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## THIS WEEK YOU NEED TO KNOW

# An Imperial Criminal Court

by Lyndon H. LaRouche, Jr. — July 9, 2002

In refusing to confirm the establishment of an imperial form of International Criminal Court (ICC), the U.S. government recently made the right choice, even though it had acted out of the wrong motive. It was an error by former President William Clinton, not to have blocked the ICC before his leaving office. Unfortunately, many other nations supported that Court, on obviously different, but dangerously mistaken premises.

The thing to be feared more than either war or crimes against humanity, is the establishment of an imperial form of "world rule of law," a form of law which, in practice, would condemn all mankind to the kind of horrors suffered under the Roman Empire and the ensuing Dark Age which that Empire brought down upon Europe and neighboring regions. The antics of "Transparency International," are only typical of the imperial impulse permeating the current use of all such proposals for a "world rule of law."

It is to be emphasized, that without the existence of the proposed International Criminal Court, there already exists the recognized right and obligation of nations to establish courts, under the same authority of natural law as the law of justified warfare—courts which do not breach the principle of national sovereignty. The Nuremberg court was convened to address Nazi war crimes and other capital crimes against humanity. Such courts are convened ad hoc under the same type of authority as a justified declaration of an act of war. Thus, a court such as the ICC is arguably unnecessary, in addition to being judged even an odious venture on other premises.

There are two principal grounds for refusing the establishment of a court such as the ICC, at this time. The first, overriding consideration, is a matter of several interconnected issues of principles of practice of natural law. The creation of such an international court returns civilization to the ancient and feudal state of affairs, in which a head of state of a participating nation, or several such nations, is subject to the overreaching control of an ultramontane, hence imperial authority.

That state of affairs would, in and of itself, constitute a monstrous crime against humanity, since it would deprive humanity of that institution of the sovereign nation-state, on which the liberation of subjects from the de facto status of human cattle was accomplished by Europe's Fifteenth-Century Renaissance and subsequent development of the promotion of the general welfare through the institution of the sovereign nation-state.

The second, practical consideration, is the fact that no court such as the ICC, were likely to carry out its implied obligation, were one or more leading powers, such as today's English-speaking powers, determined to obstruct honest application of the ICC statute for that case. This would degrade the court axiomatically to the role of a mere agent of an overreaching particular, imperial power.

I address the latter objections first.

Notably, at this time, major crimes against humanity are being perpetrated, in fact, against the Palestinian population of a territory being occupied by the Ariel Sharon government of Israel. Were the proposed new ICC in operation currently, that ICC would be implicitly obliged to act promptly, now, against that Israeli government's relevant officials. Would such an ICC be likely to act promptly in this case? If not, then the proposal for establishing an ICC were a piece of hypocrisy which would define such a court as a corrupt one from its outset.

Typical is a relevant case of a travesty of law currently in progress in Arusha, Tanzania. The hoax currently being perpetrated by an international ad hoc tribunal, in that proceeding so far, is typical of the kind of monstrous abuses likely to be expected from the actual constitution of an International Criminal Court established under the proposed provisions of the Nov. 10, 1998 and July 12, 1999 re-draftings of the relevant Roman Statute for such a court. In this case, the court has arbitrarily adopted a ruling, contrary to the essential facts of the case, exempting the culpable *external* powers from their responsibility for the state of civil warfare forcefully introduced, from outside, to the nation whose affairs are being scrutinized. We can not assume that an ICC would be better than that self-tainted ad hoc court in Arusha.

Those two cases are merely typical of the systemic hypocrisy, which is to be seen in both experienced precedents, and in types likely to occur under an international tribunal such as the ICC, on similar or analogous accounts. It were better that there be no judge, and no court, except ad hoc courts created by sovereign states for cases of war or kindred overriding issues, rather than one which supplies the imperial cloak of legality to a continuing practice of the type shown in such exemplary cases.

There is an escalating pattern of actions, involving relevant non-governmental organizations (NGOs) as cats-paws, to destroy the remaining vestiges of the existence of the sovereign nation-state, by creating and expanding upon novel, and dubious precedents to outlaw all forms of credible resistance to an imperial "world rule of law" controlled by utopian influential circles of the English-speaking powers. Typical of the included intent behind these so-called "environmentalist" and kindred initiatives by NGOs and others are the pro-genocidal provisions of U.S. National Security Advisor Henry A. Kissinger's 1974 *National Security Study Memorandum 200*, and the pro-genocidal *Global Futures* and *Global 2000* introduced under U.S. National Security Adviser Zbigniew Brzezinski. The presently overreaching practice of power of such policies, already constitutes, in and of itself, a class of crime against humanity.

Whatever the naive enthusiasts for the proposed ICC imagine, that imperial "world rule of law" is the actual intention behind the push for the ICC at this time. Those who care for the general welfare of humanity, must move now, to prevent that evil intent from being realized. Any contrary estimate is no better than an abominable sophistry in law.

Now, turn to the matter of principle of natural law.

## 1. The Matter of Natural Law

The natural-law principle of national sovereignty was introduced to modern Europe in the course of the Fifteenth Century, in such expressions as Nicholas of Cusa's *Concordantia Catholica*, as a reformulation of the issues previously considered in such locations as Dante Alighieri's *De Monarchia*. From these precedents, Europe derived the concept of the sovereign nation-state republic as a postulate of *natural law*, as opposed to the quasi-Locke-Bentham kind of *merely positive law* on which the present Rome Statute chiefly relies. From that time, to the present, the progress of modern civilization has been intertwined with the objective of uprooting all relics of Roman and like imperial authority, in the process of establishing a community of natural-law principle among a growing assembly of perfectly sovereign nation-states, nations subject to no higher authority than the natural law as such.

The kernel of the relevant, ecumenical notion of natural law, is that which is commonly specific to Christianity, Judaism, and Islam, in particular: the Mosaic teaching, that man and woman are set apart from, and above all beasts, created equally in likeness to the Creator of the universe, and thus accorded the ability and authority to manage all living and non-living things in the universe. On this account, the quality of personality is attributed only to the Creator and to human individuals. All such personalities are to be regarded as naturally endowed with that sublime quality, under any reasonable law.

However, until the establishment of modern forms of sovereign nation-states, beginning France under Louis XI and England under Henry VII, political society had, as in ancient Rome and feudal Europe, predominantly reduced large masses of humanity to the status of variously hunted or herded human cattle, treated as property, or subject to the caprices of what the cruelly errant U.S. Justice Antonin Scalia and his like have defined as "shareholder value." The greatest danger to human rights, worldwide today, is a product of the effort to impose a radically positivist form of rule of law, like that of Scalia, a form derived from the same doctrine of John Locke on which the Constitution of the anti-U.S.A. slaveholder tyranny, known as the Confederate States of America, was premised.

The establishment of the modern sovereign form of nation-state republic, as typified by the U.S. Declaration of Independence and the Preamble of its Federal Constitution, depends upon an anti-Locke principle of natural law, called *agape@am* by Plato and Christian Apostles such as John and Paul. This principle, as argued in 1 Corinthians 13, is expressed in modern usage by the principle of the *general welfare*—as in the Preamble of the U.S. Constitution—or as, the same thing in effect, the *common good*.

On those accounts, like competent physical science, all proper, durable law is governed by a principle of truthfulness, rather than mere opinion. The definition of principles of law must be governed by the same notion and standard of truthfulness properly required for defining an experimentally proven, universal physical principle.

For example, as the example of scientist Vladimir I. Vernadsky's experimental proof of the existence of a Noösphere illustrates that point, the fact that the individual human person represents a living species like no other, is not only a principle of the referenced monotheistic religious professions, but a provable universal physical principle. It is proven thus, that this principle of human cognition, dominates increasingly both the abiotic and biotic domain which it efficiently inhabits, and over which it must reign.

This distinction between man and beast is thus an ecumenical, universal physical principle, which rightly forbids us from treating any persons as we treat wild or cultivated species of beasts. Moreover, this also obliges us to promote those qualities of human cognitive behavior which express the universal difference between man and beast. The function of society, therefore, is to protect and promote those qualities of all persons which express that universal distinction of man and woman from all other creatures.

Since such government of society must be provided by mankind, and for mankind, the agency by which society is governed must be the perfectly sovereign agency of that society itself. To that purpose, prudent societies establish republics which are each a creation of the governed, to serve as the principal agent by which all of that society governs itself. To that end, prudent societies adopt principles of legislation and political-economy which have the intent and method of implementation of principles which have the same specific characteristics of scientific certainty, by means of which a people controls both its government and itself.

Such is the intent of a constitution of a true republic, such as the circles of Benjamin Franklin intended the U.S.A. to become. It was intended to become as the Marquis de Lafayette perceived it, a temple of liberty and beacon of hope for all mankind.

The most suitable form of such a republic is the institution of the sovereign nation-state. Since self-government is possible only through a common intention and the common use of related language and political culture, that combination of intention and culture, is the mechanism by means of which the people of a republic may govern itself. Hence, an efficient form of republican self-government were not possible, unless the nation were independent and perfectly sovereign, within the bounds of those common universal principles of humanity which qualify in practice as truly universal principles.

## **The Case of the U.S.A.**

The American Revolution has been often described, either rightly or wrongly, as "an historical exception." Rightly seen, it was such an exception.

It was that period of religious warfare which Britain's Trevor-Roper and other historians have described as a "Little New Dark Age," between 1511 and the 1648 Treaty of Westphalia, which created the circumstances in which the resumption of the political intent of the Fifteenth-Century Renaissance had to be relaunched from English-speaking North America, rather than Europe itself. As a result, post-1648 Europe's escape from the relics of feudalism, came chiefly as reforms of feudal forms of parliamentary government, rather than actual republican forms of constitutional government. These, reforms used so-called "basic law" as a utopian substitute for a republican constitution based on principle, and often used what was known as "customary" or "common" law as a substitute for the exercise of reason, in the ordinary practice of law.

The U.S. Constitution, as understood by the followers of Benjamin Franklin, and, typically, by Presidents John Quincy Adams, Abraham Lincoln, and Franklin Roosevelt, is, philosophically, a thoroughly European Classical-philosophical creation, introduced into North America at a time such principles of law could not be established in any other place. Indeed, the greatest principled improvements in government and law since 1776, have been inspired by the influence of the founding of the U.S.A., its Constitution, and the achievements of what U.S. Treasury Secretary Alexander Hamilton defined as the American System of political-economy.

Admittedly, there has been a perpetual conflict within the U.S.A. between what President Franklin Roosevelt, among others, described as, respectively, American Patriots and American Tories. This conflict in mutually exclusive philosophies, profoundly moral in character, has been the principled cultural-political division within North America since 1763. However, despite that, the U.S. Constitution, as read by anti-Tory U.S. patriots such as Presidents Abraham Lincoln and Franklin Roosevelt, is a unique constitution. Excepting those few, tainting compromises made for the sake of strategically needed unity with the Tory faction, it is the truest reflection of republican constitutional law known in history thus far.

From this standpoint, a government of the U.S.A. is absolutely obliged, morally and otherwise, to reject absolutely and defy any attempt to create a world-order cohering with the proposed ICC presented to us at this time. The grounds for U.S. rejection of the proposed court, illustrate the kindred reasons prudence should impel every reasonable sovereign nation to join with the U.S.A. in rejecting the proposed, extra-constitutional court; an ICC premised upon no clear and defensible principle of law; an ICC whose plausibly useful functions, respecting war-crimes and crimes against humanity, were all properly conducted by ad hoc courts created under the principle of the law of justified warfare.

## **The Faults of the U.S.A.**

We must recognize two general types of motives behind the effort to establish the ICC. One is a widespread, irrational form of expression of an otherwise justified resentment against the present English-speaking powers of the U.S.A. and the British monarchy (the United Kingdom, Canada, Australia, New Zealand, most notably); a resentment comparable to a conspiracy by mice to bell the cat. The second, is the product of the intention of certain powerful, imperialistic factions among those English-speaking powers, to impose a new, globalized form of Roman Empire upon the entirety of a post-

Soviet world. In the politically and historically purblind eyes of most of today's poorly educated world, the lurking intention is to destroy that United States which they have come increasingly to choose as the principal focus of their hatred.

The likely result of such anti-U.S. impulses, were they temporarily successful, would be something like a Jacobin Terror, or worse, followed by something worse than the first fascist tyranny in modern history, the imperial reign of Napoleon Bonaparte.

The sane approach to those real problems which evoke mounting rage around much of today's world, is to recognize the implications of the distinction between the founding, Constitutional party of the U.S.A., and what President Franklin Roosevelt denounced as the American Tory party.

It must also be recognized, that the rise of the U.S.A. to a status of being, for a time, the only power in the world at large, in 1945, was chiefly a result of those continuing failures of the combined imperial British monarchy and continental Europe which are associated with the two so-called "world wars" of the 1894-1945 period. The combination of the Prince of Wales and later King, Edward VII; the follies of the cabal assembled around Clemenceau; and each emperor—of Germany, Austria, Russia—a bigger, worse fool than the other; and the role of British-allied Japan in launching war against China, Korea, and Russia; reflected an organic rottenness at the top-most level of European political society which set into motion the succession of wars of the 1894-1945 interval, from which Europe has not recovered to the present day. It is precisely the type of intellectual bankruptcy which brought about Europe's and Japan's self-destruction during that interval, which has come again to the surface in such instances as the attempted ICC coup against the principle of the sovereign nation-state.

To focus upon Europe itself, for the moment, the rottenness which misled Europe into the wars of the 1894-1945 interval, was chiefly the failure of Europe to free itself of the legacy of ancient imperial Rome and its feudal aftermath. Inside Europe, the relevant conflict has been expressed chiefly as recurring struggle for supremacy between a Romantic and a Classical tradition. The United States' Constitution, for example, is chiefly the product of the European Classical tradition, as marked by the Fifteenth-Century Renaissance, the Treaty of Westphalia, the leading influence of Gottfried Leibniz during his adult lifetime and later, and the great Classical movement of J.S. Bach, Lessing, Mendelssohn, Gauss, Mozart, Beethoven, Schiller, Lazare Carnot, Scharnhorst, Gauss, the Humboldts, et al.

The relics of the Caesar tradition such as the Habsburg reign, the British monarchy, the German Kaiser, and Russian Czar, and the tradition of Louis XIV, Napoleon Bonaparte, Napoleon III in France, are typical of the top-down and other influences of the Romantic tradition which led Japan and Europe into the series of devastating wars of the 1894-1945 interval.

Within the mainstream of European Romanticism, a special variety, called empiricism, was introduced to the Netherlands, England, and elsewhere by the sometime de facto lord of Venice, Paolo Sarpi. This influence was expressed, most notably, in the political form of the Anglo-Dutch philosophical liberalism. The most typical of these liberals are John Locke and the radical utopian key figure of the British Foreign Office, Jeremy Bentham. The imprint of Locke and Bentham is the most characteristic expression of what might pass for a philosophy of law within the overriding Romantic characteristics of the Rome Statute as presented.

Meanwhile, inside the U.S.A. itself, the most extremely objectionable developments within the practice of domestic and foreign policies of practice, are typified by the ugly spectacle of U.S. Associate Justice Antonin Scalia, who typifies a current in U.S. law into a radically positivist, even dictionary-nominalist version of Locke. The combined effect, radiating from Scalia and his like, is a fascist degeneration in law worse than that associated with the legacies of Hegel, Savigny, and Carl Schmitt in the emergence of the Hitler dictatorship in Germany.

Today, the root cause of the objectionable roles by the U.S.A., is the spread of the types of corrupting liberal and other Romantic influences which I have referenced here, from the British monarchy and continental Europe, into the Americas. Since the 1689 suppression of the constitution of the Massachusetts Bay Colony by the liberal tyranny of the East India Company's William of Orange, and, most notably, since the 1763 division of the North American population between patriots and American Tories, all those impulses contrary to the intent of the leading founders of the republic, including slavery, were imported afflictions imposed by the British monarchy and such as drug-trafficking Britain's slave-trading lackey, the Spanish monarchy.

It is from those same European Romantic and liberal influences, that every justly objectionable practice of the U.S.A. has obtained its motivation. The kind of argument in law, prevalent in the frankly utopian Rome Statute, is itself an expression of the same philosophy of law which Europeans and others have sought to introduce, contrary to the intent of the Constitution of the U.S.A.

## 2. The Fate of the Rome Statute

A world which might seek to implement the Rome Statute, is a world whose governments have lost the moral fitness to survive the perilous state of global affairs into which civilization as a whole is being plunged today.

The "crash" of the present world-monetary-financial system is imminent. Conditions, inside the U.S.A. itself and around the world, have entered a state of accelerating turbulence which must be brought to an end, very soon, one way or another. Among literate circles, only a few idiots, here and there, actually believe in a prospective recovery of this world system in its present form.

There will never be a recovery of the present world monetary-financial system in its present form. Any attempt to enforce collection of present accumulations of nominal debts, would ensure a relatively immediate collapse of the entire planet into a chain-reaction-like plunge into a New Dark Age far worse than the Lombard-banking-driven New Dark Age of Europe's Fourteenth Century, and comparable to, or far worse than the Dark Age of Europe created by the inevitable downfall of the rotten Roman Empire.

Already, the amount of debt-service required, to roll over the existing mass of world debt, exceeds the allowable margin of deductions from total output of the world's economy as a whole. Most of the financial debt of nations and their essential banking and other institutions must be summarily cancelled, or frozen, if a plunge into a Dark Age is to be avoided. If that decision is not implemented, civilization will have failed to muster the moral fitness to survive.

In the event that nations are sane, that debt-cancellation, that reorganization will occur, both within nations, and among nations. The organization of a recovery will depend upon reversing promptly recent decades' trends toward deregulation and globalization. Only an earlier and most emphatic return to the standards of sovereign nation-state regulation of economy, could rescue mankind from an otherwise inevitable debacle.

As I have had occasion to explain, repeatedly, on sundry recent occasions, the relevant English-speaking powers behind the present intent to launch a war of virtual extermination against Islam, reflect the intent of certifiable creatures such as Bernard Lewis, Zbigniew Brzezinski, Samuel P. Huntington, and others, to exploit the aftermath of the collapse of the Soviet system, to establish an English-speaking new Roman Empire worldwide. There is a notable element of farce in those intentions. The Romans launched their empire at the height of their power; today's utopian fools are committed fatally to launch a new Roman Empire at the fag-end of its existence.

Therefore, the danger in each of sundry attempts at imperial globalization, such as the ICC project, is doomed to be buried soon in its own ashes, one way or another. Were the attempt successful, only temporarily, it would carry all civilization

into those ashes with it.

The Rome Statute will therefore either die quietly amid the growing contempt it deserves, or it will end soon like Belshazzar's Feast.

***FLASH!***

## **The Real Corruption: McCain and Lieberman**

**by Lyndon H. LaRouche, Jr. — Sunday, July 14, 2002**

The biggest scandal you have seen so far, is about to explode in the nation's face. It is all about Senator John McCain's financial and political connections to both the giant organized-crime apparatus centered in Arizona, and to Senator Joseph Lieberman.

Don't be fooled again. Today's everyday financial swindles, such as those of Enron, Harken, Halliburton, and both the major accounting firms and most leading economic forecasters, are typical of the same tradition of giant financial scandals which swept President Herbert Hoover out of office back in 1932.

The deadly danger is, that the "Bull Moose" third-party apparatus being organized out of the Washington, D.C. Hudson Institute might be able to use the scandals against President Bush to create a kind of Jacobin Terror control of both the Republican and Democratic Party machines, and the U.S. Congress, too.

Clear your heads. Ever since Paul Volcker and his successor Alan Greenspan ran the United States, top-down, from the office of Chairman of the Federal Reserve, scandals like those involving the Keating Five have become typical of the way both Washington, D.C. and corporate America and its banks, mutual funds, and leading accounting firms have been run. The attempt to control the U.S.A., the political parties, and its foreign policy by the organized-crime links to McCain and Lieberman, is something else.

The crucial facts of the McCain and Lieberman corruption are already established facts, on the record.

McCain and Lieberman are not only backed by some of the vilest organized-crime networks in America. That pair are the leading proponents of the mass-murderous, Brzezinski-Huntington "Chessboard"/"Clash of Civilizations" policy, through the McCain front-organization centered in the Washington, D.C. office of the Hudson Institute. Recently, Hudson sponsored a Senate symposium, at which they called for a major destabilization of the Saudi royal family, and a U.S. military occupation of the Saudi oil fields. This same Hudson Washington, D.C. office also houses the whole McCain third party "Bull Moose" operation, through the person of Marshall Whitman, a former operative of the Temple Mount fanatical "fundy," Rev. "Diamond" Pat Robertson.

In the Feb. 4, 2002 edition of the *New Yorker* magazine, the filthy McCain-Lieberman blackmail game against President Bush was spelled out: If Bush fails to back Ariel Sharon, overthrow Saddam Hussein, and take other steps guaranteed to launch a global war, McCain will run as the third-party spoiler candidate, in a replay of the 1912 Teddy Roosevelt, Bull Moose Party-organized defeat of President William Howard Taft, and the installation of a notorious Ku Klux Klan fanatic, Woodrow Wilson, in the White House. The facts behind that *New Yorker* story check out, and much more besides.

Even a cursory look at the Arizona apparatus that installed John McCain in the U.S. Congress and Senate, makes it clear that the man sometimes rumored to be deserving of the name "Manchurian Candidate," may also be kooky, but he is, essentially, just a front for organized crime. McCain married into the Sam Bronfman-created Arizona mob, which has run the state, top-down and bottom-up, since Prohibition. Kemper Marley, the man designated by Sam Bronfman as the whiskey king of the Southwest, put McCain's father-in-law in the beer distribution business, and that business is now the source of McCain's several-hundred-million-dollar fortune—the basis of his entire political career.

No wonder McCain was one of the "Keating Five," the members of Congress who were implicated in the Michael Milken late-1980s junk-bond swindles. No wonder McCain is in bed with the Emprise/Sports Services mob first exposed in the book *Dope, Inc.*

A pivotal element in the McCain and Lieberman criminal nexus is the Indian gambling casinos that dot the landscape of both Arizona, and particularly of Connecticut. McCain's so-called campaign finance reform bill, which banned "soft money," allowed one crucial exemption: Indian gaming. Take the wealth of the Indians' real estate, and give those Esaus the pottage of disease-infected blankets and whiskey in return. If they can't find an actual Indian, inventing a fake tribe may serve the same purpose.

That is only the beginning. There is a lot more.

The bottom line: It is urgent that the Democratic Party emerge, under new leadership, in the continuing tradition of FDR, JFK, and Lyndon LaRouche, as the legitimate focal point of opposition to the foolish wars which McCain and Lieberman are doing so much to blackmail the Bush Administration into fighting.

For this to happen, the McCain-Lieberman corrupt blackmail operation must be exposed. I promise you; it will be thoroughly exposed, as we move to take the Democratic Party of Franklin Roosevelt back, for the sake of our republic, its people, and the world.

I will do my job. If you also do yours, we could save this nation from something awful.

## U.S. ECONOMIC/FINANCIAL NEWS

### Wheat Crop Could Be Worst in Quarter-Century

The U.S. wheat crop for 2002 is expected to be the worst in 25 years, and the Canadian crop will likewise be markedly down, due to the extreme drought in North America, according to a new *EIR* study. The area harvested in the United States this year for winter wheat is estimated to be only 29.8 million acres (12.06 million hectares)—the same amount as in 1917! Farmers have abandoned large amounts of sown land, because of drought and related pests and disease. Estimates now put the total U.S. wheat harvest (all types) this year at around 1.79 billion bushels (48.9 million metric tons), about the same as in 1974, and way down from the 64-million-ton levels of recent yearly harvests. Western Canada could potentially harvest 19.7 million metric tons of wheat, down from the five-year average of 23.3 million tons, which itself has been declining.

In terms of world trade in basic foodstuffs, the United States and Canada are major sources of wheat supplies—now severely contracted. Australia's wheat output next season is also expected to drop. Argentina is in turmoil. Only Europe—principally France—expects a good harvest. Overall, world wheat stocks are way down.

Meanwhile, speculation in wheat futures is exploding. On the Kansas City Board of Trade, on July 10, the most actively



traded wheat futures contract hit \$3.475 a bushel, up 3.75 cents during the day; the same contract at the end of June, was at the \$3.15 level. This is dramatic, because July should be, in a typical year, the period of the *lowest futures prices* for wheat, because it is harvest time (winter wheat is planted in the fall, and harvested in early summer).

## 'Hedonic Index' Shows U.S. Industrial Growth Was 'Myth'

Two-thirds of U.S. "industrial growth," between 1995 and 2000, is attributed to the growth in "high-tech goods," adjusted by the so-called "hedonic index," the London *Observer's* economics reporter Faisal Islam wrote July 7, under the headline, "Myth of American Boom Is Banished by the Fall," which says that "An overdue reassessment of the boom years of the late 1990s has been forced on economists."

One thing most in need of reassessment, he writes, is the alleged growth of U.S. production, and the use of the "hedonic index" in producing that "growth." The hedonic index is a special form of the Quality Adjustment Method (QAM), or sometimes called Quality Adjustment Index (QAI). The hedonic index was used by the U.S. Department of Commerce, in part, to boost U.S. GDP growth during the first quarter of 2002 to an artificial 6.1%.

The *Observer's* Islam summarizes a recent paper by Northwestern University economist Robert Gordon, exposing the fraud. "High-tech goods, semiconductors, computers, and LAN [local area network] networking equipment represent less than 8% of U.S. manufacturing output, but, adjusted for advances in quality [that is, use of the hedonic index], their annual production rose at an annual rate of around 50%—accounting for two-thirds of the rise in U.S. industrial production between 1995 and 2000."

This could certainly make it more difficult—perhaps impossible—for, say, Al Gore or Joe Lieberman to run for President in 2004 touting the "prosperity" of the 1990s and their "New Economy."

## Telecom Meltdown Continues

**Worldcom** will not pay a 60-cent-per-share dividend on its MCI stock July 15, as expected, saving the nation's second-largest long-distance phone company \$72 million, as it faces \$80 million in interest payments due next week.

A decision on whether to file for bankruptcy protection, or other financial reorganization, will be made within three weeks, after completing talks to get \$3 billion in financing, said CEO John Sidgmore.

**Sprint** will eliminate about 1,200 jobs in its global markets group over the next several weeks, and will decommission certain high-speed data platforms in some cities, as the third-largest U.S. long-distance phone company makes an effort to cut costs.

## Wall Street's 'Divestiture Anxiety': A Depression of Another Kind

Which "depression" is worse? The economic mudslide, or the psychotic state of Wall Street traders seeking professional help to overcome their "divestiture anxiety"? These days, psychiatrists are counselling traders whose "self-esteem" goes up and down with the Nasdaq, or who experience anxiety every time they have to sell a holding. And then, there is the former hedge-fund manager who describes the "serotonin effect" of Prozac and other mood-altering drugs.

A front-page article in the *New York Times* July 7 revealed that behind the blowout of the "New Economy" bubble, is a sad tale of investors who seem to have lost their grip. Headlined, "Portfolios Depressed, Traders Seek Therapy," the article, by writer Alessandra Stanley, notes that, while psychologists are not new to company boardrooms or trading floors, "the use

of psychotherapy by market professionals to find their inner trader ... is something else."

One trend in psychotherapy is "wealth therapy." Psychologists like Suze Ormond (*The Courage To Be Rich*), "helps clients cope emotionally and practically with windfall wealth."

Another phenomenon described by "behavioral economists" is "the endowment effect"—"the tendency of investors to endow stock they own with more value than it has. (A variation on the old Neopolitan saying, 'Even a cockroach is beautiful to its mother.')

And then, there is the role of drugs: James J. Cramer, author of *Confessions of a Street Addict*, admits: "One reason the investor class, including me, missed the downside was serotonin," he reveals. Prozac and other mood-altering drugs of choice suppress "end of the world" thoughts, Cramer explained. "Which means you are not as anxious as you should be about an obvious downside."

One money therapist, Richard Trachtman, "helps clients uncover their deep-rooted taboos about money." Another, John Jacobs, who "has also developed expertise in wealth issues," frets that some patients, "whose self-esteem rises and falls with the Nasdaq or Dow ... have no ability to appreciate that they are still very rich," even after a 40% drop in their holdings.

But, before you are tempted to feel sorry for them, consider the case of one patient, "who was worth \$800 million and ended up worth only \$20 million." His therapist worried that "that did make a huge difference in his life." Although, the doctor mused, "It wasn't all bad. He found out who his real friends are."

## WORLD ECONOMIC NEWS

### Global Stocks Markets Sink to Post-Sept. 11 Levels

Both the Dow Jones Industrial Average and the Standard & Poor's 500 Index last week skidded into the biggest slump since the first trading week after Sept. 11. After declining every single day of the week, the Dow plummeted 7.4%, while the S&P 500 dropped 6.8%, and the Nasdaq continued its long-term slide, losing 5.2%. Since March 2000, the total market value of U.S. stocks has crashed from \$17 trillion to \$10 trillion; that is, \$7 trillion in paper value—equivalent to four times the annual GDP of Germany—has been wiped out. U.S. stock-market losses this year amount to about \$2.3 trillion—so far.

The Dow Jones Stoxx 50 index of the 50 largest European corporations dropped 8.6% for the week, the biggest weekly decline since the week of Sept. 11. The German DAX index slumped 7.8%. The German Nemax-50 reached a new all-time low, 94% below its March 2000 peak. The French CAC fell to a three-and-one-half-year low. Britain's FT-SE 100 Index posted its biggest weekly decline since the global stock-market crash in October 1987. Unlike the crash of October 1987, these losses do not follow a period of stock-market rallies, but come on top of an almost uninterrupted 28-month market crash.

Indicating the mood in the markets, is the public admission by the London Stock Exchange on July 12, that it will sell all the stocks held by its pension scheme. Chairman Don Cruickshank expressed that he was making this decision "rather sadly," but that he doesn't expect "any immediate improvement in market conditions."

### French National Interests Move To Control Vivendi

In the last couple of weeks, in an effort to save whatever is real in the Vivendi Universal empire, French President Jacques Chirac and his political allies have moved in to try to take control of the company and to save what is strategic.

*Jean-Marie Messier* was forced to resign as company president by three men who are very close to Chirac: Claude Bebear, head of the world's number two insurance company, who will head a financial committee; Henri Lachman, named to head a strategic committee; and Jacques Frydman, a very old friend of Chirac who was already part of the Vivendi administration council.

*Jean-René Fourtou*, a close collaborator of these men, replaced Messier at the head of Vivendi.

The banks that had previously refused to refinance Vivendi's debt have now announced their readiness to step in: George Pebereau, head of BNP-Paribas, declared that "there is no insolvency crisis at Vivendi," and that the creditor banks will be extending a 1-billion-euro credit line to ensure the cash flow of the company.

In the meantime, stock-exchange agents have mounted an important propaganda effort promote the stock, which is rising at this point. Nothing is solved, however, because the company has a whopping 34-billion-euro net debt. In fact, the only solution for Vivendi will be selling off all its major assets, and a refinancing, which will be paid for, in the last resort, by the taxpayer. French and American counterparts will try to come up with a deal in the weeks ahead.

*Le Figaro Economy* reported July 3 that Messier managed to escape a blackmail threat emanating from the French branch of the Bronfman family—not, however, without the DST (French counterespionage) becoming involved.

In *Le Point* July 5, Messier, responding to a question on who was out to get him, answered, "I think of those ... [who] use the methods of the bootleggers. Charles Bronfman, if one has to name him."

### **BIS Warns Against Debt, New Stock Market Declines**

In its new annual report, issued July 8, the Bank for International Settlements (BIS) notes that "Household and corporate debt levels in a number of English-speaking countries seem very high when measured against disposable income and cashflow, respectively." Surging mortgage borrowing and, in particular, remortgaging, have contributed to the surge in private household debt. At the moment, says the BIS, debt servicing costs "still seem manageable" as interest rates are at, or close to, historic lows. However, the ability to maintain debt service would deteriorate "were interest rates to rise back to more usual levels." Therefore, "in contemplating when and how to raise interest rates," central bankers have to take into account "the possible fragility of household balance sheets."

Furthermore, the BIS emphasizes, despite the stock-market crashes of the recent two years, stock prices are still "exceptionally high," if compared to corporate profits (which have fallen even faster). Therefore, there is much room for additional heavy stock-market losses.

### **Merrill Lynch Warns of '89-Style Crash in UK Housing Bubble**

Home prices in Great Britain, which saw a highly speculative increase of 15% last year, will not climb further, but instead see a correction, next year at the latest, according to the *Evening Standard* and other press July 13.

"It could be 10%, and it could be a lot worse than that. But it is impossible to say how much worse," Mark Hake of Merrill Lynch is quoted as warning. A 1989-style crash could be looming, or something even worse.

A crash in the housing market would cause an instant disaster in the mortgage sector, as the record borrowings by homeowners in the recent period, have been based on the illusion that ever-rising home prices will allow them to easily pay off the debt.

## **Ibero-American Economists 'in Shock' Over Speed of Disintegration**

Economists are "questioning all the regional policies of the 1990s," according to the Argentine daily *Clarín* July 8, in an article by Sebastian Campanario, reviewing anecdotes from Ibero-America that reflect the shock produced in the region by the speed of their fall from "the path to glory," to disintegration.

"It took Brazil only nine weeks for its country-risk to rise 1,000 basis points. The same process in Argentina took 11 months. There are already investment banks which believe that Brazil today is equivalent to Argentina of October 2001," *Clarín* wrote. (Argentina's financial system imploded in December 2001.) Financial analysts tell *Clarín* that for Brazil to shake off the specter of default, the government would have to raise its primary budget surplus (revenues over expenditures, before debt service) from the current 3.75% of GNP (already killing the economy) to 6%, which no one is insane enough even to try to do in an election year.

Among the "emerging markets," Ibero-America has become the butt of jokes. Among them: There were nothing but long faces at a London investment house, after England lost to Brazil in the World Cup quarter finals—except for one cubicle, from which cheers were erupting. The head of the firm turned to an aide: "That has to be our Latin American division. I thought we'd gotten rid of all of them last week. Find out who's left, and fire them immediately!"

The region suffered three serious crises in less than a decade: Per-capita income rose only 7% between 1980 and 2000, after rising 75% in the 20 years before. "Why did the hypotheses of the 1990s fail? Does the uncertainty of the last weeks mark the beginning of another long era of instability?" *Clarín* asks.

## **WorldCom Contagion: Embratel To Be Re-Nationalized?**

Brazil's *Tribuna da Imprensa* reports July 5 that, although there's no public talk, the Brazilian government is extremely worried about Embratel, the country's largest long-distance phone carrier, in which bankrupt WorldCom has held a controlling position since Brazil's national telecommunications company was privatized in 1997. No action will be taken until WorldCom's situation is more defined, but the government is "even" considering using the Telecommunications Law to "intervene" in the company. The collapse of Enron did not cause many problems with its Brazilian subsidiary, Elektro, which provides the power for São Paulo, because Elektro was in fairly good financial shape. That's not the case with Embratel, which has a "monstrous" debt of its own, and requires billions of dollars in various kinds of investment over the next years, if it wants to continue in the market.

## **Malaysia Central Bank Head Hits Orchestrated Attack on Currencies**

Bank Negara Malaysia Governor Tan Sri Dr. Zeti Akhtar Aziz disclosed in an interview with the July 6 *Asian Banker*, the scale of the 1997 attack on Asian economies, which led to Malaysia's decision to impose selective currency controls on Sept. 1, 1998, in defense of the Malaysian ringgit.

Dr. Zeti said she genuinely believed that after the collapse of the Thai baht in early July 1997, followed by the attack on the Filipino peso, the ringgit was next in line. She said Bank Negara was told by investment banks at that time, that there were orders to sell the Malaysian currency at different exchange rates by individual clients.

"For example," Dr. Zeti recalled, "an individual client had orders for U.S.\$200 million [U.S.\$1=RM3.8] at one level; U.S.\$300 million at one level—these were very large amounts compared to the average or normal transactions that take place during the stable periods. Normal transactions usually range from U.S.\$1 million to U.S.\$20 million each. At that point, I advised the government that we did not have the resources to face such an attack," she said. She said the authorities had all along wanted to zero in on the particular vulnerability of the offshore market in ringgit as a source of financing for speculative activity.

"There was no question in my mind that we should put in place some form of control that was, in fact, already in place in Singapore; that is, the restriction on lending of the domestic currency to non-residents. Singapore and Taiwan had it. The fact that we didn't have it led to the development of an offshore ringgit market, which was being used to finance speculative activity. This made us highly vulnerable," the Governor explained.

### **U.S. Accounting Firms Involved in 1997 Asia Crash**

Professor Wahyudi Prakarsa, of the prestigious University of Indonesia, criticized a statement issued by the chairman of Indonesia's Capital Market Supervisory Agency, in which the chairman expressed doubt that Indonesia could fall prey to the billion-dollar scams reported of late in the United States.

On the contrary, Prof. Prakarsa points out in the *Jakarta Post* July 11, such scams, involving some of the same U.S. accounting firms, were very much a part of the looting of Indonesia and its neighbors in 1997 and thereafter. In particular, he pointed to a current case involving 10 public accounting firms operating in Indonesia. The 10 firms had audited 37 banks before the 1997 financial crisis, and the audit results revealed that their financial performance was sound. However, as the hot-money financial bubble burst, with help from international speculator George Soros and company, the banks collapsed, and currencies, especially the rupiah, went into a death spiral. Government investigation subsequently showed that the 10 firms, including local representatives of Deloitte Touche, Nexia International, Arthur Andersen, and Grant Thornton, had been involved in accounting scams.

### **Chinese Press Increasingly Reflects Serious Financial Concerns**

The People's Bank of China has instituted an anti-money-laundering system, reflecting serious financial concerns on the part of the government. China, however, needs a "full range of coordinated" action to "combat money-laundering," the *People's Daily* said July 9, especially at a time when "money-laundering is rife across the world," the article reported. The *Daily* article is one of many recent reports in the Chinese press commenting on financial worries.

Money-laundering in China involves at least 200 billion yuan (\$25 billion) a year, about 2% of GDP. During 2000, the equivalent of \$30 billion in funds "evaporated," despite China's \$24-billion-trade surplus, and nearly \$40 billion in foreign investment. Serious corruption among financial and political officials is responsible for the problem, the *Daily* said.

The day before, an article focussed on flows of funds from China into the United States, much of it illegal capital flight.

### **Japan Times Warns of 'Trans-Pacific Economic Crisis'**

A commentary in the July 8 *Japan Times* approaches the reality of the world financial crisis which has been appearing in the establishment European press recently. Of special note is the open airing of the United States' vulnerability to a collapse of foreign investment.

The "recovery path" line about the U.S. and Japanese economies, the editorial states, "is now clouded increasingly by



falling U.S. stock prices. What's worrying is an apparent shift in investor behavior, with dire implications for international capital flows.

"The rout on Wall Street ... highlights the potential vulnerability of an economy hooked on a stock-market boom. Japan's problem is a glut of money created by years of rock-bottom interest rates. In the absence of real demand, that surplus money appears to be going nowhere....

"America's Achilles' heel is well known: its gargantuan appetite for consumption.... America is living on debt. Now, however, the fund influx is dwindling.... Foreign investors are fleeing the U.S. market.

"A crisis of confidence is all too apparent.... Under scrutiny is the very strategy of American corporations' lifting their earnings on the back of rising stocks.... American consumers, not consummate savers like Japanese, are feeling the effects of the stock market jitters.... Now the nightmare of 'twin deficits'—trade and budget deficits—is back.

"America's grim economic prospects are casting a shadow over Japan's economic future as well.... But policymakers on both sides of the Pacific appear to lack a sense of crisis. Apparently they believe that the decline of confidence in the stock market and its impact on the real economy are temporary and limited....

"If there is a lesson U.S. officials can learn from Tokyo, it is that failure to take drastic action to clean up the post-bubble mess will spell more trouble."

## UNITED STATES NEWS DIGEST

### Brawl in Congress Over Homeland Security Reorganization

According to the *Congress Daily* of July 10, leading Democrats in the House of Representatives, who had been trying to "out-Bush Bush" on the issue of Homeland Security, are now becoming critical of the proposed departmental reorganization, trying to slow down passage of the White House proposal.

*Congress Daily* reports that senior House Democrats including Government Reform Committee ranking member Henry Waxman (Calif), Appropriations ranking member David Obey (D-Wisc), and Energy and Commerce ranking member John Dingell (Mich) are objecting to the Homeland Security proposal, which their committees took up starting July 11.

The *Daily* says their objections signal more turbulence in Congress than had been expected, with Waxman and Obey even sending the Administration a 34-page letter outlining their objections, which ranged from costs and coordination, to how the proposal was developed, to how much oversight Congress would have, and how Federal employees would be treated.

They noted that the Defense Department wasn't created until after World War II was over (although, of course, during World War II there was the War Department), and complained that the proposal was developed in secret by a small group of White House advisers, and is being rushed through Congress on an accelerated schedule.

Democrats say House Dem leaders Dick Gephardt, Nancy Pelosi, and Martin Frost generally support these sentiments. The House Special Select Committee on Homeland Security is planning to hold a series of hearings next week to solicit testimony from Homeland Security director Tom Ridge and the chairmen and ranking members of standing committees with jurisdiction over Homeland Security.

Meanwhile, House Republicans too are criticizing aspects of the proposal; for example, the House Judiciary Committee voted against putting the Secret Service in the Department of Homeland Security (DHS); voted in favor of splitting the Immigration and Naturalization Service in two parts and not putting it intact into the DHS as Bush wants; and voted for not putting FEMA under the DHS.

These are not binding votes, but they go as recommendations to a new House Select Committee, chaired by Dick Armey, which took testimony from Cabinet members July 11, and Committee chairmen next week, before drawing up final legislation for passage by the House.

### **Congressional Probe of Sept. 11 Intelligence Failures Finds No 'Smoking Gun'**

The House-Senate Intelligence Committees, after six months of reviewing intelligence files and closed-door hearings, have uncovered no single piece of information that would have prevented the attacks of Sept. 11, according to an article July 11 in the *Washington Post*. And panel members have concluded that, at present, there are no critically damaging disclosures to come, which would hurt the Bush Administration or the intelligence community—no doubt disappointing Congressional Democrats like Joe Lieberman and "Bull Moosers" like John McCain, who had hoped to be able to go after the Administration on this.

Democratic Party Presidential pre-candidate Lyndon LaRouche had weeks ago assessed that President Bush was not covering up on this matter, and had had no pre-Sept. 11 indications of what was about to happen, which LaRouche has all along characterized as a Utopian-run coup attempt from within the United States against the Bush Administration.

Now LaRouche has been proven right. "As far as I know, there is no smoking gun," Democratic Senator Evan Bayh (Ind), a member of the Senate Select Committee on Intelligence, told the *Washington Post*.

The probe's focus has shifted to identifying and fixing more systemic weaknesses within the nation's intelligence system.

"I hope we're in the process of shifting from a place where people were looking to assign blame and instead focussing on systemic problems and improvements," Bayh said.

### **State, Local Govt. Pension Funds Vulnerable to Blowout**

A U.S. Commerce Department news release July 11 reveals that state and local government employee retirement funds investments were 75% invested in "non-governmental securities," in fiscal year 2001. This category includes: corporate bonds and stocks, mortgages, and foreign and international investments. Of these categories, over half the retirement funds are invested in the corporate categories, i.e., 35.8% in corporate stocks, and 17.6% in corporate bonds, making them extremely vulnerable to the kind of bubble blowout now in progress.

### **U.S. Machine Tool Consumption Still Way Behind Last Year**

In May 2002, U.S. industry consumed \$185.7 million worth of machine tools, which represents an increase from April's level of \$172.3 million, according to the American Machine Tool Distributors Association. But, it must be remembered that U.S. industry's machine tool consumption for April represented one of the lowest levels in a decade. More accurately, comparison of U.S. machine tool consumption for the first five months of 2002, at \$868.5 million, to consumption for the first five months of 2001, at \$1,260.3 million, represents a steep fall of 31.1%.

Machine tool production closely parallels machine tool consumption. This fall during the first five months of 2002,

strikingly confirms Lyndon LaRouche's assertion that no recovery exists.

U.S. machine tool consumption in 2001 was already in a depression, at only half the level of 1997, and the first five months of 2002 are 31.1% below the first five months of 2001. Machine tools incorporate into their design the most advanced scientific conceptions, and by transmitting them, increase the scientific productivity of the economy.

### **McCain, Lieberman—in the Spotlight, and on the Hot Seat**

Senators John McCain (R-Ariz) and Joe Lieberman (D-Conn) were both put in the spotlight in the July 14 coverage of the political ramifications of the stock market crash, and corporate corruption scandals (for LaRouche's assessment of this corrupt Senatorial duo, see FLASH!).

The *New York Times* noted in news coverage July 14, and in a separate article devoted to Lieberman alone, that the Connecticut Senator is in a "tough spot," because he has stressed the need to be "pro-business," avoid "class warfare," and so forth. In this regard, Lieberman has opposed tighter accounting rules regarding stock options (i.e., making corporations count them as liabilities), and has supported restrictions on lawsuits against management and accountants.

"Lieberman's Pro-Business Views May Haunt Him," is the title of the *Times* article, and it features some quotes from an interview with a very defensive Lieberman, who said he is "proud to consider myself a pro-business Democrat," and that he is outraged at "greedy individuals." Lieberman, who is, the column points out, a big recipient of funds from business, and is seriously considering a 2004 run for President, has been forced to shift his view to one closer to McCain's on some issues, such as top corporate executives' ability to sell stock options.

McCain, on the other hand, has been grandstanding non-stop on the issue of corporate corruption, making demands that SEC chairman Harvey Pitt resign, supporting the Sarbanes bill on accounting, which toughens penalties on corporate offenders, and the like. (Note LaRouche's assertion that it is no accident McCain was one of the corrupt Keating Five.)

In regard to McCain's showboating, the *New York Times*, in its lead feature in The Week in Review, entitled "Is Today's New Investor Tomorrow's New Populist?," concludes with a section on McCain, the "seeming wild card," who has tried to capitalize on the latest scandals. The *Times* author compares the mood to that of the late 19th century's William Jennings Bryan (a failed Presidential candidate himself). The article is accompanied by a small vignette about Teddy Roosevelt's "Bull Moose" spoiler campaign in 1912—and how much at odds George W. Bush (who claims TR as a model) is with Teddy.

And finally, in the *New York Post* gossip column, the lead item cites "political insiders" in Arizona and Washington, saying McCain will not run for a fourth term in the Senate in 2004, but for President, as an independent. McCain's staff has attributed the story to his enemies, and says he will announce his decision after the November 2002 elections.

### **Fight Shapes Up Over Feinstein Amendment To Regulate Energy and Metals-Trading Derivatives**

Stymied in her attempt to get her amendment regulating electronically traded energy derivatives passed as an amendment to the Senate Energy Bill, Sen. Dianne Feinstein (D-Calif) is attempting to amend it to the Sarbanes corporate accounting fraud bill. Leading free-trade Republicans such as Sen. Richard Lugar (R-Ind) and Sen. Fitzgerald (R-Ill), whose state is home to the Board of Trade and the Mercantile Exchange, stressed the urgency of supporting the bill to restore confidence in the markets, while acknowledging the banking community is in high gear to stop the bill.

The amendment would restore the authority of the Commodity Futures Trading Commission to regulate on-line energy and



metals trading, which was eliminated in the Commodity Futures Modernization Act of 2000, by Sen. Phil Gramm and all his colleagues from both parties on Capitol Hill.

Randall Dodd, Director of the Derivatives Study Center at Economic Strategy Institute, testified that the dollar value of Enron's derivatives book for year-end 2000 included \$758 billion in energy derivatives and \$16 billion in interest rate and foreign-exchange derivatives. The sum of Duke, Dynegy, Williams, El Paso, and others' derivatives trading is 10 times the amount of final energy use.

Feinstein testified that "round-trip" or wash trades made on the unregulated Inter-Continental Exchange (ICE), an electronic trading facility, were a major cause of the California energy crisis of 2000-2001.

## **New York City, Region on Edge of Power Outages This Summer**

According to the July 12 *New York Times*, the forecasters who figured that losing 90 Megawatts of electricity demand in Lower Manhattan, with the loss of the World Trade Center, would mean that Con Edison could make it through the summer with adequate electricity supplies, are now warning that even that hasn't stopped the risk of brownouts and blackouts this summer.

While the multi-day heat wave around July 4 did push up demand, and put additional strain on equipment, that is not an unusual condition for summer, nor should it be the excuse for shortages and delivery problems. Thanks to deregulation, and the past decade's threat of deregulation, generation and transmission equipment has not been adequately maintained or replaced. Redundancy to maintain reliability, does not exist. Aging equipment, in both generation and underground transmission lines, leads to an increased incidence of breakdown when any strain, such as heat, is put on the system.

Last week there were blackouts on Fire Island, when three transmission lines went out of service at the same time, and near-blackouts when a fire knocked out a transmission line in Yonkers. In eastern Connecticut, 12,000 customers lost power last week, when a substation transformer overloaded. Con Edison says brownouts are "likely" over the summer, and that there could be a major blackout if there is a significant equipment failure. A spokesman for the New York Independent System Operator stated simply, "We're skating on the edge."

It is estimated that New York State will need over 7,000 additional Megawatts of electric capacity by 2005. Only two new plants have been approved, and neither is in New York City or Long Island, which cannot import any more power due to transmission constraints.

## **California Hit With Power Emergency**

As temperatures topped 100 degrees, and generating plants shut down, a Stage 1 alert was declared by the California Independent System Operator (ISO) July 9-10, as the ISO was forced to scramble to purchase power from neighboring states, and demand conservation by California residents. There were no blackouts, but prices zoomed to the highest level of the year.

This was the first Stage 1 emergency since July 3, 2001 (a Stage 1 alert means that many businesses which had applied for lower rates must voluntarily curtail usage). The *Los Angeles Times* reports that an unexpectedly large amount of generating capacity was down on July 9, more than twice the usual amount.

On July 10, California had a Stage 2 power alert, coming close to brownouts in some sections of the state. Governor Gray Davis said that, had the weather been this hot last summer, the state would have suffered through repeated blackouts.

## **Ross Perot To Be Grilled on California Energy Manipulations**

According to a July 10 wire from the Associated Press, zillionaire businessman and former Presidential candidate Ross Perot is set to be grilled by California State Senators on the energy deregulation that hit the state, and its effects. "Even before California's deregulated energy market opened for business, employees with Perot Systems, the company that developed software for the market, understood how to game the system for higher profits, a state senator said documents show," according to the AP story.

State Senator Joe Dunn and others planned to grill Perot Systems founder and chairman H. Ross Perot, who was asked by the Senate Select Committee to Investigate Price Manipulation of the Wholesale Energy Market to discuss his company's role in creating software for the California Independent System Operator, which runs much of the state's power grid.

AP reported that the Committee was especially interested in Perot's defense of "the marketing of the flaws in the system to market participants," Dunn said. Perot will address a July 22 hearing of the House Subcommittee on Energy Policy, Natural Resources and Regulatory Affairs.

Apparently, the Senate became interested in Perot when documents subpoenaed from Reliant Energy in connection with the investigation of California's energy crisis, included a Perot Systems sales pitch to Reliant that identified "holes" in the California energy market that "allowed strategies that would destabilize the market"—essentially, a handbook to "gaming" the market.

## **'The LaRouche Show' Debuts on Internet**

On July 13, "The LaRouche Show," a one-hour radio webcast, made its debut on the Internet at [www.larouchepub.com](http://www.larouchepub.com), featuring Harley Schlanger, the Western States spokesman for the LaRouche Presidential campaign. The show, hosted by *EIR* Counterintelligence co-director Michele Steinberg, airs at 3:00 p.m. Eastern Daylight Time.

## **IBERO-AMERICAN NEWS DIGEST**

### **LaRouche Campaign Pamphlet To Feature Brazil Trip**

The campaign committee for Lyndon LaRouche, U.S. Presidential pre-candidate for the 2004 Democratic Party nomination, will be releasing the next in a series of "Crisis Pamphlets," which series began with publication of LaRouche's radio interview on the morning of Sept. 11, 2001. The latest pamphlet will cover LaRouche's strategic interventions in the global crisis, as reflected in his recent visits to Abu Dhabi in the United Arab Emirates, Brazil, and Rome, Italy.

In the weeks since LaRouche's visit to Brazil, his warnings about the financial and economic collapse of the United States have become a *visible* reality, confirming, as LaRouche warned, that the Argentina crisis was not an Argentine phenomenon, but a manifestation of the global collapse. The following excerpt of LaRouche's June 11 speech before the Alumni Association of the Superior War College of Sao Paulo, Brazil, appears in the forthcoming LaRouche campaign pamphlet:

"The area on which I shall speak today is the one that's assigned to me, is the question of the global crisis, and the end of free trade. However, I shall focus this, by attention to a concept which I say is a new case for the application of the principle of strategic defense; which applies not only to military principles of strategic defense, but also applies to the defense of nations, economies, and systems....

"Now first, I can say that, just as a matter of preliminaries ... there are some people who do not yet believe that the present world financial system, the monetary-financial system, is doomed. Because there's a tendency, which has two aspects to it: One is fear, as such; and the other is conditioning, which causes people to *deny* the existence of a problem which their intelligence would tell them exists...

"We are now at a point that the existing definitions, axioms, and postulates of the system which has increasingly ruled the entire world, for the past 35 years, have now demonstrated themselves to be a catastrophic failure. And for reasons I shall indicate, we are now at the point, where we can not expect this system to last, in its present form, for longer than a few months. It might not even last another week. But we're talking about a few months as the outside possibility for the continuation of the present world system, and that means the United States, as much as any other country in the world. Do not think that Argentina and the United States are in conditions much dissimilar from one another. Argentina is a dependent country, and therefore takes the brunt of what is imposed upon it by greater powers, such as the IMF. But, underneath it all, the United States is afflicted with the same disease as Argentina, and it can be brought down by it. That might not take more than a few months before that process unfolds.

"But, the problem is, that under these conditions, you can hear the possibilities of the Guns of August, once again, not far distant. The months of August, September, and early October, under these present financial-monetary conditions that I know, could be the outbreak of a new kind of global warfare, or spreading global warfare. Just as in the 1930s, and in the 1940s, a world financial crisis, which was partly solved by the United States, but not by other countries, led one country after the other, on the road to war, and it was merely a matter of time."

### **LaRouche Trip Rallies Ibero-American Patriots**

Following LaRouche's trip to Brazil, the President and Vice President of the Association of Retired and Laid-Off Workers of Petroperu, Carlos Repetto Grand and Federico Mena Lopez, sent Lyndon LaRouche a message, which read, in part:

"We have recently learned that on June 12, you—worthy Presidential candidate of the U.S. Democratic Party—were nominated for your relevant merits as honorary citizen of that megapolis which is Sao Paulo, Brazil, which delights us enormously. And thus we would like to offer you our sincerest congratulations for that merited award. Equally, we hope that in the next Presidential election, the American people, tired of their leaders' lack of imagination, will turn en masse to give you their vote, so that you can ascend to the highest post of the most powerful country in the world, and can put your grand ideas in all areas into practice, for the good of the planet Earth."

The greeting was sent in the name of the entire Association, which, they said, "identifie[s] with your frontal attack against that inhumane economic power which is devastating our planet, bringing hunger and misery to all, and making you, unquestionably, the providential man, the just man whom the Supreme Creator gives to our planet every century or so, to mitigate such suffering and to correct such misfortunes."

From Argentina came also a note from the President and Secretary of the Federation of Cooperatives of Corrientes, Ernesto Julio de Simone and Luis Alcides Rossi Querin, addressed to the LaRouche organizers of the Fifth "Brazil-Argentina: Moment of Truth" seminar, expressing their wish to have been able to be present personally.

The farm leaders sent "sincerest greetings to Mr. Lyndon LaRouche," adding, "May his presence in the brother country mark an extremely important step forward in consolidating the common undertaking for the recovery of the entire region, and of all of its peoples in particular, against the savage aggression currently directed by the internationals of power against the sovereign nation-states."

They offered their "firm adherence to this undertaking, in which we have participated with all of our forces from its inception. We hope to see this initiative crowned with the greatest of successes ... [to] extend ... to every corner of Argentina... so that the population can understand the necessity of the geopolitical and economic unity of our nations, and can expand this to all of Ibero-America."

### **Integration Projects High on Agenda of Second South American Summit**

On July 26, South America's Presidents will meet in Guayaquil, Ecuador for a followup summit to the first one, held in Brasilia, in August 2000. At the 2000 summit, coordination of many projects for South America's physical integration, and independent economic development was put into motion, and has quietly continued since then. Real economic development will be top on the agenda again, when they meet on July 26, judging from statements by Brazilian President Fernando Henrique Cardoso and Bolivian President Jorge Quiroga, before and during the just-completed Mercosur summit (see below). In the context of the global financial collapse, there could be some highly nonlinear results emerging from this conference.

During the Mercosur summit, Bolivian President Jorge Quiroga boldly stated that "we can manage with our own resources, without looking to Washington," going on to propose the creation of a South American Development Bank, which will be further analyzed on July 8, at a meeting of the Andean Community of Nations (CAN), and then formally presented to the July 26 Presidents' summit in Ecuador.

"Integration is unviable without the physical integration of our countries," Quiroga said in Buenos Aires. Quiroga emphasized that it is very important to have a regional institution able to provide credit to small countries, that "wouldn't depend on the agencies based in Washington." He referenced financing of highway construction to connect Bolivia with Peru, Brazil, Argentina and Paraguay "without having to go ... to international agencies, which are subject to all kinds of pressures...."

Completing this interesting picture are the statements made by Fernando Henrique Cardoso right before travelling to Buenos Aires, during a ceremony to inaugurate the Nova Piratininga thermoelectric plant in Sao Paulo. He stressed that his government is committed to the idea of the physical integration of the continent, noting that Brazil is involved in many different infrastructure projects, with Bolivia, Argentina, Paraguay, and Venezuela. He stated emphatically that the Guayaquil summit will be discussing how to integrate the continent's infrastructure, and ensure available credit for these projects. He also said that Ibero-American nations, including Mexico, are working together to formulate development policies. "We have a vision of a country, that is part of a region. Our national policy is not counterposed to a policy of Latin American integration."

### **Around the South American Continent: Chaos**

In the first two weeks of July, the economic and social conditions across Ibero-America were in crisis. Review the situation in the Andean countries alone:

\*Venezuela: Anywhere from 600,000 to over a million people marched in the capital, Caracas, on July 11, to demand President Hugo Chavez leave office, any way he can. The march—which stretched more than 20 blocks—took place without any major incident, despite widespread fears of a repeat of the shootings which occurred on April 11, and led to the temporary overthrow of Chavez. The protesters were not allowed to reach Miraflores, the Presidential seat. Chavez spent the day outside Caracas, on the military base in Maracay which played a key role in restoring him to power in April.

\*Bolivia: With the June 30 elections having produced no coalition capable of governing the country, the Presidential

candidate who came in second, coca grower leader Evo Morales, told Radio Centro of Ecuador on July 11, that there could be an armed insurrection in Bolivia, "at any moment." Asked if he would head up an armed insurrection, he answered that if he were chosen President, and if someone tried to stop him from taking office, there are forces "which are prepared for this ... but much will depend on the organizations." Morales has repeatedly threatened to organize protests to paralyze the country, should the legislature refuse to pass legislation brought by his party, the Movement Towards Socialism (MAS). He backs legislation to legalize the coca trade.

The election produced an impasse: former President Gonzalo Sanchez de Lozada won a mere 22.46% of the vote, followed by Morales, who took second place, with 20.94% of the vote, only 721 votes more than the party which placed third, the New Republican Force (FRN). Congress is constitutionally mandated to elect one of the two front-runners, when no candidate wins over 50% of the vote, but both the FRN and Revolutionary Left Movement (MIR) of Jaime Paz Zamora have announced that they will not vote for either frontrunner. It appears Sanchez de Lozada may be elected, by default, but with no political base of support to speak of in the Congress, or the country. The new President should be inaugurated Aug. 6.

\*Colombia: One day after the Bolivian transfer of power is to occur, President-elect Alvaro Uribe Velez is to take office in Colombia—that is, Aug. 7. However, he faces a situation in which the largest narcoterrorist force in South America, the FARC, defies him to show how his government, with its limited military forces and inadequate international support, can protect the lives of local authorities. The FARC delivered an ultimatum in June to all local officials—mayors, judges, prosecutors, city councilmen—to resign, or be murdered. On July 9, Colombia's Caracol television played an intercepted communication between FARC *Comandante* Raul Reyes—Richard Grasso's esteemed partner—and FARC military commander "Mono Jojoy," telling him that the ultimatum "has expired," in Reyes's words. "Those who have not resigned, have to be executed. This is a first-order task of the national policy of the FARC."

\*Peru: The Alejandro Toledo government is being overhauled after losing a showdown with various regional civic forces who opposed the government's privatization program. Foreign Minister Diego Garcia Sayan resigned July 8, triggering a cabinet crisis. Reports are that Wall Street's Pedro Pablo Kuczynski ("PPK") and Roberto Danino are being dumped from their posts as Economics and Prime Minister (respectively), to be replaced by a new team of more "leftie" Wall Street types, in a deal with former President Alan Garcia of APRA.

\*Ecuador: Indigenous leaders hailed coca trade legalizer Evo Morales's spectacular electoral gains in Bolivia, and said this shows that they can elect their own Morales.

## **Mercosur Summit Stuck to Failed Axioms—Nervously**

During the July 5 summit in Buenos Aires, Argentina, the seven Presidents of Mercosur—the Common Market of the South (Argentina, Uruguay, Paraguay, Brazil, associate members Chile and Bolivia, and invited guest Vicente Fox of Mexico)—insisted that each of their nations has a "different" crisis, and therefore a "common front" is not necessary. But even though no one spoke about breaking with the IMF, reality asserted itself in several ways. Reflecting this were references to the global, and specifically the U.S., economic crisis, and to George W. Bush's lack of interest in the region.

Of particular importance were remarks by Bolivian President Jorge Quiroga and Brazil's Fernando Henrique Cardoso, concerning economic integration, reported above.

In a July 5 press conference, following a meeting of all seven Presidents, President Cardoso said that "each country has its own specific problem; it's not necessary to propose a coalition to negotiate." But the final communiqué signed by all seven Presidents, declares that they analyzed "with concern the current state of the international economic and financial system, which has been one of the sources contributing to the instability of the region, making difficult the possibilities of a



sustainable economic development, with fairness and social justice." The communiqué expresses "solidarity with Argentina, a country in which ... these negative effects have reached the greatest gravity."

Finance Ministers and Central Bank presidents met separately for five hours, discussing the world financial crisis, and the region's susceptibility to "economic turbulence." In their communiqué, they called on multilateral lending agencies to help the nations of the region to "manage, in a timely fashion, adverse conjunctural situations."

### **Brazil President: Argentina Is A Nation, Not a Market**

Brazil's President Fernando Henrique Cardoso highlighted the failing U.S. economy at the Mercosur summit. On arriving in Buenos Aires July 4, he stated that "at this time, we're not the ones doing poorly; it's the entire world. The difficulties in the U.S. economy are visible, although this doesn't take anything away from the U.S." On July 5, he added, "The U.S. is not in an easy situation now. It has to face extremely delicate problems. If rating agencies were able to rate (as they do in our countries) what is going on there, I think that many American companies would be cut for sure. I'm not happy about this, because when the American or Japanese economy falls, we all suffer. I'm saying that with concern."

In the same July 5 press conference, Cardoso said pointedly, "Argentina is not a market, it is a nation—and you don't destroy nations." Chile's President Ricardo Lagos added that international lending agencies must act quickly. "It's not possible for Argentina to correct what [the IMF] is asking it to correct, and then later, new pressures are exerted."

### **Bush Administration Thug Sent to Ibero-America**

From July 7-12, Assistant Secretary of State Otto Reich paid a visit to Brazil, Argentina, and Uruguay. Reich, an Iran-Contra figure whose confirmation was only rammed through the Congress in a post-Sept. 11 frenzy, offered only aggressive repetitions that what is needed, is more "free trade and democracy." With the Presidents of South America openly deriding the Bush Administration's "ignorance" about the region, Reich was greeted with largely nasty press commentary along the way. At a background briefing about his trip on July 3, a Bush Administration official said no agreements or negotiations were on the agenda, but lots of "contacts" with locals.

Reich said in Brazil that that country is an "essential partner" of the U.S.—a laughable assertion given the tensions over trade. Argentina, however, got the hardball treatment which the Bush Administration has been dishing out: "Sign with the IMF, and then we'll talk."

The statement about Uruguay at the July 3 State Department pre-briefing summarized the degree of incompetence and buffoonery ruling Washington's assessment of the situation Ibero-America. The official stated that, in Reich's view, Uruguay (a completely bankrupt nation heading into a social explosion) "represents what we hope the hemisphere will become."

### **Soros's Coca Politicians Gain Ground; Cancel Peru Eradication Program**

Simultaneous with the upsurge of George Soros's coca politicians in Bolivia, the same networks in neighboring Peru abruptly halted that government's program for forced eradication of coca, and suspended the crop substitution program jointly run with the U.S. Agency for International Development. The Toledo government cut a deal, freezing the anti-drug programs with associations of coca-growers, who were striking and had threatened to move into the cities, reported the *Miami Herald* on July 3.

The announcement was made by Hugo Cabieses Cubas, an official of the government's anti-narcotics agency, Devida. He

claimed that the programs were "too bureaucratic." That Cabieses could be an "anti-drug" official is a scandal in itself. As *EIR* has reported, Cabieses was a leader of the Andean Council of Coca Producers (CAPHC), a group backed by Soros's drug-legalization machine which unites coca-growers throughout the Andean countries. In 1995, Bolivian Presidential candidate Evo Morales was its president. Bolivian authorities arrested nearly the entire leadership of the CAPHC in April 1995, when they met in Bolivia, and charged them with sedition. Cabieses was among those arrested, and then deported.

The takedown of the Peruvian and Bolivian anti-drug efforts is a major blow internationally to anti-drug efforts, as the anti-drug programs of the previous governments of Peru and Bolivia had reduced cultivation of coca (the raw material from which cocaine is made) by 60-75% in recent years.

## EUROPEAN NEWS DIGEST

### Retired German Defense Official Pens 'Real Shocker'

The article that appeared in Issue No. 30 of the *Deutsche Militaerzeitschrift* (German Military Journal) by Andreas Von Buelow, the former German Deputy Minister of Defense and longtime Bundestag (Parliament) member, on the subject of Sept. 11, is a "real shocker," according to well-informed Washington observers. It details, as only Lyndon LaRouche and *EIR* have otherwise detailed, the total hoax of the "official story" of the Sept. 11 attacks. Coming at a moment when the Clash of Civilizations utopian apparatus is driving the world towards war in Iraq, as an extension of the "war on terrorism," the article will prompt leading policy makers to think, and, hopefully, muster some courage to act against an Anglo-American-led imperial adventure.

*EIR* has prepared a summary which will appear in the next issue of *EIW*; however, some of the main points made by von Buelow, who has conducted an in-depth study of the Sept. 11 attacks, are as follows:

\*At the outset, von Buelow notes that the United States, with 26 separate intelligence agencies, was unable to prevent the 9/11 attack, and had no idea, in advance, that it was coming. Yet, 48 hours later, the FBI claimed to have a detailed list of all the perpetrators. Within 10 days, it turned out that at least seven of the men who purportedly perished in the hijackings, were still alive. To this day, von Buelow noted, the head of the FBI has refused to address this contradiction.

\*As a result of 9/11, the U.S. Administration has proclaimed that the nation is "at war." But any government must first figure out who the enemy actually is. The United States admits that there is no evidence that could stand up in court against any of the accused hijackers. They talk about Mohammed Atta as the leader, but even CNN has admitted that there is no evidence from the passenger manifests, proving anything about what happened.

\*Von Buelow turns to the broader issues behind 9/11. With the help of this horrible attack, he observes, the Western mass democracies have been subjected to "brainwashing" (*Gehirnwaesche*). The old *Feindbild* (enemy image) of the communists is no longer—the new *Feindbild* is hatred of the peoples of the Muslim faith.

This idea of the new *Feindbild* came from Zbigniew Brzezinski and Samuel Huntington, von Buelow explains—two preeminent thinkers of the American foreign and secret intelligence policy establishment. In the mid-1990s, Huntington said Europe and the U.S. needed somebody to hate, to strengthen Americans' identification with their own society. As far back as the Carter Administration, Brzezinski said that the United States had the general right to ownership over the raw materials wealth of the world, especially oil and gas.

\*Von Buelow states that people may deride him as a "conspiracy theorist," but the planning of the 9/11 attack was a technical and organizational masterpiece. In just a few minutes, four jumbo jets were hijacked and guided with complicated

flight maneuvers to their targets.

\*It is inconceivable that this could have occurred without many years of support from the secret apparatus of state and industry, he argues. (An accompanying box quotes him saying that "The attack was only possible if it was backed by U.S. intelligence services.")

He adds that, with all the horrors of the deed, he doesn't ever lose his clear view of who drew the advantage, and who suffered the disadvantage from this. When in doubt, he notes, it is always useful to look at a map. Where are the raw materials concentrations and routes of access? Map all of the ongoing civil wars and hot-spots. They all match. And everywhere where this pattern persists, the American secret services are not far away.

## **Second Great Depression Coming—*Die Welt***

"The second great depression is coming," is the headline of an article in the economic section of Germany's *Die Welt* daily July 11, saying that a profound crisis of confidence in the system as such, typified by the latest rounds of Wall Street scandals and revelations, has developed in the United States.

A second article deals with the rage building among the American people about the way economics and politics are conducted, and makes reference to similar sentiments among Americans in the wake of the 1929 crash.

Meanwhile, in the July 11 issue of the German weekly *Die Zeit*, German Foreign Minister Joschka Fischer is quoted forecasting a "crisis of global capitalism." In an interview, Fischer said: "We are presently going through a crisis of global capitalism, which will not go away again, today or tomorrow. The unbridled deregulation and the even more unbridled greed of the enterprises is striking back against the system, now. Without an effective, independent state order and control, market economy just doesn't work. Neoliberalism is presently experiencing its economic and moral debacle in the USA, and we should draw a quick lesson from that, in our own reform debate.

"There is more capital than can be invested for revenue in the industrial nations. That is why ever riskier gambles are being organized at the exchange, which are based on just the illusion of a creation of wealth, but do not create real wealth. This house of cards will collapse, if the capital flows are not directed into other areas," Fischer said—"the young societies of the South."

Fischer called for a "new economic order" that can turn "the capital from the First World to the development engine for a new world economy."

*Die Zeit* reveals, in a box that accompanies the interview, that since last summer the staff of Fischer's Foreign Ministry and of its French counterpart have been working on a position paper on globalization.

## **German Unemployment Highest in Four Years**

German joblessness is at its highest level in four years, and will haunt Chancellor Gerhard Schroeder right up through the September elections. The figures for June, published by the Federal Employment Agency in Nuremberg, show that at 3.94 million, national unemployment is the highest since June 1998. This June showed the highest increase in job losses since June 1993.

For the five eastern German states, unemployment reached the level of 1.4 million, the worst in 12 years. Especially dramatic is the increase in youth unemployment (age 16-25), which is 21.5% above last June's figure. Apprentice jobs



offered by the industry are 34% down, from June 2001. Youth unemployment is between 12% (mostly in the western states) and 20% (mostly in the eastern states).

Long-term unemployment (more than one year) has reached 30-45% of total unemployment, in crisis regions like the Ruhr, Bremen, Berlin, Saxe-Anhalt, and the easternmost regions of Mecklenburg, Brandenburg, Saxonia, and along the German-Polish border. These are also the regions which have higher than the average jobless levels (average being 7.6% in the west, 17.8% in the east), in the range of 14% to 28%. If one adds the "hidden" unemployment, some regions are already in the range of 30-40%.

Differences reflecting the depth of deindustrialization are immense, between the various German regions: the western state of Baden-Wuerttemberg has the lowest average unemployment, with 5.1%, whereas the eastern state of Saxe-Anhalt, a former center of machine-building, has the highest, with 19.8%.

### **Italian Senator Calls for New Bretton Woods**

Italian Senator Riccardo Pedrizzi, president of the Senate Finance Committee and a member of the government coalition party Alleanza Nazionale, on July 2 issued a statement calling for a New Bretton Woods, the formulation universally identified with American economist and statesman Lyndon LaRouche. Senator Pedrizzi was the first signer of a motion presented more than a year ago calling for a new Bretton Woods. The recent statement has been published in the daily bulletin of the Agenparl, a press agency that covers political and parliamentary developments. Other press agencies also reported, at least partially, Pedrizzi's statement.

"After the shocking cases of Enron and WorldCom, both linked to the Arthur Andersen story, it is clear that even the American system of control has failed. For Italy it is necessary to define some reference points in a way that whoever is a consultant cannot at the same time also have the role of internal auditors and certification firms. In this regard we are studying a specific law. Financial globalization is creating interdependencies and fallouts from one system to another. We have to develop measures of protection for market minorities, often representing citizens—shareholders—savers, because the ultraliberal idea of a market that is able to reform by itself, which produces virtues through the sublimation of egoism, is largely contradicted by reality. While governments are not able to influence the fundamental economic processes, the speculative bubble is getting out of the control of the big finance that created it."

Facing such a scenario of "global crisis," for Sen. Pedrizzi there is only one answer: "To organize at the international level the necessary forces for a reform of the global monetary and financial system, a New Bretton Woods decided by the governments, that, through continental great projects of economic development, can relaunch the world productive economy, a renewed dialogue, peaceful cooperation and employment."

### **Britain's Blair Government Proposes Marijuana Decrim**

British Home Secretary David Blunkett told the House of Commons last week that the Tony Blair government seeks to amend the narcotics laws to stop arresting people for using marijuana. Blunkett said that "Cannabis ... is not comparable to heroin, crack or ecstasy." Bloomberg news service (whose founder, New York's Mayor Michael Bloomberg, has been quoted on his enjoyment of pot) quotes London Metropolitan Police Deputy Commissioner Ian Blair to the effect that decriminalization would enhance the "credibility" of the police. Instead of arrest, pot users would receive a warning (or, perhaps they would *suspect* that they are receiving a warning).

Keith Hellawell, a British government adviser on drug policy and former senior police official, quit in protest over the decriminalization proposal. Hellawell said, "I don't know where [Blunkett] has got his advice from, but he hasn't got it from me."

## MIDEAST NEWS DIGEST

### To Stop the Iraq War, Go With LaRouche

There is no question that the utopian imperial "molehill" in the Bush Administration (see [INDEPTH Special Report this week](#)) has succeeded in assuring that the Iraq war is "on." This week, U.S. Presidential pre-candidate for the Democratic Party Lyndon LaRouche commented that there are two conditions under which the near-term Iraq war could be averted: the success of the LaRouche movement around LaRouche's own leadership in stopping that war, or the shock of a paralyzing global financial crash, possibly triggered in the United States itself.

LaRouche has criticized the opposition voiced both in Europe, and among Arab and Islamic countries, for sticking to the existing "rules of the game," and refusing to say that "the Emperor has no clothes." Meanwhile, LaRouche has levelled that criticism even more strongly at those forces inside the United States, like the Democratic Party, which are leading the imperial war drive, while pretending to be an "opposition" to Bush. For more on this, see this week's *Flash!* by Lyndon LaRouche: "The Real Corruption—McCain and Lieberman."

### London Meeting of 'Iraqi' Contras Another Indication of Near-Term War

The three-day "Iraqi exile military officers" gathering in London on July 12-14 is being attended by officials of the U.S. White House, State Department, and Pentagon, as well as the British Foreign Office, according to both British press reports and *EIR* contacts in Europe and Washington, D.C. Attempts by the U.S. to get a continental European nation to host the meeting were flatly rejected earlier this spring. And the meeting occurs as infighting continues among the Iraqi groups over who gets the most money from the United States.

But despite this infighting, and despite earlier reports coming from the U.S., of uniformed military and Congressional opposition to such a war, *EIW's* assessment is that the Iraq war is "on." Reports this weekend indicate that Tony Blair's government is on board.

The London meeting is being hosted by the Iraqi National Coalition, a completely different entity than fraudster Ahmed Chalabi's Iraqi National Congress, although it seems hardly less dubious, and does maintain close liaison with Chalabi's outfit. The Coalition is headed by Maj.-Gen. Tawfiq Yassiri, a former Army commander who was wounded in an uprising against Iraqi forces in southern Iraq in 1991, in the aftermath of the Gulf War.

The Coalition's main figure is Gen. Nizar Khazraji, former Chief of Staff of the Iraqi military, now resident in Denmark. He is often dubbed "Iraq's Hamid Karzai," after the puppet President of Afghanistan, and is a figure himself of some controversy, frequently charged with having ordered the use of chemical weapons against Kurdish civilians and Iranian troops during the Iran-Iraq war. In fact, because he is being investigated for such war crimes, he is unable to attend the London meeting!

According to British press reports, some 300 Iraqis, including some 90 former Iraqi generals and senior officers, will participate in the gathering, at the Kensington Town Hall.

In his interview with the United Kingdom's Channel 4 on July 11, former UN Weapons Inspector Scott Ritter ridiculed the weekend gathering of exiles, declaring that "anybody who meets in Kensington will have a zero future in Iraq." Interestingly, among the many *Daily Telegraph* articles hyping the coming war on Iraq, there is also one by their Istanbul

correspondent Amberin Zaman, who writes that the meeting is being roundly denounced by such figures as the Kurdish Democratic Party (KDP) spokesman Hoshiyar Zebari, who tells Zaman that "We do not take any of this seriously, it is a big joke." Zaman writes that such sentiments are "a further display of the disunity that traditionally bedevils Iraq's unwieldy array of opposition figures." Zaman says that more credibility should be given to the "Group of Four" opposition configuration that recently travelled to Washington, composed of the KDP, the Patriotic Union of Kurdistan (PUK), the Supreme Council for the Islamic Revolution in Iraq (SCIRI), and the Iraqi National Accord Movement.

## **London's Imperial Media Voices Call for Iraq War**

On Thursday, July 11, *The Times* of London (owned by the U.S.-based Rupert Murdoch) pointed to an extraordinary intensification and escalation of war plans against Iraq. In a manner not seen since the events of Sept. 11 and the ensuing attacks in Afghanistan, the daily devotes a front-page article, and then two entire pages, to the coming war. There is also an ad for a July 12 *Times* feature, "War on Iraq: The buildup continues."

The front-page article is entitled, "Jordan To Let U.S. Troops Use Bases for War on Iraq," and asserts in wartime propaganda fashion that the reality supposedly divulged to *The Times*, is that King Abdullah "has consented to a limited U.S. presence," including a U.S.-manned radar station, and search and U.S. Navy Seal rescue teams, on Jordanian territory. [While the government of King Abdullah II has denied in the strongest terms that Jordan has agreed to be a base for an Iraq war, observers note that Prince Hassan, brother of Jordan's late King Hussein, and uncle to the present King, is in London, attending the meeting of the Iraqi exiles at Kensington.]

Inside *The Times*, there are no less than seven articles on the coming Iraq war. The main one is entitled, "Exiled Generals Prepare for March on Baghdad," to hype this weekend's meeting convened "to discuss overthrowing Saddam Hussein." This article is accompanied by a giant map of Iraq, depicting alleged Iraqi "weapons of mass destruction" sites, for production of nuclear, chemical, and biological weapons. There are also photos of nine leading opposition figures. Underneath this, is an article titled, "Iraq Building Up Deadly Arsenal, Say Defectors."

On the next page, there are several other whoppers, the most shameless of which is headlined, "West Sees Glittering Prize Ahead in Giant Oilfields," which begins: "The removal of Saddam Hussein would open Iraq's rich new oilfields to Western bidders, and bring the prospect of lessening dependence on Saudi oil." This is a proposal first floated as a solution to the U.S. economic collapse, which, as reported by *EIW*, appeared in an op-ed by Sebastian Mallaby in the *Washington Post*.

On July 8 *The Times* had already reported in an article entitled, "Britain To Offer Military Force," by defense correspondent Michael Evans, that Britain had begun redeploying forces out of Afghanistan and into the Balkans in order to provide backup for U.S. military operations against Iraq.

According to a senior British Ministry of Defence (MoD) official, speaking with *EIW*, the MoD is involved in "re-balancing" of troops, warships and combat aircraft, to ensure that Britain "can play its part in any offensive. Troops from Afghanistan and the Balkans are being withdrawn," not only because of the end or reduction of their missions, but also "because the MoD knows it will have to have sufficient forces, if a decision is taken to attack Iraq."

## **Arafat Says the 'Fanatic Group Which Is In Power Now in Israel' Killed Rabin**

In an interview with CNN reporter Brent Sadler, reported on July 12, Palestinian Authority President Yasser Arafat asserted the sovereignty of the Palestinian people, and made a devastating condemnation of Ariel Sharon's obsessions.

Arafat said, "First of all, no one can bypass the Palestinian people and their choice of their leader," as one of the first tenets

of sovereignty and his view of the "reform" process.

Asked if the impasse on the peace process boils down to a "personal battle" between him and Sharon, Arafat replied, "For me, no, but for him, I think so.... Look, Sharon is making a big mistake against me. But he's not understanding that ... he hasn't the ability to stop my works with all levels of work which I'm doing now. The most important thing is my people and my cause.... Toward the peace of the land which I had signed with my friend [former Israeli Prime Minister] Rabin." He added, "I cannot forget ... no one can forget, *this friend had been killed by the fanatic group which is in power now in Israel* [emphasis added]. They hold our land. I cannot forget and no one can forget ... Rabin had signed the peace pact.... not only our people but the majority of the Israeli people are with the peace of the brave."

Arafat also denounced, strongly, the suicide bombing attacks against Israelis, saying, "We have to stop directly what is going on for our children, and for the Israelis and for the Palestinians, and for the Arabs and for ... the Middle East."

He added that peace is "very important for the biggest power all over the world—America." He passed up an opportunity to attack George Bush, who the reporter said had called for Arafat's ouster, saying, "Officially no. [Bush] didn't mention my name at all.... Not to forget, he was the first American President who mentioned in the General Assembly of the United Nations a Palestinian independent state."

## **Iraq War Drive Connected to Turkey Destabilization**

On July 9, combined wires reported that the Turkish government of ailing Prime Minister Bulent Ecevit had begun to disintegrate, threatening to blow out Turkey's already unstable financial system. At present, Turkey has \$150 billion in public foreign debt, and *EIW* does not know how much corporate foreign debt—which would also blow out, if the country were to default on its public debt. The IMF has thrown \$31 billion at the Turkey in the past two years, to keep up the appearance of solvency.

There are enormous strategic implications, as well. As Associated Press put it: "The political chaos comes as Turkey has taken over leadership of the international peacekeeping force in Afghanistan and Washington is considering military action against Iraq." Turkey is crucial both for its Incirlik Air Base and border with Kurdish-occupied northern Iraq, and for any Iraq war development.

As of midday July 9, five ministers had quit the government, and 21 legislators had left Ecevit's party, after Ecevit criticized Deputy Prime Minister Husamettin Ozkan on July 7, charging he was arranging to drive out Ecevit, who has been ill since May. Ecevit replaced the ministers who quit, and was adamant that he intends to stay, but later in the week, there were more resignations after Ecevit put out a plea for help to Husamettin Ozkan, his former right-hand man and troubleshooter.

Ozkan was viewed as "the glue" that kept Ecevit's three-party coalition government together. Those resigning, such as Deputy PM Mesut Yilmaz, are calling for early elections. While Bloomberg and Reuters speculate obsessively on how a new government coalition might be cobbled together around current Economics Minister Kemal Dervis, the former World Bank Vice President who returned to Turkey in 2001 to oversee the IMF program, a Dervis victory would be a real feat, as his IMF program led to the 9.4% contraction in the Turkish economy last year, and ensured 1.5 million people were thrown out of work! These financial voices worry that other possible contenders are likely to overturn the IMF program. The party said to be leading in the polls is the Islamist Justice and Development Party.

The Turkish currency, the lira, fell 4.3% on July 8, hitting somewhere near 1.7 million to the dollar! The benchmark stock market index fell by 4.7%. Reuters says "all eyes" are on the next Treasury auction of 154- and 238-day paper. Bond yields have already risen 25 points since Ecevit fell ill, to almost 80%, raising the specter of a GKO-style blowout.

The IMF, however, plans to go ahead with its progress review as scheduled for July 11. On that day, when Ecevit issued his distress call to Ozkan, Foreign Minister Ismail Cem quit, and he subsequently announced the formation of an opposition party many believe will be dedicated to the IMF-style "austerity reforms," that might bring Turkey closer to the EU. On July 13, the *Washington Post* published a lead editorial strongly endorsing Cem's move to oust Ecevit and replace him with a "pro-Western" government.

### **Mofaz Out, Ya'alon Worse, Says Israeli Press**

Israel's 17th Chief of Staff, Lieutenant General Moshe "Bugi" Ya'alon, who took office this week, will be "tested" immediately by Iraq, Syria, Lebanon, and Iran, reports the Israeli newspaper *Ha'aretz*, in an article by Amir Oren, the reporter who exposed that IDF officers were studying the Nazi battleplan that wiped out the Jews in the Warsaw Ghetto during World War II.

In a July 10 commentary, senior military and security correspondent Oren wrote:

"Ya'alon starts his term with fighting underway in the territories, but already in his first year, perhaps in the first half of it, he could be tested by two other fronts—Iraq and the Syrian-Lebanese front."

Oren revealed the type of thinking going on at the new Chief of Staff's headquarters when he wrote, "A senior General Headquarters officer, observing Damascus, said this week that Hezbollah, Syria and Iran are trying to trap Israel in a 'strategic ambush' and that Israel has to evade that ambush by setting one of its own, under circumstances convenient to it. Those circumstances could be created during or near the end of an American offensive against Iraq."

In commenting on this report, a senior Israeli intelligence source told *EIW* that this is exactly the type of thinking that is being discussed behind the scenes in Israel. The source reports that over the last two weeks the situation in the West Bank has "stabilized" enough, in the view of the generals, to launch a war against other targets, including a joint U.S.-Israeli operation against Iraq. He also said that Israeli Prime Minister Ariel Sharon might not even wait till a war is launched against Iraq before deciding to attack Syria.

And, it seems, in addition to possible strikes against Iraq, Syria, and Iran, that during his trip to Washington, D.C. one month ago, Lt. Gen. Ya'alon told U.S. officials that Israel would strike into the Gaza Strip (one of the most densely populated regions of the world) in force, if need be, should terrorism erupt from Gaza into Israel. Apparently, Ya'alon's predecessor as Chief of Staff, Lt. Gen. Shaul Mofaz, had twice sought permission for many operations in Gaza of the sort that have re-occupied the West Bank territories, but was turned down by Prime Minister Ariel Sharon, who feared breaking the consensus in Israel and angering Washington.

### **IDF: Arafat Is 'Dead Man Walking'**

According to the July 10 issue of *Ha'aretz*, when Israeli intelligence briefed incoming Chief of Staff Lt. Gen. Moshe Ya'alon, it referred to Palestinian Authority President Yasser Arafat as being a "Dead Man Walking" (the phrase used to describe a condemned prisoner as he walks to his execution). Israeli intelligence further says that the Arafat government is entering the twilight zone, with Arafat's confidantes preparing for "a succession struggle."

Another article in *Ha'aretz* the same day states IDF commanders are becoming more optimistic than they have been for some time, thanks especially to the fact that Arafat's power is waning, since President George Bush's June 24 speech, which *Ha'aretz* says "delegitimized the Palestinian Authority chairman."



## **Condi Rice Says 'Only Elections' Can Oust Arafat**

In a disappointment to U.S. and Israeli fanatics who want the United States to back the expulsion or assassination of Yasser Arafat, National Security Adviser Condoleezza Rice told Israel's Channel Two television that Arafat's ouster can only be accomplished through elections.

## **Public Security Minister Freaks Out in Jerusalem**

There is international blowback against Israel Public Security Minister Uzi Landau's order on July 9 to raid the administration office of al-Quds University in Jerusalem; the University's president is Palestinian peace leader Sari Nusseibeh. Landau claimed that the University was part of the "long arm of the Palestinian Authority, operating against the law." All computers and records were seized in the raid, drawing a rare rebuke from the Bush White House when White House spokesman Ari Fleischer commented that "This action does not contribute to the fight against terror." He added that it does not enhance the "reform" of the Palestinian Authority that the U.S. wants.

After the rebuke, even members of Sharon's Cabinet condemned the action, including Matan Vilnai, who is the Minister for Culture and Sport, and a member of the Security Cabinet. However, Vilnai threw in a dig against Arafat, saying Nusseibeh is "one of the Palestinian leaders with whom it will apparently be possible to talk, when the Arafat era ends." Transportation Minister Ephraim Sneh also criticized Landau's action.

## **Asia News Digest**

### **Afghanistan: Qadir's Assassination Spells Trouble for U.S.**

Last week's assassination in Afghanistan of Haji Abdul Qadir, a high-profile Pushtun leader from Nangarhar Province and one of three Vice Presidents and Minister of Urban Development in the transitional Afghan government under President Hamid Karzai, could not have come at a worse time for the United States. On July 1, the U.S. bombing of a wedding party in the Uruzgan province, the home province of President Karzai and the absconding Taliban chief, Mullah Mohammad Omar, killed 48 people and injured 117 others. Washington was already reeling under Pushtun anger over the killing.

Haji Abdul Qadir's death is significant from a number of viewpoints. Qadir's younger brother, Abdul Haq, was killed by the Taliban when, in October 2001, Haq went into Afghanistan with American support. When Haq got surrounded by Taliban fighters, the U.S. did not respond in time to save his life. President Karzai too was inside Afghanistan last fall, in Uruzgan province, to incite the warlords against the Taliban. When Karzai got into trouble, he was airlifted back to safety in Pakistan.

Most recently, Haji Qadir died when he was gunned down in front of his office on his first day of work. It seems he was provided little security by the Karzai Administration.

It is almost a certainty that the killer of Haji Qadir will remain untraced. This will be interpreted in Afghan society in numerous ways. To begin with, Qadir's elder brother Haji Mohammad Din has told his people in Jalalabad, the capital of Nangarhar province, that the death of Qadir was not the hand of destiny, as suggested by the grieving Panjshiri-Tajik Defense Minister Mohammad Qassem Fahim. In essence, Haji Din alluded to President Karzai's involvement in the assassination. Perhaps for this reason, Haji Mohammad Din rejected President Karzai's offer to him to become Vice President. Qadir's nephew also turned down the offer to become an Ambassador to an important European nation.

Even if it is found that President Karzai was not an accomplice to Qadir's murder, the death has created strong suspicions among the Pushtuns from the eastern and southeastern provinces about Karzai and his benefactor, the United States. On the other hand, Qadir, a very astute individual belonging to a very powerful Pushtun family in a very important province bordering Pakistan, had a long and dubious past. Haji Qadir was a very respected mujahideen leader, respected not only by the Pushtuns but also by the Tajiks and Uzbeks of Afghanistan. He had organized and fought well against the Soviet Union and he was the person who welcomed back Osama bin Laden in Jalalabad, when the terrorist made his way back from Sudan to Afghanistan in the 1990s. Qadir was then the all-powerful Governor of Nangarhar province.

Haji Abdul Qadir also became enormously wealthy when he joined hands with the Pakistan heroin baron Ayub Afridi to exploit the opium crop of Nangarhar. Two others, Hazrat Ali and Zamman, who are now in the Nangarhar province trafficking drugs, were also close to Qadir. While he was Governor, Qadir established an airline flying between Jalalabad and Dubai. It was in Dubai that his brother, Abdul Haq, a close associate of former U.S. National Security Adviser Robert McFarlane, had a string of shops selling electronic goods. Reports indicate that Qadir used to ship drugs to Dubai and bring back electronic goods, which he then sold in Pakistan.

Ayub Afridi's activities did not escape the notice of the United States Drug Enforcement Agency. They demanded Islamabad extradite Afridi; Afridi rode Qadir's plane to Dubai and surrendered to the U.S. embassy there. Subsequently, Afridi was convicted of drug-trafficking and spent three and one-half years in a U.S. prison. Upon his return to Pakistan, he was arrested and sent to prison in mid-2001. As soon the U.S. invasion of Afghanistan occurred, the Pakistani ISI got Afridi released and placed him along the Afghan borders. What is interesting is that Washington never wanted to try Haji Abdul Qadir, and Qadir continued as Governor of Nangarhar till 1996.

In 1996, the Taliban had taken over most of Afghanistan. They forced Haji Qadir to leave Nangarhar and he moved into Pakistan. But, at the time, Pakistan was backing the Taliban wholeheartedly. Islamabad did not want an anti-Taliban Pushtun leader, with possible links to Washington, to stay in Pakistan and create trouble. Qadir was shunted out to Germany.

During the Bonn Conference on Afghanistan this past January, when Hamid Karzai was picked by the United States to lead the interim Afghan government in Kabul, Qadir was actively promoting himself. He was hoping to get the U.S. nod to become the interim chief. Although disgruntled, Qadir joined the Administration as Minister of Urban Development and during the loya jirga last month, he played a key role in persuading former King Zahir Shah to drop his claim to be head of the transition government, and to allow Karzai to continue. One of the reasons Qadir was given the job of Vice President is that he followed Zalmay Khalilzad's policy—but it did not save his life.

Most interesting is the news that Haji Qadir, at odds with Islamabad, had met with a high-level Indian delegation, led by the Indian Ambassador to Afghanistan, about three weeks before he was killed. Among other things he requested, he urged the Indians to set up a consulate in Jalalabad. In addition, Qadir ran into trouble with his two former drug-trafficking friends, Hazrat Ali and Zamman, by supporting the U.S. demand for banning of poppy cultivation in the Nangarhar province.

Qadir made new enemies as well. Former mujahideen leader and U.S. asset Gulbuddin Hekmatyar is now on the outside, calling Karzai, Qadir, and other Pushtuns agents of the United States. He has declared war against those who brought the U.S. into Afghanistan. There are reports that the British troops who are involved in building the National Afghan Army, have recruited a number of Hekmatyar's people to the ranks.

While it is nearly impossible to know who killed Qadir, the fallout within the Pushtun community is there for all to see. A large number of Pushtuns believe Washington and its envoy, Khalilzad, with the help of Karzai, are involved in eradicating Pushtun leaders.

## **Former President Fidel Ramos Accused of Plundering Philippines**

Philippines Senator John Osmena accused former President Fidel Ramos of plunder of the country through corrupt energy contracts, according to the July 10 *Philippine Daily Tribune*. Osmena, who switched from the government to the opposition last month (over the government's refusal to charge Ramos), giving the opposition a majority in the Senate, on July 9 dared Finance Secretary Jose Isidro Camacho to initiate the filing of plunder charges against Ramos, arising from the latter's signing of flawed contracts with independent power producers (IPPs) during his watch. A government committee found last week that 22 of the 35 IPPs were corrupt. The "plunder" charge is significant, since this is the charge against former President Estrada, with a potential death sentence attached. (An *EIR* report in 2001 against privatization exposed the Ramos contracts and compared this "plunder" to the petty charges against Estrada.) Senator Osmena is also planning to conduct a parallel probe against Ramos in the Senate. The new Majority Leader, Aquilino Pimentel, Jr., has also urged President Arroyo to reveal the full details of the findings of the committee.

## **Indonesia Offers Mediator Role for North-South Korea Talks**

Indonesia has offered its help in easing tensions between North and South Korea, and in reviving the "Sunshine" dialogue. The offer came during talks July 11 between visiting North Korean deputy leader Kim Yong-Nam and Indonesian President Megawati Sukarnoputri.

Megawati asked Kim Yong-Nam, the official head of state of North Korea, to deliver Indonesia's message to Supreme Leader Kim Jong-Il. According to Indonesian Foreign Minister Hassan Wirayuda, Kim gave Indonesian officials an "extremely intensive" briefing about efforts to advance dialogue and achieve peaceful reunification.

Indonesia gave Kim a full ceremonial welcome at the Presidential palace, with a 21-gun salute and a military honor guard. Foreign Minister Wirayuda said both sides talked about working together in international bodies such as the Asean Regional Forum.

Kim's visit is a followup to Megawati's trip to Pyongyang in March. During that visit, in which she met Kim Yong-Nam and Kim Jong-Il, Megawati urged North Korea to resume dialogue with the world and delivered a message from South Korean President Kim Dae-Jung. South Korea is a major investor in Indonesia, while relations with North Korea date back to a visit by Megawati's father, President Sukarno, to Pyongyang in 1964, and North Korea's participation in the Bandung Conference of Asian and African Nations in 1955.

## **East Timor Leader Urges Aceh, Papua To Settle With Indonesia**

On the conflict in Indonesia's West Papua and Aceh provinces, East Timor Foreign Minister Jose Ramos Horta told the Australian daily *The Age*, on July 11: "No government in this country should ever be imprudent or foolish enough to offer sympathy or support for Papua or Aceh's quest for independence.... They should accept Jakarta's autonomy offer—it is genuine." He said East Timor had based their independence case on their separate legal status as a Portuguese colony invaded by a foreign power. Ramos Horta said Indonesia would "fight to the bitter end" to keep the two provinces because defeat would represent "the real breakup of Indonesia."

He was surprisingly pragmatic about trials underway in Indonesia of officers charged with 1999 human rights violations in Timor. "For the first time in Indonesian history, serving military officers are being brought to trial ... I'm prepared to be very sympathetic," he said, but added that he found it difficult to believe that former East Timorese Governor Abilio Osorio Soares, who is among those on trial, had been charged with crimes against humanity. "He helped a lot of people as Governor," said Mr Horta. "I just hope there is leniency for him."



## **East Timor Sees 'Closest Possible Ally' in China**

Foreign Minister Ramos Horta described China as the new nation's "closest possible ally" and advised Acehnese and Papuan activists to accept autonomy status from Indonesia.

In the July 11 interview with *The Age*—his first in-depth foreign policy statements—Horta said Dili (East Timor's capital) wanted China's friendship as a "superpower and economic powerhouse" and because it was the only Asian permanent member of the UN Security Council. On "human rights," Horta said he would not "lecture other countries...." He noted that China was the only international power to recognize the short-lived republic declared by the Fretilin Party in November 1975, adding that East Timor's seeking ties is not ideologically influenced.

"Does anybody believe China is still a Marxist-Leninist country?" Horta asked, adding: "The Chinese of today are more preoccupied with conquering markets than influencing anyone politically."

## **Thailand-Malaysia Gas Pipeline Going Ahead**

Thai Prime Minister Thaksin has assured the Malaysian government in a meeting with Malaysian leader Mahathir that it will make progress on the much-delayed gas-pipeline project, linking southern Thailand with the natural gas field jointly develop by the two countries.

"The two sides discussed the issue during a meeting and the Prime Minister has assured that the work would continue as planned," said Rathakit Manathat, spokesman for the Thai Foreign Ministry. "The project is in a forward gear," Rathakit quoted Prime Minister Thaksin Shinawatra as telling Malaysian Prime Minister Mahathir Mohamad, who was on a three-day official visit to Thailand.

The 360-km pipeline, part of the \$1.5-billion joint venture between PTT and the Malaysian state-owned Petronas, has been delayed for two years amid strong opposition from environmental groups and residents.

The pipeline will transport natural gas from the Thai-Malaysia Joint Development Area in the Gulf of Thailand to a gas separation plant to be built in southern Thailand and to the state of Kedah in northern Malaysia.

Drilling for gas was scheduled to begin in the third quarter of this year. It had been postponed for two years.

## **Musharraf Assassination Plot Exposed**

Pakistani Rangers arrested three members of the terrorist outfit "Harkatul Mujahideen al-Almi," an offshoot of the banned "Harkatul Mujahideen," and recovered a large cache of weapons, including one Russian-made rocket launcher, 20 rockets, 20 rocket-chargers, three anti-personnel mines, 30 kilograms of explosives, one light machine gun, two small machine guns, one 7-mm rifle; 63 hand grenades, 1,980 bullets for the SMG and others. Pakistani Rangers claim that the three arrested men, who have confessed to their involvement in the car bomb blast outside the U.S. consulate in Karachi, were also involved in the abortive attempt on the life of President Pervez Musharraf on April 26. Among the potential assassins was a Pakistani Rangers inspector.

The plan was to kill the President by blowing up an explosive-laden car through a remote-controlled device. The explosive-laden car was placed on the roadside near Karachi Airport in front of Falak Naz Arcade. When President Musharraf's

motorcade left the airport, the individual with the remote control was informed. But the remote-controlled device failed to detonate the explosives. Later, the Harkatul people brought the car back to the garage, and it was later used to attack the U.S. consulate.

Pakistani Rangers claim that they have discovered no link between the Harkatul and al-Qaeda. However, both these groups have a common motive: To damage the United States, its interests, and all those who are friendly to the United States.

## AFRICA NEWS DIGEST

### Testimony About International Players Barred from Tribunal for Rwanda

Judges at the International Criminal Tribunal for Rwanda (ICTR), sitting in Arusha, Tanzania, last week handed down a far-reaching decision in the case against Andre Ntagerura, Rwanda's former Minister of Transport. On July 10, it was reported they refused to hear two expert witnesses, Uwe Friesecke of *Executive Intelligence Review*, and American journalist Wayne Madson, on evidence that the war which destroyed Rwanda between 1990 and 1994 was an international armed conflict. Defense lawyers had asked Madson to present his hypothesis about who shot down the plane of the Rwandan President on April 6, 1994, and had asked Friesecke to testify on the geopolitical aspects of the Rwandan crisis. But the judges refused.

Both Madson and *EIR* had presented their written testimony to the court; the material was studied by the prosecution and the judges. The Ugandan prosecutor argued that the testimony would be irrelevant for the court, because it would only divert attention away from the individual guilt of the accused, and he demanded that these expert witnesses and testimony not be allowed. This request was granted by the court.

Against massive evidence available from these expert witnesses and other testimony, the presiding judge reasoned that it is "common knowledge" that the conflict in Rwanda in 1994 was *not* international, but a *non-international* armed conflict. Therefore, testimony about involvement of governments such as the U.S. and British, or about the responsibility of international institutions such as the International Monetary Fund (IMF) or the World Bank, would be irrelevant.

This decision is binding and cannot be appealed in the ongoing trial. But it immediately raises the question, who defines "common knowledge"? For political observers in Arusha, this decision came as no surprise. There is apparently top-down pressure in the tribunal to slam the defense every time they try to bring in these proven international aspects of the conflict.

The effect is twofold. On the one side, the very nasty aspects of how Anglo-American interests manipulated the bloody conflicts in the Great Lakes region of Africa since 1990 will not come to the fore; and on the other side, only one side of the conflict, representatives of the former Hutu government of Rwanda, will be accused and sentenced for crimes. The other side, the Rwanda Patriotic Front (RPF), most of them Tutsi—who won the war in 1994 and under the leadership of Rwanda's current President Paul Kagame committed and still commit massacres and killings of civilians in Rwanda and in Congo—will go unpunished.

Some call this tribunal a case of "victor's justice" or a modern lynching of the Hutus. And the fear is that in this way, the tribunal will only contribute to further estrangement of Hutu and Tutsi population groups, and create new feelings of injustice. But, even worse, while a selection of local actors from Rwanda is punished, those in London, Washington, and Kampala who bear the final responsibility for the disaster which befell Rwanda in 1994, go unpunished. *EIR's* expertise on Africa and the fact that they agreed to testify for the defense, and actually appeared in court in Arusha, are taken as an important sign that there are people in Europe and the U.S. who care about Africa and its down-trodden people.

## Question of Real Independence Paramount as African Union Formed

National sovereignty, or how the African continent can work with the West, without being taken over by it, was one of the big subjects of debate as the African Union was officially born in Durban, South Africa the second week of July. This was reflected in the speeches and interventions by what is described as the "new-look" leaders: such as South Africa's Thabo Mbeki, Nigerian President Olusegun Obasanjo, and Senegalese President Abdoulaye Wade, who spend a lot of time in Western capitals. And, also by those "old-style" Presidents who have been, or are currently, battling for their country's sovereignty from bigger powers, such as Zimbabwe's President Robert Mugabe, Kenyan President Daniel arap Moi, and Libyan leader Muammar Gaddafi.

A major fault line is the economic plan—the New Partnership for Africa's Development (NEPAD), favored by the "Western" powers and the IMF, which "new look" leaders are embracing, to try to bring Western capital to the continent, seemingly oblivious to the overall economic collapse now moving into its acute phase. (See June issues of *EIW* and our critique of NEPAD.)

A second fault line is formed around a "Peer Review Mechanism" under which African countries will each other's monitor performance to ensure "good governance" and respect for "human rights" under the new African Union. Because of the history of Western manipulation in the name of sham "human rights," the terms themselves have become poisoned and a subject of well-founded suspicion by African leaders.

Southern African leaders who form the Southern African Development Community (SADC) held a consultative meeting just before the all-African inauguration. Here, Zimbabwe President Mugabe openly challenged the NEPAD conception of "good governance" and was supported by the Presidents of Tanzania, Malawi, Namibia, and Congo. Namibia's Minister of Foreign Affairs, Theo-Ben Gurirab, explained about this division to a reporter from the daily *The Namibian* of July 11. "There are obviously things that we agree and disagree about," he said, with reference to President Mugabe's rejection of NEPAD as having the "spots of a leopard"—a clear reference to the undue influence of rich Western nations. Girirab rejected the assertion that some SADC countries oppose NEPAD because of monetary gifts from Libyan leader Gaddafi.

Gaddafi's role in bringing the African Union into being cannot be overlooked, nor can his interventions in Durban as the Union was being formed. On July 9, in a speech at the King's Park Stadium, Gaddafi addressed the issues that African leaders are battling, including the Commonwealth and international attacks on Zimbabwe.

## Durban Debates Force Changes in NEPAD

As a result of deliberations in Durban, the implementing committee of the NEPAD was enlarged from the original 15 to 20 members, and moved out of exclusive control of the "new look" leaders. Libya is now set to become part of the NEPAD implementation committee. Until this inaugural meeting, Nigeria's President Olusegun Obasanjo, South Africa's Mbeki, and other members of the NEPAD steering committee had sold NEPAD to the West on the basis of NEPAD's selectivity. Organization of African Unity (OAU) members automatically become members of the African Union, but only those who met certain standards of good governance, financial discipline, and respect for the rule of law could be part of NEPAD. (The OAU is now dissolved).

Many of Mbeki's peers want to totally fold NEPAD into the African Union structure, wrote the South African weekly *Mail & Guardian* July 12. "Mbeki's peers are unhappy with him (Mbeki) being portrayed as the driving force of the continent's rescue program," said the *Mail & Guardian*, "and want to fold the secretariat he controls into the African Union structure as fast as possible. The key peer review system, on which NEPAD will stand or fall, threatens to become a casualty." Ironically, according to *The Namibian*, not even President Obasanjo and Senegalese President Abdoulaye Wade—two of NEPAD's core architects—could agree on whether the "peer review" was necessary, with both ending up saying it was

unrealistic in practical terms.

Another important development July 10 was that the West African lobby fended off a strong South African challenge to get rid of Asmara Essay, the Ivorian elected to oversee the birth of the African Union, and replace him with a "more capable" technocrat.

As was aptly said by Namibia's Minister of Foreign Affairs Theo-Ben Gurirab, in his interview with *The Namibian* July 11: Building the African Union will take time; it is a long-term vision by Africans for the future of Africa, and thus it is extremely important to African leaders.

### **'Children on the Brink'—AIDS Report Is Devastating**

A new report, titled "Children on the Brink," was released during the 14th annual international conference on AIDS held in Barcelona, Spain during the week of July 8. The report is said to contain the most comprehensive statistics on the current and projected number of children orphaned by the AIDS pandemic. As earlier noted, sub-Saharan Africa alone now accounts for 70% of all AIDS orphans. The statistics show that over 13.4 million children worldwide have lost one or both parents to the epidemic, a number that is set to increase to 25 million by 2010. The report predicts—clearly an underestimate—that about 43 million children in Africa will be orphaned by AIDS by the year 2010. Dr. Peter Piot, head of UNAIDS, noted: "When a father dies in war, his children are viewed as heroes, too. But when he dies of AIDS, the stigma and discrimination of the disease is passed on"; the children become outcasts. "HIV/AIDS has created an unprecedented orphans crisis," Piot said.

The cited report is a joint report from U.S. AID, UNICEF, and UNAIDS.

### **South Africa-Iraq Talks Challenge Anglo-American War Drive**

Iraqi Deputy Prime Minister Tariq Aziz and South African President Thabo Mbeki held talks in Pretoria, South Africa on July 4 on how to strengthen ties between the two countries on political and economic levels.

Aziz, heading a six-man delegation, was given a red-carpet welcome at Waterkloof Air Base outside the capital—even as Washington and London were gearing up a massive propaganda campaign pushing war against Iraq.

On July 11, an agreement was reached between Eskom, the South African state electricity company, and the Iraqi Electricity Committee. Mbeki's spokesman Bheki Khumalo noted: "Iraq is interested in South Africa's industrial capacity, including electricity, agriculture as well as railways." Minerals and Energy Minister Phumzile Mlambo-Ngcuka also held bilateral meetings with Aziz.

At a banquet for the Iraqi delegation, South African Deputy President Jacob Zuma insisted that South Africa is opposed to "bully states," and made very clear that he was referring to the United States. "We need to work hard to strengthen Afro-Arab cooperation. Increased trade and diplomatic relations between Africa and the Arab world will enhance broad political, economic, social and cultural ties among our people.... We believe that justice and equity will never be achieved whilst the majority of the world is fragmented, disempowered, and ignored by 'bully states.' This is the kind of a world we must continue to seek to change. No part of the world, region or country should give itself a right or authority to decide for others. This we must not allow."

Zuma slammed the 12 years of sanctions: "We were encouraged by the warm welcome that Iraq received at the Arab Summit in Beirut in March and at the Organization of Islamic Conference in Malaysia and Sudan," and concluded, "South

Africa believes that solid economic relations can be the foundation of lasting friendship and expansion of cooperation in all other spheres."

## **IMF, European Union, World Bank Thieves Fall Out**

At a hearing in the British Parliament July 4, IMF Managing Director Horst Koehler blamed the World Bank and the European Union (EU) for pressing heavily indebted Malawi into selling 28,000 tons of maize to repay debts, just before a harvest failure and the onset of famine. In reply to a question from MP David Laws as to why the IMF had pressured Malawi into reducing grain reserves, Koehler said: "The IMF is not the scapegoat for everything. The advice [to sell the maize] was given by the World Bank and the European Union—it's plain wrong to blame the IMF. Ask the World Bank and the EU what they did. The IMF was part of this process, the IMF may not have been attentive enough; but the decision was with the World Bank and the EU." Koehler went on to admit that "there have been mistakes made" in Malawi, and said that the Malawian government has started an "audit" to identify who was involved in the decision and what went wrong.

## **U.S. Oil Firms Mount Pressure on Nigeria To Quit OPEC**

An article in *This Day* (Lagos) of July 8, by Mike Oduniyi, charges that U.S. oil firms are dangling the "debt relief carrot" in a pressure campaign to get Nigeria to quit OPEC, the Organization of Petroleum Exporting Countries. The article cites a conversation the author had in Lagos with Dr. Paul Wihbey, a fellow of the American Institute of Advanced Strategic and Political Studies, and a member of the African Oil Policy Initiative Group (AOPIG), a U.S. thinktank.

Wihbey said that the U.S. is hoping to double its oil imports from Nigeria, from 900,000 barrels per day to around 1.8 million barrels daily, in the next five years. Asked how this could be achieved with Nigeria still under tight OPEC output control, Wihbey replied: "This [pulling out of OPEC] is something Nigeria will have to determine for itself. If Nigeria doesn't supply the American market with that surplus, other producers like Canada, Mexico, Russia, and Venequela will supply that amount." Members of AOPIG were in Nigeria last week and held talks with President Obasanjo and other top Nigerian officials.

According to a position paper produced by AOPIG, among the possible dividends dangled before Nigeria, include Congressionally driven negotiations for debt relief; U.S. private and institutional capital for Nigerian projects in telecommunications, transportation, mining, and agro-allied businesses; U.S. capital and technology for additional Nigerian refining capacity; and an increased oil and gas share of the American market.

*This Day* says that oil-producing companies are unhappy over the fate of their multibillion-dollar investments in crude oil exploration projects in the face of the hurdles imposed by OPEC production quota allocation to its member states.

## **This Week in History**

### **The Northwest Ordinance — July 14-20, 1787**

In thinking about the true republican character of the United States, to which our nation is long overdue to return, it is of interest to look at the policy the Founders adopted toward absorbing the Western lands. This week we recall that policy as adopted by the founders on July 13, 1787, with the Ordinance for the Government of the Territory of the United States, North-West of the River Ohio, commonly known as The Northwest Ordinance.

The Northwest Territory was the common property of all the states, formed from a huge area of land previously claimed by the Commonwealth of Virginia. It extended westward from Pennsylvania all the way to the Mississippi River.

Under the Northwest Ordinance, passed in 1787, many of the provisions of U.S. Constitution, passed by a different representative body two months later, were established. Slavery was prohibited in all territory north of the Ohio River, and freedom of religion was guaranteed to all. In each section of land, lots had been set aside for the building of public grammar schools, secondary academies, and even colleges.

The bulk of the ordinance was devoted to establishing the form of governance in the Territory, in such a way as to prepare the territories to become anywhere from three to five states of the United States, once they had been sufficiently populated. The second section of the Ordinance read as follows:

"And, for extending the fundamental principles of civil and religious liberty, which form the basis whereon these republics, their laws and constitutions are erected; to fix and establish those principles as the basis of all laws, constitutions, and governments, which forever hereafter shall be formed in the said territory; to provide also for the establishment of States, and permanent government therein, and for their admission to a share in the federal councils on an equal footing with the original States, at as early periods as may be consistent with the general interest:..."

At that point, six specific articles were outlined. The first read:

"No person, demeaning himself in a peaceable and orderly manner, shall ever be molested on account of his mode of worship or religious sentiments, in the said territory."

The second guaranteed the rights of *habeas corpus*, trial by jury, and bail for all but capital offenses. "No cruel or unusual punishments shall be inflicted," Article II read, going on to provide reasonable rights to property.

Article 3 read: "Religion, morality, and knowledge, being necessary to good government and the happiness of mankind, schools and the means of education shall forever be encouraged. The utmost good faith shall always be observed towards the Indians; their lands and property shall never be taken from them without their consent; and, in their property, rights, and liberty, they shall never be invaded or disturbed, unless in just and lawful wars authorized by Congress; but laws founded in justice and humanity, shall from time to time be made for preventing wrongs being done to them, and for preserving peace and friendship with them."

Article 4 outlined the tax obligations of the territories and ensured that the navigable waters in the territories be "common highways and forever free" to the inhabitants of the entire United States.

Article 5 defined the parameters of "not less than three nor more than five States" being established in the area, indicating that once any of said States had 60,000 free inhabitants, it could be admitted on "equal footing" with the other states, "provided, the constitution and government so to be formed, shall be republican, and in conformity to the principles contained in these articles...."

Article 6 read as follows: "There shall be neither slavery nor involuntary servitude in the said territory, otherwise than in the punishment of crimes whereof the party has been duly convicted....," followed by a fugitive slave provision.

Colonization of this region, often called the Ohio Territory, had been envisioned by George Washington as early as 1777, but it was not until June 5, 1788 that the first pioneer families reached the confluence of the Muskingum and Ohio Rivers, in the newly opened Northwest Territory. They were welcomed by the 80 or so men who had preceded them in April and



May to build housing and plant crops. Most of these early arrivals were New England veterans of the Revolutionary War, who had banded together in a group called the Ohio Company of Associates in order to settle the fertile area north of the Ohio River.

It was wise, and necessary, to people these territories with the military, since, despite provisions of the 1783 Treaty of Paris, the British refused to evacuate their forts along the Great Lakes. Therefore, the new American settlers were forced to build towns only near the Territory's southern boundary, since Britain still continued her policy of sending forth her Indian allies to scalp settlers and burn farms and villages.

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