed up on so many desks made it authentic. If a service rejected reports on a man in the Informers' "scripts" they would know he was truly connected with that service; the market would be destroyed and his fate would be sealed. There was nothing a service could do but continue accepting information on its man for his own protection.

Wasserstein went to the trouble of exposing Count Vladimir Tatistcheff (on whom the London SUNDAY TELEGRAPH was conned into printing a favorable story in its issues of June 22 and June 29, 1969) as the blackmailer, swindler and informer he was. But he never mentioned Serge Balinovsky, Tatistcheff's team-mate, who was trusted, trained and employed by John Cook, of British Intelligence, and in the end sent Cook to the torture house and his death.

Though unnamed, Balinovsky was the Russian informer denounced in the China Press of June 1, 1946, as the man who "blackmailed 72-year-old John Cook, then sold him to the Japanese, (the man) who kept a steady stream of foreigners and Chinese on the road to the torture chamber."

After VJ-Day Balinovsky was found working for the colonel commanding General Wedemeyer's G2 and even Colonel Jeremiah O'Connor, of the Judge Advocate's office, could not get him sacked. He was protected by Wedemeyer's colonel as carefully as by Wasserstein.

This is the city in which from April 1939

until Pearl Harbor I was head of a Chinese ring maintaining telecommunications between the National Government in Chungking and its agents in Shanghai, as an official document in the hands of my lawyer attests. In a job such as mine, and with no visible source of income, the first rule is to be inconspicuous. I was the opposite in dress and comportment and consequently fair game for the Russians.

Major Stent of US Marine Corps intelligence, was not friendly. Perhaps from a personality clash or having received too many Russian reports in his exchange agreement with "Tiny" Pitts. So I could not confide in him. Had I known Marine Captain Victor Krulak at that time I would certainly have gone to him.

British feelings towards the Americans were not close enough in the East that I could risk stating my position and asking them for protection. Chances were too great that I would be "caught" so my ring could be reopened under someone's friend. There was only one solution. My old friend, Capitaine Jean-Camille Rougy, of the Deuxieme Bataillon de Marche, took me to Commandant Valluy, commander of an ultra secret parallel intelligence service known as Renseignement Guerre Numéro Un. Number One because China was the first friendly nation at war.

I put my cards on the table, told Commandant Valluy I was operating in the French Concession and offered to put myself and my team at his disposal in return for such protection as he could give us. He turned me over to Capitaine Marcel Mingant, a tireless Breton whose first orders were to know no one in the political police (which employed Russians) and to get all available information on communists, the Wang Ching-wei puppet government, the Japanese and the Germans.

From that day I was effectively in the service which Colonel Raoul Salan formed for France's Minister of Colonies and which continued to operate after France's defeat. When de Gaulle issued his appeal of June 18, 1940, Mingant rallied to the Resistance and

sent for me. "Your nation will soon be in the war," he said. "Are you with us?"

I replied "Je marche" (I'll march) and took my Chinese ring with me. (John Cheng, my number one Chinese, comes to Europe once a year to see me.) America later gave Capitaine Mingant the Freedom Medal for rescuing American pilots downed in Indochina and spiriting them to the American base in Kunming, but Wasserstein makes no mention of him or his network. He writes deprecatingly of the civilian resistance movement in Shanghai, under Monsieur Egal, the wine merchant, but made no effort to learn anything about the military. Colonel Mingant later attested that I had indirectly saved the American pilots since it was my conduct under torture which saved his organization from immediate destruction and permitted him to save the Americans in another field, in Indochina.

Wasserstein gives a sneering version of this period: "He (H. du B.) wrote that at the time of Pearl Harbor he had been 'running [a] French resistance organization working with the allies'. Upon his arrest in November 1942 he had endured 'eighteen days' of torture. And after the war he had been awarded [a] 'Chinese citation for radio communications, French Volunteer of the Resistance Cross, Combattant Cross, and Victory Medal' - a jangling collection of gongs of which no corroboration whatsoever has been found." Of course, the man was lying with the certainty of ignorance or intent.

The three Mingant attestations for the Ministère des Anciens Combattants were written in 1955 and my Carte du Combattant Voluntaire de la Résistance, giving me the cross of the same name, was signed on July 15, 1995. The Croix du Combattant followed and carried with it the Victory Medal.

The French citations and decorations were first delayed because the captain received a report that I had died under torture, and for 7 years in all because the Finance Office of State Department refused me a passport to go and receive them until I could pay for food

given me while in the Japanese Prison camp. And there was no way of paying the food bill because the State Department Finance Office wrote the editor of *ESQUIRE*, the only editorial contact I had, that if they had any money coming to me it should be sent to them.

Consequently, papers attesting to my period in the Resistance, my French pension, and my candidature for the Legion of Honor were held up for the same reason. The editors of Profile Press, Ltd. and History Today magazine, as well as Mr. Wasserstein, should be discussing the corroborations he said did not exist, along with my membership in the Association des Combattants de l'Union Francaise and my Chinese Government attestation with their lawyers by the time this is printed.

English lawyers, in a libel case as irrefutable as this, are not willing to represent a client on a contingency basis. Consequently, my American lawyer and I will eventually be forced to appeal for help with our defamation defense fund. We will be grateful if British readers will send us any articles or reviews that appear on the Wasserstein book.

Now let us turn to some of the dangers that face us, aside from the principal one, the Y2K computer problem as the century nears its end. No one can say how bad this problem is going to be. All I would risk my reputation on is: Have all the liquid currency on hand that you can. Aside from whatever troubles the Y2K problem brings, the number of financial, political and other threats facing us in the year ahead are too numerous to mention.

On February 8 a greater leader of a small country was laid to rest in Amman, Jordan, and with his death all of us lost a friend. Never mind that his country was not a great power; it was important. And it will be a long time before the world sees a ruler of King Hussein's stature again. Threatened with plots in his Palace and conspiracies too numerous to count he remained the keystone of a fragile arch on which peace depended.

Reigning over a kingdom crushed between Iraq, Syria and Israel and with 60% of the population owing him no allegiance, he knew that only by being friendly with both Iraq and Israel could the country he regarded as his family survive.

Other Arab leaders may have wanted peace but their masses wanted revenge. All of Israel wanted peace but half wanted it only if it could be had without surrendering an inch of their conquests. If war came, Hussein's little country would be the battlefield. When he showed friendship with America, only the prestige he had won in his 47 years on the throne enabled him to survive the anger of the refugees he had given shelter.

It was never made public that in 1970 America prevented Israel from carrying out an incident to justify annexation of the West Bank. By expelling the Palestinians to Jordan they would be given a country of their own at Hussein's expense and Israel the expansion she was bent on.

By luck and his own courage, Hussein had come far from the day at Sandhurst when at the age of 16 a sergeant-major told him "Cadet King Hussein, sah, you are an idle monarch!" He grew up with danger as a shadow. His grandfather was shot by a Palestinian on July 16, 1951, because he refused to declare war on Israel.

In August 1952, the two houses of Parliament voted that his father, the schizophrenic King Talal, was unfit to rule and the weight of guiding a kingdom ringed with unfriendly forces fell on Hussein. His life became a succession of narrow escapes from plotters who attempted his assassination, murdered his advisers and attempted to usurp his authority from within.

The average income in Jordan was a fifteenth of what it was in Israel and King Hussein attempted to show other Arab rulers that by economic cooperation with Israel unemployment could be solved. They were ready to accept his reasoning when the assassination of Yitzhak Rabin set the clock

back and Netanyahu was hoisted to power by those who wanted peace without giving land in return. Today the Middle East is back to point one but without a Hussein to block the way to chaos. What the coming elections in Israel, the accession of a new King in Jordan, and intrigues of the Middle East, spurred on by Russia, will bring, only time will tell.

A first warning came on December 22, 1998, when it was announced that President Saddam was negotiating with terrorist groups abroad to exact retaliation for Operation Desert Fox, which America and Britain were conducting in the Persian Gulf. Kuwait took action to protect her interests and announced that threats had been made against her embassy and offices in London. Saddam's enemies in Britain appear to be a first target and after them Americans.

Another sign of trouble came on January 27 when Saddam made a change of strategy. Instead of trying to poison the King of Saudi Arabia and other heads of state against America and Britain, Saddam's 250-seat rubber-stamp parliament called on Saudi Arabia's and Kuwait's masses to overthrow their leaders for permitting American bases on their soil. It was an appeal he knew Islam's 1.3 billion followers would take up.

What made it particularly ominous was the knowledge that Abu Nidal, for years the world's most wanted terrorist, has been bringing his followers together in Baghdad since early December. Though known to the Arabs as Abu Nidal, "Father of Struggle", he was born Sabri Khalil al-Banna, in Jaffa in 1937, and won his reputation abroad as "the terrorist with a thousand victims", from operations in three continents, Africa, Europe and Asia. Eleven enemies are on his list: Israel, Jordan, Kuwait, the United Arab Emirates, Egypt, Saudi Arabia, Britain, Austria, Italy and France. The U.S. will most likely follow Britain as his field of telecommanded operations.

When the BCCI bank (Bank of Credit and Commerce International) crashed in July 1991, it was found that Abu Nidal had a dozen

accounts in the London branch and \$500 million in the bank in Switzerland, some \$60 million of it from arms deals with 6 British firms, through BCCI in London. He broke with Yasser Arafat in 1972 because he found Arafat and his Palestine Liberation Organization too moderate. They thought only a peaceful solution would bring peace to the Middle East. Since then, as commander of his break-away movement, the El Fatah Revolutionary Council, he has murdered at least 300 of his own men in his paranoid fear of infiltration. The best information on the man and the way he works is to be found in Patrick Seale's book, ABU NIDAL, A GUN FOR HIRE.

It was no secret that Saddam was planning something new when reports from diplomats and security officials throughout Europe reported in mid-December that he was forming a secret army and when the moment was deemed propitious for the new kind of war which all western defense ministry have been discussing, it would strike. The Arab newspaper, Al-Hayat, published in London, reported on December 21 that the radical Islamic group, el-Gamma al-Islamiya, whose spiritual leader, Sheikh Omar Abdul-Rahman is in prison in America, charged with masterminding the World Trade Center bombing in New York, was targeting US and Kuwait interests from its London base.

As February neared its end the importance of Abu Nidal's presence in Iraq and the activity of his 200 to 500 agents in Europe became clearer: Netanyahu had used every excuse to avoid carrying out the withdrawal agreements signed at Oslo and halting the forming of new settlements. Yasser Arafat announced that if they were not met by May 4, 1999 he would declare Palestine independent.

Netanyahu said his reply would be annexation. May 4th is approaching but there is a possibility that Israel's elections, due to take place on May 17, may delay the clash and that a new government in Tel Aviv may give cooperation a chance to grow. Arabists

figure that at best it would only bring a lull. On February 25 orthodox hardliners made a pilgrimage to the elaborate grave of New York-born Baruch Goldstein to celebrate the fifth anniversary of his massacre of Arabs at morning prayer in the Ibrahim mosque.

While hardliners honored the man they consider a martyr and hero, police held back an equal number calling for peace. The only thing the demonstrations proved was that if peace comes with the Arabs Israel will face a civil war. In the meantime Abu Nidal is preparing to be back in business and the two non-Arab powers most happy about it are Russia and China. With the West appearing more certain by the day to face serious trouble in the Islamic world, Russia sees a chance to punish America for her anti-Serb policy in the Balkans. It was for this that pro-Iraq Primakov was made prime minister of Russia.

This is hardly the moment for a man with Britain's interests at heart to throw his people into a nation-dividing fight to save their money. When Prime Minister Tony Blair and his chancellor, Gordon Brown, entered the House of Commons in 1983 their Labour Party was skeptical about European Monetary Union. The London Times of October 27, 1997, announced: "Mr. Blair is reluctant to take risks over his re-election to a second term by holding a referendum on a single currency, hence entry is unlikely in this Parliament."

On February 24, 1999 Tony gave lobbyists the go-ahead to prepare Britain for the loss of the pound that has been their pride since 1206 and the question is no longer "if" but "when". Those who love both tradition and their money are not going to give up without a fight. Sir Oliver Wright, who was ambassador to Washington in the Thatcher-Reagan years, said "you cannot have a common currency before political union. And you can't have political union until you have a common culture and common loyalties."

He may have been thinking of the London Times explanation why Hillary Clinton would

be a push-in for the senate race in New York. "Mrs. Clinton has solid backing from women, trade unions, blacks, Hispanics and most voters in New York", the TIMES of February 15 wrote of a city with the most disunited loyalties and cultures of any city on earth.

Sir Oliver has always been openly pro-American since his four years in Washington during the halcyon years when Margaret and Ronald were working together. But not until now has he had reason to fear that Britain would cut herself off from America by entering the European Monetary Union club. 80% of the world's financial transactions and 60% of its trade are done in dollars, and Britain's dollar-denominated trade and investment is far higher than her Euro-related trade and investment. Sir Oliver is worried.

He fears that as soon as Blair's silver tongue has used a referendum to take the country where it would never have gone until it had been sufficiently softened, a campaign will start to make America join her.

In the Times of February 9, Michael Gove expressed the fears of those counting on American leadership while Blair is selling out the pound: "He (Clinton)," Gove wrote, "has consistently shown that he will sacrifice others to stay in office. And by doing so as Commander-in-Chief he has forfeited the moral superiority which the West needs when reserving the right to intervene in other sovereign states."

Meanwhile, Adem Demaci, the Albanian who spent 28 years in prison for trying to liberate Kosovo without a helping hand from the anti-communist West, comes from a people who teach their children that the eagle stays on the mountain, because there is liberty. Abu Nidal and his men may have to live like hunted animals in their war within nations, but Adem Demaci and his Kosovo Liberation Army are capable of starting a war that will spread.

The world's political and military future looks every bit as bad as the Y2K is feared.