

Electronic Intelligence Weekly

Online Almanac

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THIS WEEK YOU NEED TO KNOW

LaRouche Called It! Lieberman Caused Dems' Nosedive

Precisely as Lyndon LaRouche warned, persistently, from the beginning of the year, unless the Democratic Party dumped Joe Lieberman, Michael Steinhardt's organized-crime-contaminated right-wing Democratic Leadership Council, and every personality and policy associated with what Sen. Ted Kennedy once called the "second Republican Party," the Democratic Party would self-destruct. On Nov. 5, Sen. Joe Lieberman and the DLC self-destructed.

The election results were no mandate for President George W. Bush and his Iraq war policy. The American electorate is opposed to an Iraq war, particularly a unilateral American military adventure, and the opposition is growing by the day. Americans are deeply dissatisfied with the Bush Administration's non-handling of the deepening economic crisis. Far from being a vote of confidence in Bush, the election results were a no-confidence vote in the Democratic Party's current leadership and policy, which offered voters no alternative to the Bush folly.

In a period of national crisis, including the still-lingering effects of the Sept. 11, 2001 attacks on New York and Washington, the American people will tend to give the President, even a pathetically unqualified President, the benefit of the doubt—unless offered a viable alternative. When Sen. Joe Lieberman and Rep. Dick Gephardt jumped in bed with President Bush, by surrendering to the President Congress's Constitutional authority to declare war, the Democratic Party mis-leadership wrote its own political epitaph.

Some honest Democrats, around the party leadership circles, responded to the Nov. 5 debacle by congratulating Lyndon LaRouche for having launched the drive to bring down Lieberman and set the stage for a long-overdue party shakeup. Indeed, Nov. 5 marked the political destruction of Lieberman, as the Hartford *Courant* publicly announced 48 hours after the election: Every Democratic candidate for whom Lieberman aggressively campaigned, lost their elections Nov. 5! Four of the five incumbent Democratic House of Representatives members who lost on Nov. 5 were members of the Lieberman-Steinhardt DLC.

On Nov. 1, Democratic Presidential candidate Lyndon LaRouche had forecast the consequences of the Democratic leadership failures, in a reply to an Oct. 30 query:

"What the Democratic Party has done to this nation and its people is a crime against our people and their posterity. Either the party abandons its presently continuing habits of the recent quarter-century, or it is soon dead. It can no longer get by with the swindle the leadership of the party has been running over these decades to date. The worst thing is not that the party leadership has policies which are either evil, such as those of Lieberman, or practically impotent; some of the leaders could be changed, under appropriate top-down changes in policy and leadership, but the present crew is not capable of doing anything relevant of its own volition. Without new leadership, top down, the party has no moral relevance. If the Democratic Party were not, now, to reverse its policies of the past quarter-century to date, and specifically adopt my FDR-style remedies, the nation would not survive.... Otherwise neither that party nor the nation 'have a snowball's chance in Hell' during the several years immediately ahead.... Why should anyone waste their support of the Democratic Party if that party does not now openly entertain my Presidential candidacy for 2004?"

It's Still the Economy, Stupid

While most of the Congressional candidates appeared blithely ignorant of the crippling economic crisis, its effects have been more keenly felt at the state level, where at least 47 of the 50 states face serious budget deficits, and all 50 states are, in fact, bankrupt. Since George W. Bush was sworn in as President in January 2001, the real level of unemployment in the nation, as measured by *EIR*—in contrast to the fraudulent figures released each month by the Bureau of Labor Statistics—has skyrocketed, especially in the manufacturing industries. This decline in the physical economy, when combined with the crash of the "tech sector" and its associated stock-market bubble, caused the dramatic collapse in all government revenues—the "telltale heart" of the economic depression. On the Federal level, the deficit could easily hit \$250 billion in fiscal year 2003. The collapse in state revenues has produced record deficits.

California, which had a \$24-billion budget deficit in 2001-02, faces a deficit in 2003-04, which could top \$20 billion under the most optimistic circumstances. Texas is facing a deficit of more than \$10 billion, and New York, \$10 billion, with New York City Mayor Michael Bloomberg admitting this week that the city is facing an \$8 billion budget shortfall in the next fiscal year. The list goes on. Governors and legislatures have foolishly responded with savage austerity, slashing necessary spending in infrastructure, leading to dangerous crises in transport, water, energy, health care, and education. This approach sacrifices the future, while adding to the downward spiral of revenue collapse.

In California, cuts in expenditures have added to already serious problems in transportation and in the ports; in water management, where both cities and farmers face shortfalls; in electricity production, in a state that has not yet recovered from the devastation wrought by Enron, and where consumers face soaring prices *and* shortages; and in health care, where the City of Los Angeles has already lost half of its trauma centers, and may still lose two of its four major public hospitals. That these issues were avoided, as if by agreement, by Gov. Gray Davis (D) and his Republican opponent, explains why Davis's margin of victory was only 5%, with voter turnout hitting a record low. A top Davis campaign activist conceded to *EIR*, before Nov. 5, "[We have] blown it—we could have smashed the Republicans, but we have adopted a play-it-safe strategy."

Because of these state disasters, the exceptions to the Democrats losses occurred where they won governorships from Republicans, including several incumbents. Among these were the formerly industrial Midwestern states of Michigan, Pennsylvania, Illinois, and Wisconsin; and the traditionally Republican states of Wyoming, Kansas and Oklahoma.

The LaRouche Vote

The Democratic Party's evident national leadership vacuum has left Democrats, and sane Republicans, no place to turn but to the economic recovery policies of Democratic Presidential candidate Lyndon LaRouche, the leader of the "FDR" tradition internationally. His political influence within the United States has risen during 2002 as the candidate has deployed supporters, led by a rapidly growing LaRouche Youth Movement, "on the streets," to engage the population in a blunt debate of the alternative to depression and war. Beside his infrastructure-centered recovery program, the candidate's exposes of the "Chickenhawk" faction pushing the war, and of the corruption of the Joe Lieberman-John McCain duo, have flooded Washington and every major urban center in America.

LaRouche's Presidential campaign, though hated and feared—and blacked out by the Establishment media—played a vital role in this year's mid-term election contests. Over the course of the primaries and the general election, more than 215,000 citizens voted for a handful of avowed LaRouche Democratic candidates—against the Democratic Party leadership's active opposition! LaRouche's proposals have been all over the airwaves in the Washington area as well. And he played a decisive role in bringing about the defeat of a pro-drug referendum in Nevada.

The Spannaus Campaign

Longtime LaRouche associate Nancy Spannaus launched the most prominent of the LaRouche Democratic candidacies, running for U.S. Senate in Virginia as an Independent, when the Party leadership refused to oppose incumbent Republican John Warner and refused to accept a LaRouche Democrat as a candidate. Through Spannaus's campaign, LaRouche's voice was heard frequently on *WTOP*, the most-listened-to radio station in Washington, for the eight-week period leading up to Nov. 5, spreading, in the last weekend, to the major Virginia cities of Norfolk and Richmond. In some ads, LaRouche chided the insanity of the Chickenhawk warriors; in others, he spoke about the solution to the economic breakdown crisis. These one-minute spots created such a stir, that both the Virginia Democratic Party, and the leading national rag of the neo-conservatives, the *Weekly Standard*, put out ridiculous diatribes against Spannaus and LaRouche.

LaRouche Democrat Spannaus garnered nearly 150,000 votes on Nov. 5, with the most significant support coming in Alexandria City and Arlington County in Northern Virginia—precisely the areas saturated with the LaRouche-Spannaus radio and TV ads and millions of pieces of LaRouche-in-2004 campaign literature.

The State Campaigns

The other LaRouche Democrats on the Nov. 5 ballots had won the Democratic nominations for State Representative, in Connecticut and Michigan. Despite flagrant Democratic Party sabotage of their candidacies, both got vote totals comparable to or surpassing those of the most successful Democratic candidates running in their areas.

In Connecticut's 141st District, in the Darien-Rowayton area, LaRouche Democrat Laurie Dobson won 24% of the vote, against the incumbent Republican—more than the Democratic Party's candidate got in 2000—and has now become a prominent spokesperson for the LaRouche perspective on national reconstruction. She immediately announced, on election night, that she would be leading a drive in Connecticut for LaRouche's "Super-TVA" proposal. The local press, on Nov. 6, noted that the most significant campaign news was not that the Republican incumbent had won; but that Dobson had scored such an impressive vote, on the basis of her attacks on Sen. Lieberman and her open affiliation with LaRouche.

In Livonia, Michigan, LaRouche Democrat Kerry Lowry won the Democratic primary on LaRouche's platform, with over 60% of the vote, and faced the incumbent Republican in the general election. On Nov. 5, Lowry won 36% of the vote, in a bedrock Republican district.

Fighting Drugs

The LaRouche Presidential campaign factor also came into prominent play in Nevada, where George Soros's drug gang had put a marijuana-legalization referendum on the ballot. Following the circulation of LaRouche's exposé of Soros, by Democratic gubernatorial candidate Joe Neal, the referendum—considered a sure winner earlier—was buried by a margin of 61% to 39%. Had the massively-funded referendum passed, the government of Nevada would have been mandated to grow and distribute marijuana in the state. Nevada would have become a national beachhead for the international drug cartels, with horrific consequences for the nation as a whole.

LaRouche broke up the game, starting with a Sept. 8 press release which denounced Soros as the primary source of funding for the entire drug-legalization drive worldwide. "How can the United States expect to press Colombia and Peru to crack down on the drug cartels when the same cartels are now attempting to establish a major beachhead inside the United States?" he asked.

LaRouche's release unmasking Soros was sent to all media in the state, and used by a LaRouche Democrat on the state party central committee to block an otherwise expected endorsement of legalization. On Oct. 4, the Democratic nominee for Governor, State Sen. Joe Neal, used *EIR's* exposé to persuade the state Board of Health to oppose the initiative. The *Las Vegas Review-Journal* ran the story as its lead on Oct. 5. Soros and company reacted with a strategic blunder. They launched a barrage of slanders against LaRouche, and demanded that Neal and Las Vegas prosecutor Gary Booker "apologize" for having linked the Marijuana Policy Project, the Soros-bankrolled front group behind the Nevada legalization initiative, to "the cartel." Neal stood his ground and vouched for the high quality of *EIR's* research. The *Review-Journal* and *Time* magazine hounded Booker. In the process, LaRouche's and *EIR's* responses were reported daily in the *Review-Journal*.

On Oct. 9-10, White House "drug czar" John P. Walters spent two days in Nevada, echoing LaRouche. At every stop, he nailed Soros and insisted he wanted to debate only him and the two other moneybags named in *EIR* on Sept. 20. "Any time, any place. I'm here; where are you?" Walters asked. Soros, of the "Open Society," hid. After the Election Day victory, Reno-area District Attorney Dick Gammick told Soros's lackeys, "Pack your baggies and go home. We don't need this stuff in Nevada."

FLASH!

LaRouche Calls for Launching of 'Super-TVA' — LaRouche Pushes Emergency Infrastructure Jobs

Nov. 9—Democratic Presidential pre-candidate Lyndon LaRouche is launching a major drive, to force through an FDR-style "Super-TVA" of crucial mass-employment programs now indispensable for halting the economic disaster now hitting the United States.

LaRouche explained that the system is now plunging into a collapse. A comprehensive change in national and state economic policies, is now a matter of life or death for our economy. We must shift from the Wal-Mart to reality. Reality means infrastructure building as the leading edge of a revival of durable goods production.

LaRouche outlined an [emergency program of infrastructure building](#) in energy production and distribution, water management, and mass transit rail-network programs, chiefly on the state level, but with backing by the Federal government. These are the immediate emergency measures to halt a presently spiralling, and accelerating collapse in state economies of many of our states. These emergency actions to be begun now, are part of a larger package which LaRouche described as a "Super-TVA."

He explained: A new Federal credit-generating mechanism, even bigger than the project-oriented TVA which Franklin Delano Roosevelt launched, is the only kind of program that can deal with the disaster which confronts us now.

Every single state is bankrupt. California is facing a \$24-billion deficit this year, and even if there were a so-called recovery, the 2003 deficit is projected to be over \$20 billion. Texas's deficit is between \$10-15 billion this year, and there are similar budget blowouts in all 50 states.

After 30 years of New Economy insanity, it's going to take a generation 30 years to rebuild the real economy to levels which existed prior to the 1971-1981 wave of destruction of much of the nation's basic economic infrastructure and industrial and farm sectors. We have already entered the worst systemic economic and financial disaster in modern history. What is required right now, is states' demand for action by the Bush Administration, to set up a "Super-TVA" Federal agency, that will fund the urgently needed emergency infrastructure-building needed to avert an already-ongoing general

collapse of the national economy.

This new mechanism, should not pour funds into the repayment of old state debts, but into major, urgently needed infrastructure projects—real development corridors. The existing state debts will have to be restructured, and the states will have to totally rethink how to deal with their budgets. But the Super-TVA's funding of large-scale infrastructure projects will create the productive jobs, and the expanded tax revenue base, that is required to actually solve the crisis.

This "Super-TVA" will be a tightly administered, effective Federal authority, disbursing low-interest, long-term credits into the states to launch these projects. To make this happen, we require emergency legislation, which repeals all of the deregulation laws of the past 30 years.

The election is over, it's time to focus on the reality of economic collapse. We need a new political agenda, defined by the Super-TVA. Let's get moving now.

U.S. ECONOMIC/FINANCIAL NEWS

Soaring Tuitions Drive Students To Work and into Debt

College students are finding it increasingly difficult to afford the skyrocketing cost of being "dumbed down" in school. As Lyndon LaRouche has observed, there is nowadays an inverse ratio between the cost of tuition and the quality of education received. According to the *Wall Street Journal* Nov. 5, average yearly tuition at a four-year public college rose a whopping 117% between 1981 and 2001; at expensive private schools, tuition rose even more, by 123%, forcing many students to work long hours outside of school, and/or take on huge debts. Nationwide, 74% of full-time undergraduates worked in 1999-2000, averaging 25.5 hours per week, with 19.7% working full-time. Upon completing college, the average student will owe \$16,900 in Federal loans, up 69% from 1992-93—plus private loans and credit-card debt.

Airlines Find It Harder and Harder To Get Off the Ground

The airline industry employed 53,000 fewer people (10% of workforce) in the third quarter of this year than they did a year ago, and, since the end of September, have announced another 20,000 job cuts. The major carriers have lost nearly \$8 billion this year. "All the airlines are on very thin ice right now," warned an *Aviation Daily* editor, with some "likely to cease operations" unless more cuts are made.

*UAL, parent of United Airlines, to stave off bankruptcy, received a postponement from the German bank, Kreditanstalt für Wiederaufbau, of \$500 million in debt payments due by the end of the year. The world's second-largest carrier still must come up with another \$450 million in debt payments over the next two months. United's pilots union has tentatively agreed to an 18% pay cut; flight attendants, mechanics, and other employees have tentatively offered \$5.8 billion in pay cuts over five and one-half years.

*U.S. Airways, already in bankruptcy, must make deeper payroll cuts as it faces a severe cash crunch, after having cut flights by about 13% since August. Other airlines, smelling blood, are moving in on its route network.

*American Airlines, the largest air-carrier in the world, after losing \$3 billion in the first nine months of this year, is pressuring workers for more pay cuts.

Record Number of Homeowners in Bankruptcy as Mortgage Debt Goes Through the Roof

Chapter 13 bankruptcy filings—which allow homeowners to avoid foreclosure, but require them to catch up on past-due mortgage payments—jumped 8% in the second quarter from a year earlier, to over 110,000. The number of homeowners in bankruptcy surged over the past year to an estimated 750,000, compared with about 450,000 five years ago. The rise in homeowner-bankruptcy filings comes amid a 50% surge in mortgage debt over the past four years (to \$5.7 trillion), as homeowners have used home-equity loans to cover credit-card debt and other short-term obligations (not to mention investing in the stock market and, recently, losing their shirts).

Fed, Prescribing More Poison, Slashes Overnight Interest Rate

The Federal Open Market Committee, by a unanimous vote, lowered the Federal funds rate (the interest rate on overnight loans between banks) by a larger-than-expected 0.5%, to 1.25%, the lowest since July 1961—in the 12th straight rate cut since the beginning of 2001. The Fed blamed "greater uncertainty" about an Iraq war for "inhibiting spending" (by already-debt-laden Americans).

The Fed's Board of Governors also cut the discount rate on loans to banks from the Fed system, by a half-percentage point to 0.75%.

D.C. Now Hit by Collapse of Venture Capital Funds

The collapse of venture capital funds nationally has now hit the Washington, D.C. area hard, the *Washington Post* said Nov. 4. Investments in start-ups in the third quarter were down 84% from the peak in early 2000. Nationally, the third quarter saw a 26% fall from the previous quarter, at \$4.5 billion in 647 start-ups, an eight-year low.

WALL STREET POLICE BLOTTER

Webster Now Subject of SEC Investigation; Pitt Resigns as Chairman

Former FBI and CIA Director William Webster is now the subject of a Securities and Exchange Commission investigation, growing out of his role as head of the audit committee of a company which is being investigated for fraud by the SEC. Awkwardly, Webster was recently selected by SEC chairman **Harvey Pitt** to head a new accounting oversight board, which was created in the wake of recent accounting scandals.

It turns out that Webster headed the audit committee of **U.S. Technologies**, a company which is now insolvent and is being investigated for accounting fraud. U.S. Technologies started out as a company contracting prison inmates to work for private electronics and manufacturing companies.

Meantime, SEC chair Pitt resigned Nov. 6. under fire, in part, for failing to tell other members of the SEC about Webster's conflict of interest.

Long-time *EIR* readers may recall that then-FBI Director Webster was the recipient of the notorious "Dear Bill" letter from **Henry Kissinger** in August 1982, demanding that the FBI "do something" about Lyndon LaRouche; after being prodded by Kissinger's cronies on the President's Foreign Intelligence Advisory Board, Webster ordered the opening of a national security investigation of LaRouche. Webster's giving in to political influence-peddling by private citizen Kissinger, constituted a far bigger scandal than anything of which Webster is currently accused.

WORLD ECONOMIC NEWS

World Grain Stocks, of All Types, Decline for 2002/03

World grain stocks are being depleted from their already inadequate levels, according to the latest surveys released from the U.S. Department of Agriculture (USDA) and the UN Food and Agriculture Organization (FAO). The decline reflects both the worsening economic conditions for farming—as in Argentina, traditionally, one of the top six grain exporters—as well as the impact of drought affecting Canada, the United States, and Australia, three more of the major world grain exporters.

The total grains output (all types) for the world for the crop year 2002/03 is expected to be, at best, 1,814 million metric tons (mmt), down from each of the last two crop years—1,863 mmt (2001/02), and 1,842 mmt (2000/2001).

World grain stocks are going down accordingly, as use of grain (directly for human consumption, or indirectly through the livestock chain) continues to rise—although not nearly at the rate it would rise if decent nutrition were being provided, or even attempted, for millions of people now going hungry. The world ending stock (carry-over at the end of the crop year) has been falling dramatically:

Year	World ending stocks of all grains, in million metric tons:
2000/2001	501
2001/2002	461
2002/2003	371

Stocks of all three major grain types—wheat, rice and coarse grains (corn, sorghum, etc.)—have declined.

Roach: 'Tectonic Changes' in World Economy; U.S. Headed for Japan-Style Crash?

The world economy and financial markets are now "at the most dangerous point in 70 years," stated Morgan Stanley chief economist Stephen Roach at the end of October. There are two powerful forces hitting the world economy and financial markets at the same time, he said: the repercussions of globalization, and the bursting of a speculative stock-market bubble. Tectonic changes are taking place and there is now the risk of a worldwide deflationary spiral, Roach added. In particular, the U.S. economy is at risk of undergoing a Japanese-style dynamic, due to excesses such as the low savings rate, a possible balance-of-payments crisis, and the record-high debt among corporations and consumers. Unfortunately, said Roach, those responsible for economic and monetary policy—and investors as well—have not yet recognized what is going on. If this doesn't change very soon, the world economy and financial markets are heading into a very dangerous final drama.

Roach obviously has no idea of how to overcome the crisis (apart from pumping in even more liquidity), as he presents the "capacity overhang" due to globalization and the Internet as one of the main problems of the world economy. But his remarks are quite telling about the degree of desperation in certain financial quarters.

Berlin State Government Declares 'Extreme Fiscal Emergency'

The state government of Germany's capital, Berlin, announced Nov. 5 that very soon it will no longer be able to meet its debt service on an official debt pile-up of 46 billion euro (projected for year-end 2002), and about 60 billion euro by 2006,

unless there is a Federal bailout. Berlin State Finance Minister Thilo Sarrazin said: "The state has lost the ability to shoulder a giant, excessive debt burden on its own," *Handelsblatt* reported Nov. 6.

As the Federal government—itself in the midst of a fiscal disaster—refuses to step in, the Berlin state government will bring a lawsuit to the Federal Constitutional Court. A precondition for this move is the formal declaration of an "extreme fiscal emergency," which the Berlin state government has now issued.

Manufacturing Employment Plummets in Mexico's *Maquiladoras*

Manufacturing employment in Mexico fell by 4.3% in August from the same month a year earlier. Much of what is called "manufacturing" in Mexico is, however, not productive manufactures, but the cancerous *maquiladora* assembly plants, which produce for export only. Employment in these labor camps alone—for more than a decade the only growth "industry" in Mexico—was 7% less in August 2002 than in August 2001. Worst hit were the electronic and clothing components of the *maquiladoras*, where 43% of the workforce is employed. Employment in electronics assembly fell nationally by over 17%, and in textiles and clothing, by 10.5%. These hit nine states, in particular, really hard—among the worst being the states of Baja California Sur and the State of Mexico, where *maquiladora* employment fell by about 40%; and Sinaloa and Aguascalientes, by 20%.

Sinaloa State Takes Mexican Government to Court for Funds Owed

The Mexican state of Sinaloa sued Mexico's Federal government in the Supreme Court to force the release of funds owed to the states, the Mexican daily *Reforma* reported Oct. 31. The suit charges the Federal government with cutting back revenues which it must legally send to the states, through the use of "wrongful, incorrect, and illegal calculations" of what is owed the states. The Finance Ministry has 30 days to respond.

The suit is the latest escalation in one of the hottest political brawls the Administration of President Vicente Fox has yet faced. The crisis is similar to the revenue-sharing brawls which have set the Argentine provinces and Federal government at each other's throats. The state governments in Mexico are responsible for collecting most taxes, which they send to the Federal government—which, in turn, is required to return a certain percentage of its overall revenue to the states to cover their operating costs, education, and so on. As happened in Argentina, the Federal government is attempting to increase the amount it can pay on its debts, by gouging monies allocated to the states.

The Secretaries of Finance of 22 states pummelled Treasury Secretary Francisco Gil Diaz at a meeting Oct. 22, seeking restitution of 40 billion pesos (around \$4 billion) which they charge the government has wrongfully withheld. Led by the PRI Governor of the State of Mexico, Arturo Montiel Rojas, a group of governors then refused to attend a meeting between President Vicente Fox and the governors. On Oct. 24, the PRI Governor of Coahuila, Enrique Martinez y Martinez, another outspoken leader in this battle, pointed out the idiocy of withholding 40 billion pesos, when the economy has a zero growth rate, and Federal investment should be used to reactivate the economy. The state government is practically bankrupt, he announced the next day, with only enough to cover one month's worth of required public spending.

In coordination with various governors, the PRI faction in Congress is submitting legislation to reform the Budget Law, which would prohibit the Executive from implementing unilateral budget cuts henceforth. The Federal government's accounting office has also begun an audit of Federal government revenues, at the request of six states and the PRI Congressional faction.

Under the thumb of University of Chicago fanatic Gil Diaz, the Fox government is taking a hard line, claiming the missing 40 billion pesos never existed, and offering only to provide the states with new loans to cover their needs. The World Bank director for Mexico, Oliver Lafourcade, weighed in on the side of Gil Diaz on Oct. 19, issuing a statement warning that

Mexico's finances would be put at risk if the President yielded to the governors' demands. It would be too risky to "break the rules of the game" by increasing the fiscal deficit, he said.

Mexico's Fox Agrees To Pay Debts as Economy Sinks

Despite the dire state of the Mexican economy (see above), Mexico will lower its budget deficit even further in 2003, in order to channel more money to pay debts, President Vicente Fox announced on Nov. 7. Even as European countries break with Maastricht's 3% deficit limit, Fox has announced that his government will cut its deficit from 0.65% of GDP, to 0.50%! Fox argued that the public finances of the country required this, because his government could not expect to bring in the 55 billion pesos "made" in 2002 through privatizations, and it faced new pension costs of nearly 20 billion pesos.

According to press leaks of the preliminary 2003 budget plan which the government is to present to Congress soon, the budgets of the Federal government's departments are to be cut by 6.6% overall. Among the more vicious of the cuts, are the cuts in the budget of the Secretary of Public Security by a whopping 17%—in spite of a continuing crime wave, a flourishing kidnapping industry, and increased activity by the drug cartels; in the Ministry of Agriculture, Rural Development and Food, by over 10% (Agrarian Reform, a separate ministry, is getting a 12.8% increase); in Social Development, by 8%; in Communications and Transportation, by 7.2%; and in the Departments of Health and Public Education, by 6% each.

What the government will not cut, are debt payments. Approximately \$49.5 billion is budgeted in the 2003 Federal budget for payment on debts (including the costs of the government's bailout of the private highways and banks which went bust).

Meanwhile, budget cuts are threatening to bankrupt Mexico's Social Security agency, IMSS, whose Director General Santiago Levy told the Senate Health Commission on Oct. 30, that IMSS needs to start charging its users co-pays on medicines, because otherwise its current shortage of medicines, resulting from lack of money, will only get worse. He described monstrous cuts in service which have been forced upon them by budget reductions, including the firing of 17% of its personnel, and a drop in the number of beds available per user from 2.3 two years ago, to only one today. The situation in the clinics is no different, he said. IMSS's 2002 budget was lower than in 2001.

Sao Paulo Defaults on 350-Billion-*Real* Payment to Federal Government

The failure of the city of Sao Paulo to make a 350-billion-*real* debt payment to the Federal government reflects the problem that the incoming government of President-elect Luiz Inacio "Lula" da Silva will face: Any commitment to maintaining IMF austerity dictates, particularly the primary surplus goal of 3.75% of GDP, or higher, will have an immediate impact on funding to highly indebted states and municipalities. The Argentine example is staring everyone in the face: To pay the debt, the government squeezed the provinces, demanding deep austerity, while restricting allocations of Federal revenue-sharing funds. The provinces collapsed financially, but also rebelled against the Federal government, and the IMF still blames the "unruly" provinces for much of Argentina's crisis today.

In Brazil, state governments, burdened with a total state and municipal debt of 244.5 billion *reals*, say they urgently need to renegotiate this debt, which Lula's top economic advisers have said will be impossible to do, because of the necessity of attaining the IMF-dictated primary surplus. Although media portray Sao Paulo's non-payment as simply the city's decision to resort to a contractual clause allowing it to skip one installment of a debt payment, if it lacks funds, as a city financial official told *Bloomberg* last week, "If we pay, it would paralyze the city." *Bloomberg* nervously warns that the Sao Paulo incident raises questions about the Federal government's ability to find the funds needed to pay the foreign debt, adding that the government can, by law, withhold disbursement of revenues to states and cities, should the latter fail to make debt payments.

Argentine President Duhalde Warns Against Using Reserves To Pay Debt

Using Argentine reserves to pay \$800 million due to the World Bank Nov. 14 would risk throwing the country into chaos, warned President Eduardo Duhalde in a Nov. 5 press conference. Duhalde, who was joined at the news conference by Finance Minister Roberto Lavagna and Chief of Cabinet Alfred Atanasof, said that getting international financial support is important, "but the price cannot be returning to live in a climate of absolute uncertainty." The only way that use of reserves might be contemplated, he said, is if the Fund were to give "concrete signals" of its willingness to sign an agreement to refinance all loans coming due between now and the end of 2003—\$16 billion. An announcement by the Fund that there is a "pre-agreement" would constitute such a "signal," he stated. Otherwise, reserves *will not be used*, he repeated.

Argentina is willing to do what it can to tighten up its fiscal situation, he added, but absolutely not through an increase in taxes. "We don't want to repeat the experience of the Alianza," he said, referring to the government of Fernando de la Rúa, whose January 2000 tax increase threw the country's finances into chaos. Duhalde, in fact, confirmed that his government had just reduced the VAT tax from 21% to 19%.

The Argentine President also revealed that, in a third draft of a letter of intent, just sent by the IMF, there are 60 issues yet to be resolved.

Islamic Financial Institution Founded in Malaysia

In a move that reflects the increasing importance of the Islamic financial market, the central banks from seven Muslim countries Nov. 3 inaugurated the Islamic Financial Services Board (IFSB). Founding members of the new regulatory body are Malaysia, Saudi Arabia, Indonesia, Iran, Kuwait, Pakistan, Sudan, plus the Islamic Development Bank.

IFSB—an association of central banks, monetary authorities, and other institutions responsible for supervising and regulating Islamic banking—was formed in response to the growing significance of the Islamic financial services industry.

It is the culmination of two years of work by the founding members, with support from the International Monetary Fund and the Accounting and Auditing Organization for Islamic Financial Institutions.

The Islamic financial market worldwide is estimated to be worth \$200 billion and is growing 15% per year. Economists say there has been a boom in the aftermath of the Sept. 11 terror attacks, as investors pulled funds out of the West.

Malaysian Prime Minister Mahathir Mohamad, speaking at the opening ceremonies, said that the option to use the Islamic financial system must be open and voluntary so as not to cause turmoil and economic regression. The system combines Islamic laws against interest payments with modern banking principles. Mahathir said an international financial system that was fair and rewarded hard work was needed, rather than speculative activities that took advantage of the weak and ill-informed.

Indonesia Declares De Facto Debt Moratorium

Indonesia played the "debt card" last year, telling the Paris Club of creditor nations that they simply couldn't pay their debt, neither principle nor interest, after two years of principle rollover only. The de facto debt moratorium was granted, partially by necessity, but also due to the fact that Asia was being treated gingerly while the push for war on Iraq was being promoted. Now, according to Coordinating Minister for the Economy Dorodjatun Kuntjoro-Jakti: "Despite what has happened in Bali, our commitment that we will not seek a fourth edition of debt relief from the Paris Club remains." The assumption that the country would experience a zero deficit in its budget for the 2004 fiscal year has been blown away, so

to speak, and they now expect the deficit to be 2% of GDP, while state debt still sits at 90% of GDP, or \$131 billion.

Finance Minister Budiono announced that the IMF, World Bank, and the Asian Development Bank have withheld a total of \$925.8 million in pledged loans since 1999, complaining that they have not met "reform" targets (i.e., selling off the state sector for a fraction of its worth).

Chinese Renminbi Becomes Convertible in Neighboring Countries

The Chinese currency is becoming "virtually fully convertible" in some regions, and "increasingly accepted as a hard currency" in Russia, Vietnam, Malaysia, and Singapore, stated a commentary published in the official *China Daily* Nov. 4. China's fast-growing economy is "quietly bolstering the popularity of its currency, the renminbi [the form of the currency used for foreign transactions], in neighboring countries" and making it "virtually fully convertible" there.

While this process is being "watched," due to China's strict exchange-control policy, it should be allowed to "brew," the commentary noted. Despite pressure from the IMF, China has set no timetable to make its currency fully convertible.

The amount of cash circulating is very small, as yet, but the trend is important.

"The renminbi has become something like a hard currency that's only second to the U.S. dollar in some neighboring nations," said Qin Chijiang, Deputy Secretary General of the China Society of Finance (CSF). Renminbi banknotes in bordering areas, are facilitating border trade. With Vietnam, over 90% of border trade deals are settled in renminbi. "That the renminbi is being increasingly used as a settlement currency in border trade reflects its reputation and the recognition of its strength," *China Daily* quoted Zhao Jinping of the State Council Development Research Center. "It's in the direction of renminbi's internationalization and renminbi becoming a mature currency."

According to the State Administration of Foreign Exchange (SAFE), some 99.5 million yuan (\$11.9 million) are circulating in Russia, especially in the area adjacent to China's border province of Heilongjiang. "As for renminbi's circulation and use in border regions of Russia, the benefits outweigh the disadvantages," said a SAFE official in Heilongjiang. This reduces China's foreign-exchange spending and facilitates trade.

The Chinese government has issued a statement calling on Chinese commercial banks to set up correspondent arrangements with banks in Russia and other CIS nations. This will eventually replace the local money-changers.

China Telecom Delays IPO on Wall Street, Fearing Market Meltdown

China Telecom has delayed its \$3.68-billion IPO on Wall Street and in Hong Kong, due to the weakness of the market. It is likely that China Telecom, the country's telephone-service provider, will cut the initial public offering (IPO) by up to 50%. It would have been the third-biggest IPO this year. The IPO was to "float" about 20% of China Telecom to raise funds, and was to have been part of the Chinese privatization policy. No new timetable for trading the shares has been set.

Japan, China, South Korea Discuss 'Free-Trade' Zone at ASEAN Summit

The leaders of Japan, China, and South Korea discussed a "free-trade" area, during talks "on the sidelines" during the ASEAN Summit in Phnom Penh Nov. 4-5, the *Business Times* of Singapore reported Nov. 6.

"Something big is building up on the sidelines of the ASEAN summit in Phnom Penh," the *Business Times* reported.

"China, Japan, and South Korea—despite their historical suspicions of each other—have taken cautious, but significant, steps towards creating their own free-trade area."

At a press conference yesterday after the summit, Japanese Prime Minister Junichiro Koizumi stated: "The population of East Asia—ASEAN, Japan, China, and Korea—make up a third of the global economy and 20% of global trade. So the region can indeed be a major driving force for the economic development of the world. It is more than necessary now to deepen the economic exchanges between Japan, Korea, China, and ASEAN."

Koizumi said he has emphasized that he sees China neither as a threat nor a rival, and a Chinese-ASEAN Free Trade Area would be a stimulus for the Japanese economy.

On Jan. 4, the first day of the summit, a Japanese official told a media briefing that Japan, China, and Korea were already in the process of jointly studying a Northeast Asian Free Trade Area among the three countries.

The official told the media that the three sides had agreed to study jointly a "possible FTA" as early as 1999, when they met over breakfast at the ASEAN summit in Manila that year. The study was carried out by government policy institutes, and the results were reported to the leaders

last year. Then, this year in Phnom Penh, the three Northeast Asian Prime Ministers agreed to go ahead with the second phase of the study, to assess the economic impact of an FTA on the three economies and on the region. Japan itself, the *Business Times* reported, wants to create an East Asian FTA by 2010, integrating ASEAN "plus five"—Japan, China, Korea, as well as Hong Kong and Taiwan.

UNITED STATES NEWS DIGEST

LaRouche Comments on UN Security Council Vote

As soon as he learned of it that day, Presidential pre-candidate Lyndon LaRouche told associates that the unanimous vote on Friday, Nov. 8 at the United Nations Security Council, reflected an agreement under which Washington had promised not to invade Iraq without prior consultations with the Security Council. When LaRouche heard of the Nov. 8 Security Council statements by France, Russia, and other war opponents, saying that they had supported the resolution because it contained no automatic trigger for war, and learned that France had said that their demand for "two resolutions" had been met, LaRouche said that they were right, and that those were the assurances they had been given.

From the U.S. side, this was confirmed that same day in a briefing by a senior U.S. official at Washington's Foreign Press Center, and then in subsequent statements by Secretary of State Colin Powell.

LaRouche specified at the same time, that this agreement had already been reached before the U.S. Nov. 5 elections, with the proviso that it would only be made public after the elections. That means that the outcome of those elections was not an endorsement of war, as the *Times* of London and others have claimed it was, since an agreement to postpone or avoid war, had already been reached.

Recall LaRouche's discussion of how to stop this war, during his Sept. 11, 2002 nationwide webcast. At that point, he described three hurdles to be surmounted: first, avoiding unilateral action by getting a resolution through the UN, which was acceptable to President Bush; second, getting Saddam Hussein to agree; and third, dealing with the Israeli wild-card, including the potential for a breakaway ally nuclear strike.

What has occurred is that a massive amount of international pressure, backed up by the military in the U.S., has brought us through the first of those three steps, LaRouche assessed.

(For more on the UNSC resolution, see [MIDEAST DIGEST](#).)

U.S.-German Relations on the Mend?

On Nov. 8 in Washington, Secretary of Defense Donald Rumsfeld met with visiting German Defense Minister Peter Struck for approximately an hour, and the two of them put on a display of friendliness in front of reporters afterwards. When asked to characterize U.S.-German relations, as compared to the period just before and after the German elections, Rumsfeld said they were "unpoisoned." (Just after the German elections, Rumsfeld had refused to meet with Struck and had declared relations between the two countries poisoned. The U.S. was angered by the way it believed German Chancellor Gerhard Schroeder had used anti-Americanism in his reelection bid, and by reports that a Minister in Schroeder's Cabinet had compared President Bush to Adolf Hitler.)

After the Nov. 8 meeting, Rumsfeld said that he and Struck had discussed issues including the upcoming NATO summit in Prague, and Germany's takeover of the International Security Assistance Force in Afghanistan. Neither, however, would answer directly, when asked about a possible German role in any war against Iraq. Rumsfeld only gave his standard response on how the U.S. lets other countries characterize their help to the United States. Struck said that Saddam Hussein "has to realize what a great responsibility he bears on his shoulders. It is up to him to prevent any further action, and it's up to him to accept the UN decision."

Say U.S. Involved in Secret War Preparations with Israel

According to a front-page story in the Nov. 4 issue of *USA Today*, the Pentagon is secretly colluding with the Israeli military in preparation for an Iraq war. The U.S.-Israeli joint operations are being kept under tight wraps (until the *USA Today* story), because it would enrage the "Arab street" to know that Israel is deeply involved in the present stage of war preparation.

According to Pentagon and foreign government sources interviewed for the *USA Today* story, there are three main areas of Israeli involvement: 1. Israeli military spies have been operating on the ground in the desert area of western Iraq, gathering intelligence on possible Scud missile sites, and other advance reconnaissance, important for rapid military strikes; 2. Israel is stockpiling American military equipment for the Iraq operation at six separate depots (this has been going on for the past year); and 3. US Army and Marine units have been receiving urban warfare training from the Israel Defense Force at two desert sites in Israel, where the IDF has constructed replicas of urban neighborhoods typical of the Arab world.

Lott Will Take Up Homeland Security Bill in Lame-Duck Session

Reuters reports (Nov. 8) that Senate Republican leader Trent Lott (R-Miss.), soon to become Senate Majority Leader, was summoned to the White House by President Bush, who also called in Speaker of the House Dennis Hastert (R-Ill.), to press them to push through the Department of Homeland Security legislation during the lame-duck session of Congress, which begins Nov. 12.

Lott had previously advocated that the lame-duck session be limited to the passage of the few bills needed to keep things going until the 108th Congress convenes in January. However, he told reporters after the meeting, "The President of the United States is the leader of our country and he feels very strongly about this, he feels it is very important that Congress works to see if we can get this done and I agree and I'm prepared to do whatever I can." What remains to be seen, is if the

Democrats will continue to obstruct the legislation, since even after its electoral wins, the GOP is still far short of the 60 votes needed for a filibuster-proof majority.

Iran-Contra Figure Building New Computer Surveillance System at the Pentagon

Under the direction of former Iran-Contra figure John M. Poindexter, the Pentagon's Defense Advanced Research Projects Agency (DARPA) is, according to a Nov. 9 *new York Times* story, developing a computer surveillance system that, using a technique called "data mining," will be able to search through government and commercial databases for credit card records, travel records, internet e-mail and so forth, in search of alleged foreign terrorists operating inside the United States.

Poindexter has argued that the government needs broad new powers to process, store and mine billions of minute details of electronic life in the United States. "We must become much more efficient and more clever in the ways we find new sources of data, mine information from the new and old, generate information, make it available for analysis, convert it to knowledge and create actionable options," he said in a California speech earlier this year. Poindexter has been director of the Office of Information Awareness at DARPA since last January.

Legislation required to deploy the system is contained in the Homeland Security bill, and it has civil liberties proponents up in arms. Marc Rotenberg, director of the Electronic Privacy Information Center, said that the outcome "is a system of national surveillance of the American public." Civil libertarians also argue that potential terrorists will be able to avoid detection, anyway. If deployed, the system would likely serve the FBI, and while that agency has had discussions with the Pentagon about it, no decision has been made, yet.

White House Preparing for Big Changes in Economic Team?

The White House is said by *Reuters* to be preparing for big changes in President Bush's economic policy team, preparations that began before the elections but were slated to begin to take effect afterwards.

The first casualty of this house-cleaning was Securities and Exchange Commission chairman Harvey Pitt, who tendered his resignation Election Day, Nov. 5, and whose offer was promptly accepted by the President.

Top White House economics adviser Lawrence Lindsey is said to be on the way out, and Bush is under pressure to replace Treasury Secretary Paul O'Neill. One Republican aide was quoted as saying that "The Administration's economic operation obviously has problems and they're looking for changes." The White House won't comment on possible changes. Spokeswoman Claire Buchan only said, "The President has a high degree of confidence in his economic team." A former aide to Trent Lott, Keith Hennessey, has already been brought into the White House to be deputy assistant to the President for economic policy, and other, lower-tier changes have fuelled speculation of a bigger shake-up on the way.

Aside from the White House economics team, Health and Human Services Secretary Tommy Thompson and Environmental Protection Agency head Christine Todd Whitman are also said to be considering leaving.

Rough Road to Agreement in West Coast Port Dispute

According to a release from the International Longshore and Warehouse Union, a tentative agreement has been reached on the technology issue, which has been the main sticking point in negotiations with the Pacific Maritime Association (PMA). Details of the agreement will not be released until the entire contract package has been negotiated. The ports continue to operate under the terms of a Taft-Hartley injunction, and the Department of Justice is considering a complaint from the

PMA that the Union is running an illegal slow-down on the docks.

Federal Mediator Peter Hurtgen on Nov. 7 indicated that the Pacific Maritime Association needed time to review the ILWU's demand for an enhanced pension package, and broke off the talks for a week. Both the union and the PMA are prohibited from commenting on the suspension, but the *Los Angeles Times* reports sources close to the talks say that hopes of an early mediated settlement had faded as tempers flared over pension plan proposals.

Thousands of Small Watershed Programs Await a 'Super-TVA'

Thousands of small watershed projects await the implementation, as Lyndon LaRouche has called for, of a "Super-TVA" program, meaning a huge jobs program, and a ripple effect of construction dollars.

A highly placed U.S. Department of Agriculture soils service official responded to LaRouche's "Super-TVA" idea, by raising the idea that work could and should be mobilized to deal with the backlog of needed projects for land and water improvements in the area of "small watersheds," not just the grand-scale geo-engineering projects. Under the Public Law 566 "Small Watershed and Flood Protection Act," there are right now: 1) 1,000 small watershed dams (60 to 100 ft high) that have been built all around the country in past decades, which are long overdue for refurbishing; pipes are rusting; concrete breaking down. 2) There is also a 20-year backlog of applications for dams and related projects from local soil conservation districts. Getting these projects going sets up a requirement for labor to be trained and put to work; plus it means order books of inputs from suppliers.

Experts will be providing *EIR* with work-ups of the number of jobs involved, the multiplier effects, etc. for use in the emergency "Super-TVA" mobilization.

Ashcroft Hands Sniper Suspects Over to Virginia

After having snatched the two sniper suspects away from Montgomery County, Maryland authorities—and botched up an interrogation in the process—Attorney General John Ashcroft announced Nov. 7 that the two suspects will be tried in Virginia, a state second only to George W. Bush's Texas in the number of executions it has carried out.

The two suspects were in Maryland custody, and were being interrogated by a Montgomery County detective, when the Justice Department ordered them to be delivered into Federal custody Oct. 24.

John Allen Muhammad is now in custody of Prince William County, Va., where he has been indicted for capital murder, conspiracy to commit murder, and using a firearm in the commission of murder—for which he could face the death penalty. John Lee Malvo has been transferred to the custody of Fairfax County, Va. where he has been charged with capital murder and using a firearm in the commission of murder. "If convicted as an adult, the juvenile could face the death penalty" in Virginia, Ashcroft boasted—but not in Maryland or under Federal statute. Hence the transfer.

What Ashcroft's Justice Department is doing in this case, is precisely the sort of frenetic rush to prosecution and conviction which prevents—intentionally or otherwise—getting to the actual truth about such an incident. It is reminiscent of what happened with the 2001 execution of Timothy McVeigh for the 1993 Oklahoma City bombing, who went to his grave without telling anyone what he actually knew. And it may be that some of what McVeigh knew, could have been important in forecasting the devastating terrorist attacks of Sept. 11, 2001.

IBERO-AMERICAN NEWS DIGEST

Brazil's President-Elect Calls for TVA-Style Infrastructure Development

Brazilian President-Elect Luiz Inacio "Lula" da Silva cited the New Deal-era Tennessee Valley Authority as exemplary of fruitful public-private economic relations, in an interview with Lally Weymouth in the Nov. 3 *Washington Post*. To Weymouth's assertion that "there are two ways to generate growth: the free market or the socialist model that relies on the state. Which course will you follow?," Lula replied: "I don't think the state has to manage companies. I remember what President [Franklin] Roosevelt did with the Tennessee Valley Authority. The state's role is to plan, stimulate development with incentives and, if necessary, provide funding in partnership with the private sector."

As to whether he will maintain the autonomy of the Central Bank, a condition the IMF and current Central Bank head Arminio Fraga have demanded, Lula pointed to the immense pressure exerted on him during the election campaign, regarding the appointment of the Central Bank Governor. "I cannot give in to the international markets' pressure on whom I should appoint as Governor," he said. Differentiating himself from most of his top economic advisers, Lula said that Central Bank autonomy is "not a major issue." If it were so important, he asked, why didn't "the people who ruled Brazil for many years" adopt that policy, instead of demanding it now? "Give me the opportunity to prove that I am more competent than they, although I don't have their schooling," he added.

On the issue of the debt, Lula said he would prefer not to borrow from the IMF at all. "I would prefer to see Brazil increase its industrial production and exports, and achieve a trade surplus, so that we don't have to borrow money." Lula said he has proposed to outgoing President Cardoso that the two work together, prior to his January inauguration, to lower taxes on manufacturing industries, and on exports.

Lula also told Weymouth that the difference between himself and Venezuela's Hugo Chavez is that "I have a political party; I have a labor movement. We have structures in society in Brazil that are much more institutionalized than in Venezuela. I remember telling President Chavez, 'I would advise you to be more political. A President cannot fight with everybody at the same time. You need more political wisdom. You have to split your adversaries so that you can divide and rule and govern with them.' I believe he is paying the price for his lack of political experience."

Lula also said that no one should confuse the "passion" felt for the Cuban Revolution, with the state of affairs in Cuba today.

The Brazilian President-elect also cited the life of Abraham Lincoln, a man of "humble origins" who became "one of the most important Presidents of the United States," which he said had inspired him to continue his drive to become Brazil's President.

Lula Must Decide: The General Welfare vs. the Bankers

The second largest union federation in Brazil, Forca Sindical, led a strike of 100,000 workers in Sao Paulo on Nov. 1, demanding wage increases. Some 5,000 workers marched to the headquarters of FIESP, the Sao Paulo industrial federation. Forca Sindical leaders said that they intend to force President-elect Lula da Silva to fulfill his promises to increase wages, and will launch an indefinite strike if business doesn't grant the increases within one week. The union estimates that wages have lost 10% of their purchasing power since 1998.

But the financiers say that if salaries are allowed to keep up with inflation, "any attempt to keep the economy stable will fail"—a fancy way of saying that wages must be gouged, or they'll pull their money out. Financial interests are also demanding that Lula rewrite labor laws which date back the 1930s-40s administration of FDR's friend, President Getulio Vargas. Those labor laws "lock in costly benefits such as a ban on cutting salaries," *Bloomberg* wire service complained Nov. 1.

Various spokesmen for Lula's Workers Party (PT) have been sounding a note of retreat over the last few days, on the President-elect's campaign promise to raise the minimum wage his first year in office. The head of the PT faction in the Chamber of Deputies, Joao Paulo, for example, said that "the economy" will dictate how much (or if) the minimum wage could be increased, and that much will depend on negotiations with the IMF.

Since his election, the President-elect himself, however, has not said "yea" or "nay" on any suggested program or plan of action, except one: that his government will set up a "Zero Hunger" program, whose goal will be to ensure that by the time he leaves office, every Brazilian can eat three meals a day. While that may sound like a modest goal to any reasonable person, the "market" analysts reacted to the commitment as potentially dangerous to the health of the economy! *Associated Press* wire service asked, how's he going to pay for *that*?

And *Reuters* headlined a Nov. 1 wire: "Wall Street to Lula: Act Fast, or We Dump Brazil." An executive of the bankrupt JP Morgan was more generous than some, saying JP Morgan gives Lula one month in office to show that he "can get things right."

Colin Powell Intervenes in Attempt To Avert Argentine Default

Concerned about the political fallout of an Argentine default on \$800 million to the IMF/World Bank (see [ECONOMIC NEWS DIGEST](#)), U.S. Secretary of State Colin Powell personally designated Undersecretary for Economic Affairs Alan Larson, to mediate between the IMF and the Duhalde government, to try to avert the default before the Nov. 14 due date. Larson has been following the Argentine crisis very closely and has been meeting regularly with the several Argentine government officials who've come through Washington in recent weeks, including those negotiating with the IMF, as well as with Finance Minister Roberto Lavagna.

When Lavagna left Washington Nov. 1, following acrimonious discussions with IMF Director Anne Krueger, it was decided that the two would resume talks by phone in the course of this week, after which Larson would jump in to try to resolve any remaining problems. The announcement of Larson's designation was made Nov. 1 to a group of Argentine reporters by Undersecretary of State for Environmental Affairs John Turner. Powell had informed Turner of the Larson appointment earlier that day, and wanted it made known that State would play a role in helping Argentina avoid a default. This is also the context in which rumors of a possible bridge loan from Treasury to Argentina began to circulate.

Millions of Petition Signatures Demand Referendum on Chavez Dictatorship in Venezuela

Tens of thousands of Venezuelans marched through Caracas Nov. 4, to present electoral authorities with 2.2 million signatures, a sixth of the registered voters of Venezuela, and nearly twice the required number for a referendum to be held on Hugo Chavez's despised government. Although, according to law, the referendum would be "non-binding," a massive vote against Chavez would severely weaken his already precarious political legitimacy, including in the "international community."

The march began in the Plaza in Altamira, Caracas where dissident military officers have been camped out for two weeks. Belligerent Chavez supporters, armed with rocks and sticks, congregated outside the electoral office and clashed with the opposition petitioners; at least 75 were wounded by a combination of rocks and rubber bullets. The Chavistas were eventually dispersed with tear gas by National Guardsmen.

Chavez himself continues to insist that early elections would only be called if the Constitution were amended by the National Assembly, where his forces still hold sway.

Electoral authorities have until Dec. 4 to validate the petitions and set a referendum date, which, by law, must occur within 90 days. The opposition CTV and Fedecamaras—labor and business organizations—threatened an indefinite nationwide strike if the referendum is not allowed to take place.

Colombian Senators Slam IMF/Grasso Agent on Economic Policy

A group of prominent Colombian Senators, with ties to the country's agricultural interests, have issued a formal statement of censure against former Economics Minister Rudolf Hommes for "heading a campaign against protection of national agriculture," and for "acting in representation of foreign, primarily U.S., commercial intermediaries."

Hommes is a former IMF employee and member of the board of Violy Byorum & Associates (sponsors of the infamous jungle meeting between New York Stock Exchange head Dick Grasso and narcoterrorist money man Raul Reyes of the FARC), who currently functions as an *eminence grise* of the Alvaro Uribe government, and has been a consistent target of the LaRouche forces in Colombia.

Narco-Courts in Colombia Win Release of Cali Cartel Boss from Prison

Despite the attempt by President Alvaro Uribe Velez's government in Colombia to stop the court-ordered release from jail of Cali Cartel bosses Miguel and Gilberto Rodriguez Orejuela, Gilberto "The Chessplayer" Rodriguez Orejuela was released from prison on Nov. 7, after serving only seven years in jail. The two brothers were sentenced in 1995, charged with being the capos of what was then the world's largest cocaine cartel.

A judge ordered the Rodriguez Orejuela brothers released on Nov. 1, after they had served only half their 15-year sentences (which many believed were too light to begin with). The judge relied on the testimony of a prison director, who claimed the cocaine kingpins had won time off through "work-study" and "good behavior."

President Uribe issued an executive decision Nov. 5 halting the release on the grounds that the very "dignity of the nation" is at stake. The government dismissed the prison director, accused the obliging judge of "suspicious" behavior, and ordered the release suspended pending an investigation. Another judge slapped an additional four-year sentence on Miguel for "bribery," and President Uribe appealed to the U.S. government to come up with any evidence it might have indicating that the Rodriguez Orejuelas may have committed an international crime after 1997, when an amendment to the Colombian Constitution reversed the Colombian ban on extraditions to the United States. Extradition to the U.S. was not an option in 1995, when the narcobrothers were sentenced, because at the time the (narco-drafted) 1991 Constitution, did not allow extradition.

According to Colombian narcotics czar Alfonso Plazas, "The Cali Cartel is alive ... and is sending cocaine to the United States." Miguel Rodriguez Orejuela's son William is believed to be a new cartel boss in Cali, and the U.S. has already requested his extradition.

Cries that President Uribe was being "dictatorial" were raised from the narco-legalization NGOs in the United States, and by narco-contaminated courts in Colombia. Colombia's National Association of Justice Employees accused the President of "arbitrary interference." The Supreme Court issued a non-binding ruling on the evening of Nov. 5, charging him with "violating the separation of powers."

Uribe initially responded that he would "rather be called arbitrary than soft. We have to defend the dignity of the nation." But when a second judge issued a new ruling that the brothers be released, Uribe backed down. Although Miguel must

serve time on the new four-year bribery conviction, Gilberto walked free.

Interior and Justice Minister Fernando Londono lamented the court decision, saying, "It's terrible, terrible, terrible. This is a moment of mourning, of pain for the image of the nation, for the justice system of Colombia."

WESTERN EUROPEAN NEWS DIGEST

Britain Orders Reservists To Mobilize

"This is a very drastic measure; it's what we would have done if the Russians had invaded Western Europe, and for reasons of national survival," a British defense source told the London *Daily Telegraph* Nov. 4, speaking of the call-up by Britain's Blair government of 10,000 reservists for possible action in Iraq. The paper wrote, "In a move not seen since the Korean War, a Queen's Order will give defense chiefs widespread and highly controversial rights to call up many more people than would normally be available. Senior officers from all the units involved have been summoned to a meeting at the Ministry of Defense today, to be briefed on the mass mobilization.... The Queen's Order, which has to be signed by the Queen, will ensure that the Armed Forces have the largest possible pool of reservists to call upon.... Normally, reservists need only serve for six months, in any two years. But a Queen's Order allows them to be called up indefinitely, no matter how recently they served."

The *Telegraph* added that the mobilization "is expected to be matched in America this week," as in fact it was.

New Archbishop of Canterbury Warns Iraq War Could Lead to Nuclear Conflict

In a Nov. 5 interview with the London *Telegraph*, incoming Archbishop of Canterbury Dr. Rowan Williams warned that a war against Iraq could lead to nuclear conflict. Williams cautioned that a preemptive strike against Iraq could "rapidly and uncontrollably spiral down into chaos."

The Archbishop of Canterbury is the primate of the worldwide Anglican Communion (in England, the Church of England; in Africa and Asia the Anglican Church; in the U.S., the Episcopal Church, etc.).

The interview is Williams' first public statement since the retirement of his predecessor, Dr. George Carey. Williams said the Iraqi regime is "brutal and violent," but preemptive action could "undermine the society of states" and destabilize other parts of the world. To ignore the fears of people in the region is to leave the West open to charges of behaving like a colonial power, he argued.

Reactions to the Turkish Election Results

A Turkish source involved in the media expressed optimism that last Sunday's election results in Turkey could represent a turning point for his country. The source, who has closely followed and supported Lyndon LaRouche's policies for years, said that Erdogan, the head of the victorious AKP, did an admirable job when he was Mayor of Istanbul, the biggest city in the country, with 12 million people. His credentials from that, combined with the targetting of him by factions of the Turkish military, who jailed him for six months and banned him from holding elected office, were the basis for the landslide electoral victory of his party Nov. 3. The source forecast that, once the new Parliament has been installed, within two weeks, there could be a vote to alter the Constitution, to allow Erdogan to take office.

The source also worried that the factions of the Turkish military who are aligned with the Israelis, and the Wolfowitz-Perle crowd in the U.S., could carry out a coup.

A U.S. intelligence source doubted that the military would move immediately against Erdogan, given the magnitude of the electoral win. All the "establishment" parties in Turkey have been totally discredited for their failure to do anything about Turkey's economic disaster. The source indicated that the election would harden those in Turkey who oppose any military operation against Iraq, although he cautioned that under the post-Gulf War status quo, Turkey has suffered tremendously from sanctions, embargoes, and no-fly zones.

Meanwhile, "U.S. officials are horrified" by the Turkish election results, said an expert on U.S.-Turkey relations quoted in *USA Today*—even though, officially, the Bush Administration has congratulated the victorious Justice and Development Party. "The future is murky," said U.S. Ambassador to Turkey Mark Parris, in speaking to the Washington Institute on Near East Policy. The major concern cited, is uncertainty about the new government's posture on possible war with Iraq.

Giscard d'Estaing: Turkey Doesn't Belong in European Union

Within a few days of the Turkish elections, former French President Valery Giscard d'Estaing had declared, according to the Nov. 9 *Washington Post*, that Turkey does not belong in the European Union.

Giscard gave an interview to the Paris daily *Le Monde*, which coincided with the arrival of Turkey's victorious party leader Erdogan in Europe on Nov. 8; in the interview, Giscard said bluntly that Turkey has no place in the European Union, because it is not a European country, it has a different culture, and a Turkish seat at the European table would wreck the EU. Turkey has sought, with increasing desperation, to become an EU member for at least a decade now. Turkey is part of NATO, the Europe-pivoted Western defense pact, and has insisted on its dual heritage, as Near Asian and European.

Germany, France Propose To Redefine Euro 'Stability Pact'

As the global economic downturn devastates tax revenues all over Western Europe, the Finance Ministers of Germany and France met in Berlin Nov. 4 and desperately tried to find some clever re-formulation of the Euro Stability Pact criteria—the Maastricht Treaty which defines the austerity demands underlying the single-currency European Union—rather than admit the complete failure of the whole monetarist paradigm associated with Maastricht.

German Finance Minister Hans Eichel told the media after the meeting: "We need to achieve a more complex coordination of economic policies. For instant inflation—here Germany is the anchor of stability. The Euro-12 group must discuss this."

French Finance Minister Francis Mer said the Stability Pact should be "refined" without "questioning" its principles. The European Union, Mer said, should progressively introduce "five fundamental parameters" in order to "improve the quality of the Stability Pact." Instead of just focussing on the budget deficit, the Stability Pact should also pay attention to inflation, employment, long-term economic sustainability (whatever this is supposed to mean), and public debt.

After the Berlin meeting, Eichel and Mer went to Brussels to participate in an EU Finance Ministers gathering Monday evening. At this event, the other Finance Ministers, at least in public statements to the media, put out fervent commitments that they will never give up fulfilling the Euro budget deficit requirements. Pedro Solbes, the European Union Commissioner for Economic and Monetary Affairs, made clear, however, that there is absolutely no chance that Germany's budget deficit this year will stay below the limit of 3% of Gross Domestic Product. He said, "There is going to be marked overshoot in Germany, a high overshoot," and in that case "we will have to trigger our excessive deficit procedure."

Greek Finance Minister Nikolaos Christodoulakis, who currently chairs the 12 Euro-zone Finance Ministers, summarized the discussion in Brussels by saying, "We all agreed on the credibility, usefulness, *and flexibility* of the stability and growth

pact." Recently, of course, European Commission President Romano Prodi had denounced the pact as "stupid," and had blasted its rigidity.

More European Banking, Insurance Disasters

As of Nov. 8, the upheavals in the European financial sector, ranging from Zuerich to London and Frankfurt, were looking like this:

*Swiss Life, the largest insurer in Switzerland, on Nov. 6 fired its chief executive officer Roland Chlapowski after a scandal erupted around a secretive investment fund, Long-Term Strategy (LTS). According to allegations, the fund was used by the top management of Swiss Life to generate large profits by hidden transactions, while at the same time, Swiss Life itself was getting into ever bigger trouble. Chlapowski is the second chief executive officer to be ousted at Swiss Life this year. Only a few weeks ago, Credit Suisse, the second-largest Swiss bank, announced the resignation of its chief executive officer Lukas Muehlmann, following the near-bankruptcy of Credit Suisse's insurance arm Winterthur. Zurich Financial Services earlier this year fired its chief executive officer Rolf Huppi as well. That makes four fired CEOs among Switzerland's top financial firms so far this year.

*Royal & Sun Alliance Insurance Group, one of the largest insurance firms in Britain and among the top 10 property-casualty insurers in the world, announced on Nov. 7 that it will have to cut 12,000 jobs, 25% of its workforce. In addition, it will sell certain units in order to cut costs. Royal & Sun's chief executive officer Bob Mendelsohn was fired in September after the stock price of the firm had plunged by 70% since the beginning of the year. The insurer had not only been hit by mounting asbestos claims, but much of its core capital has melted away during this year's stock market crash.

*Commerzbank AG, the fourth-largest German bank, on Nov. 8 announced that it is considering eliminating another 2,000 jobs in order to cut costs. Already last year, Commerzbank had cut 4,300 jobs. The bank's bad loans are mounting, due to record-high corporate insolvencies, and at the same time its investment banking business has virtually disappeared. Among the planned job cuts will be 500 investment bankers—25% of Commerzbank's entire investment banking staff. The bank, which during the late 1990s was eager to become a leading player in global investment banking, this year could arrange just a single takeover deal, and therefore ranks only 128th in global mergers and acquisitions. In global stock offerings, Commerzbank has plunged to rank 138. Early next year, the bank will present a detailed downsizing plan which will probably include even further job cuts.

New York Post Devotes Two Pages to Latest Royal Scandal

The British Royals are again at the center of a firestorm of controversy, this time centered around allegations of a violent homosexual rape at one of the royal palaces, by a senior staffer in the employ of Prince Charles, according to the Nov. 8 *New York Post*. All the scandal has come out in the context of the cancellation of the trial of Paul Burrell, the long-time butler of the late Princess Diana, who was accused of stealing a large number of Di's personal possessions—including a wooden box containing a tape of Diana's interview with the rape victim. The Burrell trial was halted after the Queen revealed that Burrell had told her well in advance that he was taking some of Diana's possessions to his home for safe-keeping.

In July 2001, Scotland Yard officials had confirmed that it was probing a serious "sexual assault" at St. James Palace, the home of Prince Charles. Burrell has received \$600,000 from the *Daily Mirror* to "tell all," and he has already talked of a three-hour private conversation with the Queen, shortly after Diana's Aug. 31, 1997 death in Paris, in which the Queen warned him of the threat of "dark forces" killing him.

Harrod's owner Mohammed al Fayed responded by throwing his support to Burrell's accounts, linking the Queen's alleged

warnings of murder by "dark forces" to the role of MI5 and MI6—which, al Fayed insists, were behind the Paris car crash that killed his son Dodi and Princess Diana.

Russia and Central Asia News Digest

More Attacks Were Planned for Moscow, Says Minister

Russian Minister of Internal Affairs (MVD) Boris Gryzlov said at a Nov. 8 press conference that the Oct. 19 bombing outside a McDonalds restaurant in Moscow and the hostage-taking at the *Nord-Ost* musical the following week, were "links in a single chain." At least two other attacks had been planned, he said without giving details, but they were foiled by MVD investigations and raids in the city.

'Broad-Scale, Tough and Targetted Special Operations' in Chechnya

Russian Defense Minister Sergei Ivanov announced Nov. 3 that military forces had launched "broad-scale, tough and targetted special operations" throughout Chechnya's regions, based on reports that guerrilla fighters "are preparing to carry out new acts of terror" there and elsewhere. These would be suicide attacks, carried out by "zombies" being recruited by Chechnya for this purpose, he added. Ivanov also said that previously announced plans to scale back Russian military forces in Chechnya had been suspended.

Visiting Adygeya in the Russian North Caucasus, near Chechnya, President Putin two days later repeated this formulation. The recent hostage-taking in Moscow points to the need for "new approaches" to the Chechen insurgency, but the military side of the operations "must be of a well-directed, targetted nature. There must be no large-scale massive measures. This would be harmful and impermissible."

Primakov Exposes Austrian Newspaper for Disinformation on His Advice on Chechnya

Former Russian Prime Minister Yevgeni Primakov said Nov. 6 in an interview with *Ekho Moskv*y radio, that the Chechnya problems cannot be solved by military means alone. "Negotiations are needed, to supplement the military actions necessary to neutralize those guerrillas, who are now capable of carrying out large-scale acts of terrorism," like the Oct. 23-26 hostage-taking in Moscow.

The situation is complicated, Primakov added, because "it would be simply impossible at the moment to try to find negotiation partners on the Chechen side." There has to be "a pause," together with "attempts to find negotiation partners"—people "who would be able to distance themselves, publicly and beforehand, from terrorist methods of achieving goals, and break with the international terrorist centers, which continue to finance, arm, train, and provide medical care."

Primakov was one of the last people to enter the Melnikova Street theater and speak with the hostage-takers, the night of Oct. 25-26. In a previous broadcast interview, he described them as persons in a desperado frame of mind, and as acting on orders from higher-ups and evidently being unprepared to change their plans for more violence and destruction. Primakov then reported to President Putin at the Kremlin, just a few hours before a go-ahead was given for the raid on the theater.

Another purpose of Primakov's *Ekho Moskv*y interview was to refute an article published Oct. 31 under his byline in the Austrian paper *Der Standard*. Headlined "Advice to President Putin," this text had Primakov allegedly telling the Russian President to summon Chechen guerrilla field commanders to talks on organizing self-rule in Chechnya. Speaking to *Ekho*

Moskvy, Primakov vigorously denied that these words, or the accompanying appeal to Putin to reopen talks with Chechen General Aslan Maskhadov, are his. He said he is considering a lawsuit against *Der Standard*. Primakov said he thought negotiations with Maskhadov have become impossible, since the attack in Moscow could not have escaped his attention, as "President of Ichkeria" (Chechnya).

Primakov Against 'War of Civilizations'; Stresses Islamic Renaissance

In an article in *Izvestia* of Nov. 5, former Russian Prime Minister Yevgeni Primakov echoed, in effect, some of the ideas contained in Helga Zepp LaRouche's call for an ecumenical Dialogue of Civilizations, based on the best elements of each culture. Under the title, "A war against Islam could lead to the disintegration of Russia," Primakov warned that a "new division of the world" along religious lines, which has emerged as a growing danger due to the thrust of U.S. policy following Sept. 11, could lead not only to a global confrontation, but also to the destruction of many nations, and "the loss of the most positive accomplishments of civilization". He denounced attempts, by some circles in the U.S. and Europe, to portray Islam as a "threat," and to insinuate that "the roots of terrorism are in the Quran."

Islam has made great contributions to world civilization, as typified, for example, by the work of Ibn Sina and other thinkers of the Islamic Renaissance. A global confrontation around Islam would mean a deadly blow to Russia itself, which has interacted with Islamic culture for many centuries.

Iraq Not a Terrorist State, Says Sergei Ivanov

In an interview published Nov. 5 in *Izvestia*, Russian Defense Minister Sergei Ivanov commented that he could foresee Russia's bilateral relations increasingly come to depend "on how this or that country approaches the problem of terrorism." Should Russia not, therefore, immediately back the U.S.-drafted resolution on Iraq at the UN Security Council? "I disagree," Ivanov responded. "If my memory doesn't fail me, among the terrorists killed or captured in Chechnya in the last three years, there were representatives of 30-40 states. But none of them were Iraqi citizens. There are no data attesting to complicity of Iraqi citizens in organizing and financing the Sept. 11 terrorist act. Nor are there any data to prove the participation of official Iraqi structures in the international terrorist network. So, Iraq does not belong in that category."

Glazyev on Russian TV: Political Fight Needed Over Economic Policies

Economist and member of the State Duma Sergei Glazyev continues to be seen as a figure of national importance, after his strong showing in the Krasnoyarsk gubernatorial election in September. On Nov. 5, Glazyev was interviewed on *TV Channel 3 (RTR)*, the only state-owned national TV network in Russia. Among the highlights of the interview, he discussed the role of scientists in politics, and the importance of telling the truth.

The Glazyev interview carries weight especially in view of the ever more evident failures of current economic policy—as evidenced, for example, at last week's Moscow Cabinet meeting, where Prime Minister Mikhail Kasyanov admitted that the economy was nearly stagnant, and was experiencing regression in several areas—such as the reemergence of barter in place of cash transactions.

On *RTR*, answering a question about the combination of scientific and political activity, Glazyev said he never broke his ties with the Academy of Sciences, but "landed in politics basically because our recommendations were being ignored by our government, and what the scientists proposed, those in power had no use for. It is sad to see ... how the proposals of our economic scientists have been implemented in China with brilliant results over the past two decades, and are implemented in Europe, but there is no demand for them in our own country."

He said that the "horrible barrier" between the government and the people has never been surmounted, since the shooting of the Parliament in 1993. At the same time, the 1993 Constitution makes Cabinet ministers accountable to neither the Duma nor the population, but only to the President—and it is more than the President can handle, to monitor the behavior of each of 50 ministers. The burden of responsibility on the Russian President today, he said, is tremendous: "He is responsible for street children, for idle factories, for capital flight, for the enormous level of crime, for the war in Chechnya, and so on. He is responsible for everything."

Asked what he would do, if he were in power, about the pressure to tell the truth and make deals, simultaneously, Glazyev said: "That's simple—one must always tell the truth.... I recall what Alexander Nevsky said, that 'God is not in force, but in the truth.' " He gave an example of how, as Minister of Foreign Trade in 1992, he achieved at least some protection of Russian resources, by stating openly that the country was being robbed blind by the wholesale looting of raw materials under the initial radical deregulation of foreign trade.

Saudi-Russian Companies Establish Partnership

Saudi Arabia is showing interest in Russian expertise in oil, gas, science and space technology, according to a report in the Saudi publication *Arab News*, following the arrival of a Russian delegation in Saudi Arabia on Oct. 29. A high-level delegation from Stroytransgaz, a Russian company that builds pipelines, visited the Kingdom for three days, led by the company's First Vice President Leonid Bokhanovsky.

The visit follows Saudi Minister of Finance Ibrahim Al-Assaf's official trip to Russia in early October with a delegation representing various public- and private-sector institutions from Saudi Arabia. Assaf signed a memorandum of understanding between Stroytransgaz and Saudi Oger Ltd, a Riyadh-based construction company founded in 1978.

The Russian delegation met officials at Saudi Aramco, the Saline Water Conversion Corporation (SWCC) and the Ministry of Finance. They also held talks with Saudi Oger General Manager Saad Hariri, and both parties committed themselves to concluding a future partnership deal.

"The delegation found the governor of the SWCC greatly encouraging. He explained to them its future projects," Gahssan Taher, Saudi Oger's assistant general manager of investment, told *Arab News*. "This collaboration falls in line with the general guidelines to enhance economic ties between the Kingdom and Russia, with the emphasis on the private sector level."

In statements to the Arabic daily *Asharq Al-Awsat*, Hariri said that two companies were in the process of establishing a "strategic partnership" and a "joint Russian-Saudi company" working in the fields of construction, gas exploration and transportation, water and pipeline building. *Ahsarq Al-Awsat* reports that this company will be active in the Middle East and expand its activities into Africa.

The paper states that this quick announcement of the partnership between Stroytransgaz and Saudi Oger enhances the ambitions of the first Saudi-Russian Joint Commission, which resulted in the signing of a protocol outlining the directions of cooperation between Riyadh and Moscow. This includes the establishing of a "Saudi-Russian council" to follow up and implement the recommendations of the Joint Commission. As reported earlier, the two sides will sign an agreement on protection of investments and prevention of double taxation in January 2003.

Asharq Al-Awsat cited a Saudi Finance Ministry official who said that Saudi Arabia was looking forward to increase the currently meager trade volume and joint investments, and also that Saudi Arabia was "keen on benefiting from Russian expertise in oil and gas and Russia science and space technology."

Army War College Pays Attention to New Silk Road, Strategic Triangle

Stephen Blank, a professor at the Army War College in Carlisle, Pa., penned a lengthy article for the Oct. 18 *Asia Times*, headlined "Missing: A Modern-Day Silk Road." He identified the buildup of the New Silk Road, linking Russia with Central Asia, North Asia, the Indian Subcontinent and Iran, as the cornerstone of a new development perspective that can bring longterm peace and stability to all of Asia. "We have long known," Blank began, "that the development of long-range transportation projects, including energy pipelines, brings together markets and peoples and provides a major impetus to long-term economic growth. Similarly, we have also long known that a fundamental cause of Central Asia's backwardness was its remoteness from major shipping and transportation lanes.... Therefore a basic precondition of Central Asia's economic growth is its linkage to such lanes and the completion of major infrastructural projects in energy, rail, air, sea and land transport that connect it to foreign markets."

Blank cited Moscow's promotion of three rail projects to buttress economic links to Central Asia, North Asia (the Korean peninsula and Japan links) and India-Iran. "Russia's geographic position," he said, "enables its policymakers and planners to think of it as a hub, if not the hub of a revived Asiatic transportation network that links together all the different parts of Asia through Russia and connects Europe to Asia as well. Ultimately, all these projected lines, if they materialize, could form part of a giant network of transportation lines linking together all of Asia and Russia."

Blank at points reflected typical geopolitical spin, by characterizing Russia's plans as an attempt to counter European Union "Silk Road" initiatives that bypass Russia and outflank the U.S.-backed Baku-Ceyhan pipeline, But, the fact that such discussion about Eurasian land-bridge prospects is being debated at the leading U.S. Army thinktank is noteworthy, as one more indication of the growing power of ideas such as the Eurasian land-bridge, originated and promoted by Lyndon LaRouche and his collaborators in recent years.

McCain and Chickenhawks' Next Target: Belarus

The New Atlantic Initiative, the American Enterprise Institute-housed Thatcher-Buckley-Kissinger front group for a new imperium, is flagrantly demanding that Belarus (and, by implication, Russia) be added to the list of "rogue states" targetted for extermination.

NAI sent out advertisements for an event on Thursday, Nov. 14, to be held at AEI, under the title, "Axis of Evil: Belarus—The Missing Link." The keynote speaker is none other than Sen. John McCain (R-Ariz.). Other speakers advertised include Tom Dine, the former head of AIPAC, who now is president of Radio Free Europe/Radio Liberty; Mark Palmer, the former Ambassador to Hungary and a longtime crony/asset of Kissinger and Soros; and Barbara Haig, vice president of the National Endowment for Democracy. The proceedings are to be also greeted by Michael Kozak, the current U.S. Ambassador to Belarus! To give an idea of the psychotic fervor of the NAI crowd, here are a few excerpts from the invitation: "The world is an unwelcome place for Saddam Hussein's cronies. Yet they are always welcome in Minsk—capital of Belarus.... In a land where the KGB (yes, still the KGB) runs roughshod over rights, no one is safe, and nothing is sacred.... Can the West work together to eliminate this shame of Europe?"

The event is cosponsored by the NAI, AEI, Freedom House, the International Republican Institute, the NED, RFE/Radio Liberty, and the Pattis Family Foundation.

MIDEAST NEWS DIGEST

China Makes Clear Record: No Authority for Unilateral Military Action

At the close of meeting of the United Nations Security Council on Friday, China's Ambassador made it clear, in his final statement after the Council voted up the Resolution on Iraq, that his government has received assurances that the "co-sponsors" will not use the resolution as an automatic trigger for war. His statement, which was echoed by many others—including U.S. Ambassador John Negroponte—stated the resolution has *eliminated "automaticity"* so that military action against Iraq will be preceded by further discussions. China now holds the Presidency of the UN Security Council.

Ambassador Zhang Yishan stated: "The Chinese delegation voted in favor of the Security Council resolution that has just been adopted. Our decision is based on the Chinese government's consistent and clear-cut position on the question of Iraq. China firmly stands for a peaceful solution to the question of Iraq through political and diplomatic means and within the framework of the United Nations.

"China has all along urged Iraq to fully and strictly implement relevant Security Council resolutions and cooperate fully with the United Nations with a view to thoroughly accounting for and destroying its weapons of mass destruction. China has consistently held... that the Security Council should, depending on Iraq's implementation of relevant resolutions, consider suspending and eventually lifting the 12-year-long sanctions against Iraq....

"China supports the two-staged approach. The Chinese delegation has actively participated in all stages of the consultations on the draft resolution and put forward its views and suggestions in a constructive manner. We are pleased to note that after many rounds of consultations, the cosponsors of the draft resolution accommodated our concerns, and the council members have finally reached consensus.

"As the co-sponsors pointed out in their statements some moments ago, the purpose of the resolution is to achieve the disarmament of Iraq through effective inspections. *The text no longer includes automaticity for authorizing the use of force. According to the resolution that has just been adopted, only upon receipt of a report by UNMOVIC and the IAEA on Iraq's noncompliance and failure to cooperate fully in the implementation of this resolution shall the Security Council consider the situation and take a position.*

"The Security Council shoulders primary responsibility for the maintenance of international peace and security—a responsibility that is entrusted to it by the UN Charter. Now that the Security Council has adopted this important resolution at this crucial moment, we hope it will contribute to preserving the authority of the Security Council, facilitate a political settlement of the question of Iraq and enable an early return of U.N. inspectors to Iraq....

"Finally, we once again make a strong appeal to all parties to continue to strive for a political solution to the Iraqi issue. This is the common aspiration of the whole international community, particularly the Gulf and the Arab states. We sincerely hope that the adoption and smooth implementation of this resolution will be conducive to the effective conduct of weapons inspections in Iraq, and facilitate a final and comprehensive resolution of the Iraqi issue within the framework of the United Nations."

New U.S. National Security Policy Embraces Israeli-Style 'Targetted Assassinations'

A senior retired U.S. military intelligence official has alerted *EIR* that the Bush Administration's new national security doctrine of preemptive war, unveiled in September, was not primarily aimed against Iraq. The ex-official, who filed a series of letters of protest over the new doctrine with Administration officials, said that he was told, in response to the letters, that he was wrong in assuming that the new doctrine was related to the pending Iraq war. The new doctrine was actually put into operation for the first time, last week, with the drone missile attack that killed several purported Al Qaeda leaders in Yemen.

The source reported that, rather than alter the standing Presidential orders prohibiting assassinations, the Administration

decided to promulgate the new national security doctrine, which approves of "preemptive strikes" against "enemy combatants"—a more polite way of lifting the assassination ban. The source warned that there will be other attacks in the coming weeks, probably in northern Iraq, Yemen, and Somalia, as well as along the Pakistani border with Iran and Afghanistan. The targets of the preemptive attacks are al-Qaeda members and supporters, and some targets will be gone after with conventional bombing raids, while others will be stalked by U.S. Army Special Forces and U.S. Marine units.

If the source report is accurate, the first implementation of the new U.S. National Security Doctrine of "preemptive war" occurred on Nov. 3, when a U.S. drone aircraft fired missiles at a car in Yemen, killing the six occupants, described by U.S. officials as al-Qaeda members—including a "suspect" in the October 2000 attack on the USS Cole. It was later reported that one of the six people killed in the attack was an American citizen, alleged to have been the ringleader of an al-Qaeda "sleeper cell" in Lackawanna, N.Y., near Buffalo.

The Hellfire missile was fired from a CIA-operated Predator drone plane, according to numerous accounts which also reported that the CIA was operating under a Presidential Directive signed by President Bush after Sept. 11, 2001, authorizing covert actions by the CIA against Osama bin Laden's organization. The *New York Post* reported on Nov. 6 that the operation had been directed from a control room at Central Command in Tampa, and that the decision to fire was made by top brass along with Pentagon legal experts. While no one has officially acknowledged it, Deputy Defense Secretary Paul Wolfowitz, one of the leading Bush Administration "Chickenhawks," boasted that the Yemen action was "a very successful tactical operation."

Sweden's Foreign Minister Anna Lindh, in contrast to Wolfowitz, called the Yemen murders "a summary execution that violates human rights."

At the Nov. 5 State Department briefing, spokesman Richard Boucher ducked numerous questions about the parallels with Israeli "targetted operations," which the U.S. has always condemned. One reporter asked about the State Department's annual Human Rights Report, which describes "extrajudicial killings" as against international humanitarian law. Boucher did not respond.

Brits Sponsor Iraqi Chalabi in Talks To Carve Up Iraq Oil Resources

Talks on carving up Iraq's oil wealth will continue in Britain next month. A meeting in Sandringham in December will be hosted by former Saudi Oil Minister Sheikh Yamani, and include a former head of Iraqi military intelligence, a former Iraqi government minister, and City of London "financiers," according to a Nov. 3 story by Peter Beaumont and Faisal Islam in the London *Observer*, entitled "Carve-up of Oil Riches Begins." (British Petroleum has complained that it has been left out of the Cecil Rhodes-style raw materials grab.) The *Observer* says that this meeting is a follow-up on October meetings that took place in Washington between the British-based Iraqi National Congress' Ahmed Chalabi and executives from three U.S. oil multinationals.

The agenda for the upcoming meeting will be Iraq's potential to produce as much oil as Saudi Arabia, and whether a post-Saddam Iraq might destroy OPEC. The *Observer* points out that it is the neo-conservatives ensconced in Washington thinktanks, together with INC officials, who are driving the planning for a post-Saddam Iraq. Among those named by the author is the Heritage Foundation's Ariel Cohen, who last September offered a detailed blueprint for the privatization of Iraq's nationalized oil industry, while warning that an INC-led government would not be likely to honor oil contracts with France, Russia and China. The *Observer* also points to remarks by President George W. Bush's economic adviser Larry Lindsey, on how a successful war against Iraq "would be good for the economy."

Iraqi Trade Fair a Major Success

In a report on Nov. 5, *AP* declared the two-week Baghdad trade fair to have been a major success since its start on Nov. 1. *AP* sources said that the level of trade had not been seen since before the Persian Gulf War. An estimated 20,000 government officials and businessmen are attending the fair, representing 1,200 companies from 49 nations. The event has been held annually since 1964, drawing people, on average, from 53 nations. This year most of the participants are from small firms that do not have governmental sponsorship.

(For more on the trade fair, see the [AFRICA DIGEST](#).)

Israeli 'Breakaway' Nuclear Strike a Major Threat

"A retaliatory nuclear strike against Baghdad ... has never been more likely—particularly with Ariel Sharon in power," writes reporter Ross Dunn from Jerusalem in the Nov. 3 issue of *The Scotsman*. Dunn warns that Sharon never agreed with then-Prime Minister Yitzhak Shamir's agreement to refrain from counterattacking Iraq during the Gulf War in 1991, and furthermore, the Israeli nuclear arsenal and posture is *much* stronger than it was then, and much more out in the open.

For example, Dunn points out, in 1999, a "U.S. Department of Energy document ranks Israel sixth among countries with nuclear weapons, ahead of India, and North Korea," and in 2000, the Knesset, Israel's Parliament, "debated Israel's nuclear weapons program for the first time." Even in the U.S. Senate Foreign Relations Committee, thinktanker Anthony Cordesman recently told Senators, "Israel has concluded that the credibility of its deterrent would be undermined if it rode out another series of attacks."

Cordesman's warning is confirmation of the "horrifying scenario" laid out in author Seymour Hersh's 1991 book, *The Samson Option*, in which Hersh warned that "the size and sophistication of Israel's arsenal allow men such as Ariel Sharon to dream of redrawing the map of the Middle East, aided by the implicit threat of nuclear force." Dunn quotes leading Israelis—including Sharon himself, Maj. Gen. Dan Halutz, commander of the Israeli air force, and military correspondent Ze'ev Schiff—that Israel will respond: possibly with nukes that Schiff states "would eradicate Iraq as a country."

Under Sharon, One in Five Israelis Live in Poverty

According to *Ha'aretz* in its Nov. 4 issue, one in every five Israelis is living below the poverty line and more than half a million children (nearly 27%) live in poverty. These figures were gathered by the Israeli National Insurance Institute.

The number of those who have fallen below the poverty line increased by 81,000 last year, 50,000 of whom are children. Researchers forecast that the number of children in poverty could increase again dramatically, after the Likud Party budget cuts go into effect, sending 30% or more children into poverty. Also, the number of people living in poverty will increase from 1.17 million to 1.29 million (21.7%) of the population, while the number of children in poverty will rise to 605,000. Knesset Member Ran Cohen from the pro-peace Meretz Party, commented on the report, that he was "struck dumb," but was able to add, referring to the Sharon government, "This is a mark of Cain on the foreheads of those who brought about this situation."

Asia News Digest

Wolfowitz Threatens Indonesia, Others With U.S. Hit Teams

American Deputy Secretary of Defense, and former U.S. Ambassador to Indonesia, Paul Wolfowitz clearly wants to be America's "Rafi Eytan," the Israeli spymaster for the Jabotinskyite fascists who ran the secret "terror against terror"

assassination teams that terrorized Europe in the 1970s, and then moved on to control the LEKEM spy network that deployed Israeli spy Jonathan Pollard against the U.S. in the 1980s. In a series of interviews, Wolfowitz warned Indonesia that the Nov. 2 assassinations in Yemen by U.S. forces, will be coming to their country.

Wolfowitz, who is an accused member of the "X Committee" that controlled Pollard, is claiming victory in getting the U.S. to adopt the Israeli "preemptive assassinations," policy of dealing with suspected terrorists. There is an added danger in this, since Wolfowitz has also set up an unsupervised intelligence agency inside the Pentagon under Israeli agent, Douglas Feith, Assistant Secretary of State for Policy. Therefore, it is possible that the Defense Department's "Wolfowitz Cabal" can be policeman, prosecutor, judge, jury and executioner all-in-one, in the new assassinations policy.

The Jakarta Post of Nov. 7 reports that Wolfowitz, the Deputy Secretary of Defense, glorified the U.S. assassinations in Yemen, and warned that we'll go "everywhere," *specifically* naming Indonesia, where he had been Ambassador from the U.S.

In a CNN interview Nov. 5 with Maria Ressa, Wolfowitz called the Israeli-style assassination, hitting a car with a Hellfire missile from a drone, killing six "suspects," (including one American citizen, according to late reports), "a very successful tactical operation." He added: "So we just got to keep the pressure on everywhere we are able to, and we've got to deny the sanctuaries everywhere we are able to, and we've got to put pressure on every government that is giving these people support to get out of that business." These imperial threats were heard clearly in Indonesia, especially since Wolfowitz addressed Indonesia directly in the CNN interview: "I still think there are a far too many Indonesians who haven't quite heard the call yet," he said. "I think they should stop being in denial and stop pretending there's no terrorist problem and stop pretending that this is just something the Americans invented and get on with developing good, solid democratic methods [!] for dealing with these people."

In an interview with another Indonesian TV station, Wolfowitz said: "If Indonesians don't do something to stop terrorism in Indonesia, it's going to have really terrible consequences for democracy in that wonderful, important country that I love so much."

Asked about the fact that many Indonesians believe the US is responsible for the Bali bombing, Wolfowitz snapped back: "That is just totally unbelievable fantasy. I can't believe that anybody rational actually believes that. The evidence is so clear that al Qaeda and Osama bin Laden and the terrorist organizations that are connected to them have been behind a whole series of horrible attacks on innocent people and they claim credit for it. In fact, if you go to some of their web sites, they're boasting about the attacks in Bali. It's inconceivable that this was done by the United States, and I can't imagine anybody informed or educated believing that."

Thai Government: Asia Wall St. Journal Account of Bali Bombing Untrue

On Nov. 7, Indonesia President Thaksin blasted a report in the *Asian Wall Street Journal* (AWSJ) that asserted that the Bali bombing was planned at a meeting in Southern Lebanon in December, 2001. "How would the media know that it was planned in Thailand?" said Thaksin, adding "It is nonsense, the quality of the foreign press is much lower today than it used to be." He pointedly added that the Thai government had been provided no information on the meeting in southern Thailand in December 2001, where, the AWSJ claims, Hambali (the accused mastermind of Southeast Asian terror operations) held a meeting, which decided to hit "soft targets" such as tourist spots.

The incident demonstrates yet again how the U.S. utopian warmongers use the media to run their unilateral operations, thus avoiding the need for "evidence" or official justification for actions such a country on a terrorist watch list. As EIW has reported over the last month, Indonesia and Malaysia were placed on immigration watch lists, unilaterally by the U.S., in evaluations based partially on false media reports.

The Journal's story was the first suggestion that Muslim-majority southern Thailand was a staging ground for "international terrorism" -- opening up a "new front" in the region's campaign against terror. The AWSJ said it illustrated how al-Qaeda "has exploited Southeast Asia's porous borders to plan operations" as well as Hambali's ability to move around the region undetected, despite being one of the world's most wanted men.

Foreign Direct Investment (FDI) Disappearing In SE Asia

Thailand and Malaysia, two of the strongest economies in Southeast Asia, have reported the collapse of Foreign Direct Investment (FDI) to their countries over the course of 2002. For the first six months, manufacturing FDI to Malaysia was down about 75% from the previous year, at less than \$600 million. The Malaysian Industrial Development Authority announced that it will henceforth report FDI quarterly rather than monthly, due to low figures. In Thailand, FDI plunged 93% in the first seven months of this year according to Bank of Thailand data, from US\$2.14 billion in 2001 to US\$143 million this year.

In the far more distressed economy of Indonesia, FDI is down by 40% for the first half over last year, From \$4.2 billion to \$2.5 billion, while last year was only one-third of the pre-crisis levels.

The open subversion of the Southeast Asian economies through "travel warnings" and related fear mongering since the Oct. 12 Bali bombing will certainly make these figures even worse for the remainder of the year.

Australian Paper Slanders Megawati for Opposing Police State Measures

Australian Financial Review's Geoffrey Barker on Nov. 8, heated up the already existing tensions, noting that Australian officials are enraged by the open attacks by Indonesian leaders against the fascist measures being implemented in Australia against foreigners, especially Indonesians. Baker writes: "Senior politicians and officials now regard Indonesian President Megawati Sukarnoputri as incompetent and divorced from reality." He says that these officials told him that "the ongoing deterioration will become irreversible if Indonesia does not tone down its attacks on Australian travel advisories and the recent ASIO-AFP [intelligence and police] raids on Muslim households."

Indonesian complaints, he argues, raise "questions about whether the Indonesian body politic is really determined to pursue terrorism." When the Indonesian charge d'affairs in Australia, Imron Cotan, said that the raids were unnecessary and threatened the existing cooperation on the investigation into the Bali bombing, Barker quotes an unnamed official: "It was an outrage, the sort of thing you would expect from Saddam Hussein or the Taliban, not from any self-respecting government." He quotes another unnamed official regarding President Megawati: "This was someone with no sense of the occasion, no capacity to show political leadership ... where the hell is this turkey coming from?" *AFR* is one of the leading establishment papers in Australia.

Anti-Development Greenies Blast Mekong Plan

A U.S.-based environmentalist group, the International Rivers Network has gone into mobilization against Mekong Development, immediately following the ground-breaking international conference on the Mekong subregion.

On Nov. 2, China and the 5 other members of the Asian Development Bank's Greater Mekong Subregion project held their first-ever summit meeting Nov. 2, endorsing an ambitious plan of overlapping grids for power generation, road, air, communications, and water transportation. Key to the whole project is a US\$4.5bn power grid, based on hydropower, which is targeted for completion by 2019, and would be an historic first-ever comprehensive power grid in the region's

history.

In the statement issued at the GMS meeting, the governments of China, Myanmar, Thailand, Cambodia, Laos, and Vietnam declared: "Our vision is of a GMS that fulfills its vast potential, freeing people from poverty and providing sustainable development for all."

But the U.S.-based International Rivers Network is going berserk against the GMS, and specifically, the dam projects being developed in cooperation among China, Laos, and Myanmar. Some 500 activists were reportedly in Phnom Penh, where the ASEAN meetings took place.

Karzai Fires Provincial Chiefs to Save Wobbly Government

In a move to extend his power beyond the capitol of Kabul, Afghan President Hamid Karzai has fired about 20 provincial and military chiefs across the country, accusing them of corruption and abuse of power. This is his first attempt to exert his authority beyond Kabul, where he has to be guarded round-the-clock by American military bodyguards. Those who got fired belong to Nangarhar, Balkh, Kandahar, Uruzgan and Herat provinces. Some of the officials, particularly those from Nangarhar province, were sacked because of drug-trafficking.

The Kabul government has already made clear that the sacking of these civil and military personnel may spark trouble. President Karzai is banking on the weather: as Winter sets in Afghanistan, it is unlikely that the warlords, and other enemies of the Karzai government, will unleash a major offensive. There are reports that a large number of Taliban and pro-Taliban fighters, backed by former anti-Soviet Afghan mujahideen Gulbuddin Hekmatyar, have assembled along the Afghanistan-Pakistan borders. These forces are also being helped by the Pakistani Inter-Services Intelligence (ISI), some analysts claim.

In addition, it is evident that President Karzai is keeping his hands off of the top warlords, such as Ismail Khan, a Tajik warlord in Herat, despite repeated complaints against him by Herat's Pushtuns.

Tajikistan Bridge Opening Facilitates Delivery of Aid to Afghanistan

On Nov. 2, Tajikistan opened a bridge over the Pyandzh River provides a new route for aid and goods in and out of Afghanistan. The bridge, opened by Tajik President Imomali Rakhmonov and Prince Aga Khan IV, leader of the Shi'ite Ismaili Muslims, is the first vehicular bridge spanning the Pyandzh River. The facility provides the first access route for all Afghani exports, which all previously had to go through the Khyber Pass into Pakistan.

Vehicles can now be driven from the Afghan capital Kabul through northeastern Afghanistan, to Khorog in Tajikistan, then on to Kyrgyzstan and Russia. The bridge has been largely funded by Aga Khan, the 49th direct descendant of the Prophet Mohammed. Tajikistan also harbors a large number of Ismailis in the Pamir area.

Meanwhile, Afghan Foreign Minister Abdullah Abdullah, a Panjshiri Tajik, is in New Delhi, where he met with Indian Prime Minister Atal Behari Vajpayee. Abudullah obtained a \$100 million grant from India, in addition to receiving Indian assurances on help in infrastructure development, and medical and health facilities. India is politically close to Afghanistan's Northern Alliance leaders, represented mostly by the Panjshiri Tajiks. India has also set up an air force base in Tajikistan close to the Afghan borders. The new bridge over the Pyandzh River will help both India and Russia to keep a closer contact with the Afghans.

Tamil Tigers Making Further Concessions in Talks

After dropping their demand for a separate Tamil nation during the first round of talks with the Sri Lanka government, held in September, 2002, the Liberation Tigers of Tamil Eelam (LTTE) moved further ahead, announcing further concessions, and declaring their intention to join the political mainstream. "In the course of time the political wing of Tigers might inaugurate a political party that will campaign democratically and face elections," chief LTTE negotiator Anton Balasingham said.

A final peace settlement may still be years away, but Sri Lankan analysts welcome the concessions. "It is very positive to note that the LTTE is now publicly saying that it will accept the framework of democracy and apparently will also accept Sri Lankan laws," said Jehan Pereira, a noted political analyst in Colombo, the nation's capital.

The peace negotiators have also formed three subcommittees. The first is to study, in-depth, the various issues involved, and work out models for political settlement. This subcommittee consists of three chief negotiators -- Prof. G.I. Peiris representing the Sri Lankan government, Anton Balasingham representing the Tigers, and Rauff Hakeem, for the Muslim minority.

The other two subcommittees would oversee and take decisions on relief and rehabilitation of the war-ravaged northeast, and also to look into military and security matters, with a view to demilitarizing the area.

North and South Korea Accelerate Economic Cooperation

North and South Korea agreed Nov. 9 to accelerate the pace of building the inter-Korean railways, constructing the Kaesong industrial zone, and in cooperating in maritime transportation. The agreement was reached after the third meeting of the North-South Committee for the Promotion of Economic Cooperation, which began Nov. 6.

The two sides will reconnect the eastern railway and road links in Mt. Kumgang area, and western railway and road links in the Kaesong industrial zone, as the first phase. The goal is to open Mt. Kumgang to visitors from South Korea. The two sides also agreed to make joint efforts to facilitate the North-South Committee for the Promotion of Economic Cooperation visiting North Korea.

However, at the same time, whether the U.S. intends to pursue war or peace with North Korea is still a question. The *Washington Post* reported on Nov. 7 that the former U.S. envoy to South Korea, Donald Gregg, held meetings with North Korea last week, and reported that the 1994 pact is "still viable" if the U.S. acts.

Gregg held over nine hours of talks with North Korean officials, who told him that the agreement was "hanging by a thread," due to the failure of the West to deliver on its promise for safe nuclear reactors in exchange for dismantling their existing nuclear plant and their weapons program. Gregg said the North Koreans demand a non-aggression agreement from the U.S. in exchange for giving up their nuclear weapons program at this time, since they "truly fear a US attack." Said Gregg: "I think they want the US to give them some assurance that we don't want to blow them out of the water."

AFRICA NEWS DIGEST

Mbeki at ASEAN Summit Calls for Africa/Southeast Asia Collaboration

South African President Thabo Mbeki has called on the Southeast Asian countries to collaborate with their African counterparts to ensure that changes are made in governance to meet the needs of the developing countries of the South.

Mbeki was addressing delegates at the 8th ASEAN summit in Phnom Penh, Cambodia. "Together, we must collaborate to ensure that we change the structures of global governance as well as the structure of the global economy such that we achieve democracy, equity, fairness, as well as sustained development," he was quoted as saying. "It is our earnest belief that multi-regional cooperation and stronger all-round relations among the peoples of the South increase not just the volume of our collective voice, but the quality of this voice, adding the appropriate weight to our demand for a just and equitable world order." "To achieve our common objectives in this regard, requires that we work in a systematic, purposeful and conscious manner in fact to deepen the relations among ourselves."

Mbeki also addressed the Iraq situation at the ASEAN meet. "We trust that sense will prevail so that no country or combination of countries take it upon themselves to embark on unilateral action against Iraq." (See this week's [INDEPTH](#) for details on this important ASEAN meeting.)

Saddam Hussein Asks South Africa To Help Stop War

According to a Nov. 5 *South Africa Press Agency (SAPA)* article called "MPs Back Mbeki on Iraq," Iraqi President Saddam Hussein has asked South Africa President Mbeki, who is chairman of the Non-Aligned Movement, to do all he can to stop the U.S. campaign against Iraq. This followed a visit to Iraq by Deputy Foreign Affairs Minister Aziz Pahad, who delivered a special message from Mbeki to Saddam Hussein during the visit to Baghdad for the highly successful international trade fair.

The letter from Mbeki commended the Iraqi leader for offering UN weapons inspectors unconditional access to Iraq, and Mbeki said the inspections, if conducted objectively, would lead to a comprehensive resolution of Iraq's political and economic woes. Mbeki reportedly asked Saddam Hussein to convey to him any concerns about the imminent weapons inspections. The South African government, in its capacity as chair of the Non-Aligned Movement, would then raise these with the UN and individual Western nations, such as the U.S. and Britain.

At the South African Parliament Nov. 5, Pallo Jordan, an African National Congress MP and chairman of the National Assembly's foreign affairs committee, urged Parliament during a special debate on Iraq to unite behind Mbeki in his efforts to ensure that war was avoided, and that the stand-off between Washington and Baghdad was resolved. "And because war is bad for little children, their mothers, their fathers, and other living things, this august house should lend its support to our President's efforts," Pallo Jordan said.

More Economic Relations Would Mutually Benefit Iraq and South Africa

Iraqi President Saddam Hussein has instructed his government to increase trade with South Africa, following his meeting with Deputy Foreign Minister Aziz Pahad in the Iraqi capital on Nov. 4, while Pahad was attending the trade fair there. A report published Nov. 5 in the Iraqi daily *Babil* indicates that Saddam Hussein said he advised his ministers to cultivate economic relations with South Africa, particularly in the fields of food and science and technology. He also suggested holding a trade fair featuring South African products in Baghdad early next year.

A pioneer group of South African businessmen participated in this year's Baghdad International Trade Fair. International business facilitator Rodney Hemphill of Falcon Trading noted that he and his counterparts are duly excited by the prospects of increased trade with Iraq, and they are equally concerned about the consequences of America leading an attack on Iraq. "This will lead to a war, which will not only further destroy the economy of Iraq, but in turn affect all business trade from other countries, amounting to billions and billions of dollars each year," Hemphill.

Hemphill's partner and international trader, Shakir Alkhafaji, said even under the current rigorous sanctions, Iraq's

economy was equal to the Arab-Gulf countries combined. "War will destroy this all," said Alkhafaji.

Echoing Hemphill's concerns, Deputy FM Pahad said the international community needs to ensure that UN arms inspectors enter Iraq as soon as possible to carry out their work objectively and with the sole purpose of determining whether Iraq has weapons of mass destruction or not.

UK Defense Minister Hoon Meets Hostility in South Africa

When British Defense Minister Geoffrey Hoon arrived to brief the South African Parliament on Oct. 30, he faced "harshly critical questions" from African National Congress MPs on the defense and foreign affairs committees of the South Africa, reported *Business Day*, the Johannesburg daily. The article said it was "the most public demonstration yet by members of the ruling party that they blame Britain for the situation in Zimbabwe, and not President Robert Mugabe." The MPs accused Britain of having contributed to the "demise" of Zimbabwe and of having "reneged" on Lancaster House undertakings to fund land reform that was to begin in 1980.

Hoon "came under fire" on a number of other foreign policy issues, including "Britain's failure to condemn the military coup in Pakistan," while "being highly critical of Mugabe and the situation in Zimbabwe."

"Hoon was also criticized by the ANC over Britain's support for attacks on Iraq, and was accused of being a mouthpiece for the Bush Administration," *Business Day* reports. ANC defense committee chairwoman Thandi Modise zeroed in the question of oil, saying "there was concern in South Africa over the increased U.S. interest in Angola. She said there was a common thread linking the U.S. desire for attacks on Iraq and its interest in Angola and that was oil."

U.S. Expands Anti-Terrorism Operations in Africa

The U.S. embassy in Addis Ababa has confirmed that the U.S. is planning to set up an anti-terrorist headquarters in the Horn of Africa. Some 400 troops are to be sent in to Djibouti to set up a headquarters. At present there are already some 800 U.S. Army and Special Forces troops stationed in Djibouti.

The embassy said that according to Pentagon officials in Washington, al-Qaeda members are believed to have infiltrated and are "hiding" in the region.

"The United States is increasing its forces stationed around the Horn of Africa to about 1,200 troops," the embassy said. It added that the troops could "stage attacks against fighters of al-Qaeda who are believed to be hiding throughout the region."

The new base is expected to operate from a naval command ship off the coast, but may then move onshore. It is also expected to work with "friendly nations" in the region to help in the fight against terrorism.

Both inside the United States and internationally, there is concern over U.S. so-called "anti-terrorist operations," since the U.S. has adopted the Israeli model of "preemptive assassinations" with the Nov. 2 killing of suspected al-Qaeda terrorists in Yemen. (See ASIA and MIDDLE EAST DIGESTS for more details.)

This Week in History

November 11-17, 1777

This week, we turn our attention to a seldom examined, but significant event in United States history, the Nov. 15, 1777 agreement by 48 members of the Continental Congress to the Articles of Confederation. This document, which was then sent to the various states for ratification, was the first attempt to establish a "perpetual Union" among the 13 American Colonies. While it is best known for its failures, the battles that occurred over its adoption, and the reasons for its being superseded by the U.S. Constitution, should be much better understood by our citizens today.

It was Benjamin Franklin, the universal genius who should be considered the prime founder of the United States of America, who first proposed "Articles of Confederation and perpetual Union." He took that action on June 21, 1775, considerably before the Declaration of Independence, but after the Revolutionary War had already commenced in earnest. In fact, this was the second time Franklin had explicitly proposed such a union, the first being the 1754 Albany Plan of Union, which called for unification under one governor, one grand council, and common funding through a liquor tax.

In Franklin's 1775 draft, there are many foreshadowings of the later Constitution, especially in respect to establishing the purpose of the government as providing for the "general welfare." We cite articles II, V, and VI [spelling as in original]:

"II. The said United Colonies hereby severally enter into a firm League of Friendship with each other, binding on themselves and their Posterity, for their common Defense [and Offense], against their Enemies for the Security of their Liberties and Propertys, the Safety of their Persons and Families, and their [common and] mutual and general Welfare."

"V. The Congress shall also make [and propose] such general [Regulations] Ordinances as tho' necessary to the General Welfare, particular Assemblies [from their local Circum-] cannot be competent to...."

"VI. All charges of Wars, and all other general Expenses, to be incurr'd for the common Welfare, shall be defray'd out of a common Treasury...."

Franklin's draft, however, was rejected, as the Congressmen attempted to maintain independence of action for the States, and, in some cases, to avoid a final break with England. Thus it was not until the fall of 1777, a point at which the British offensive had driven the Congress out of Philadelphia, that the Congress finally battled out an agreement on a Confederation.

The changes were devastating. Franklin's Article V, the broad grant of power to the Congress to provide for the General Welfare, was no longer there. The creation of a "General Congress" (called a Council of State), to run the government, was replaced by a "Committee of the States," which depended upon at least nine out of the 13 states approving any particular action. This "committee of states," subject to this rule, was left to carry out the executive actions for the Confederation, in the absence of the Congress. This was truly a "states' rights" kind of federation, in which only limited sovereignty was given to the Confederation

Most important of all, the new Confederation had no power to raise money to do what it determined was necessary, even for the limited purposes of war and defense. It depended upon monies requisitioned from the several states. Not only were these unreliable, and slow in coming, but the Confederation itself was not approved in the states of Delaware and Maryland until 1779 and 1781, respectively.

That the practical result of these limitations was disastrous, became more and more obvious as the years went by. The lack of resources for the Army nearly led to disaster, and the positive actions required to bind the nation together in peacetime—through commerce, infrastructure, and the like—were totally out of sight. It was clear to those who were committed to the establishment of the new republic, that the unified concept of One Nation, with a government endowed

with the powers to provide for the General Welfare, was needed, if the United States of America were to survive.

Those today, who agitate for having our Constitution revert to a Confederation form of government, should be recognized for what they are: either deluded fools, or the malevolent Tories whom Franklin Delano Roosevelt, the President who did the most to establish the General Welfare clause of the Constitution as an operative principle, identified as such.



In Depth Coverage

Links to articles from *Executive Intelligence Review**.

*Requires Adobe Reader®.

Feature:

International Youth Movement Of LaRouche Is Recruiting!

Lyndon LaRouche—the electable Presidential Democrat—has unleashed a new movement for change under his leadership around the world. He is recruiting hundreds of young people between the ages of 18 and 25, through his political application of the method of Plato and Socrates to the profound global economic crisis.

Do You Want a Future? Learn How To Solve the Crisis of Humanity

This is Presidential pre-candidate **Lyndon LaRouche's** opening presentation to 100 young volunteers at the Nov. 2-3 East Coast Youth Cadre School, held in Pennsylvania.

Economics:

U.S. Third-Quarter GDP Fraud Stands Exposed by Bad October

The U.S. economy took a sharp downturn during October: Auto sales fell by 27.3%; manufacturing employment suffered a loss for the 27th consecutive month; and overall employment fell.

Gold Dinar: An Economic and Strategic Response to Chaos

Mounting concern around the world that the Bush Administration is madly threatening to drive the world into perpetual warfare, while doing nothing to address the global financial-economic collapse, has led to the introduction of a number of defensive measures by nations and groups of nations acting in concert.

Peace by 'Infrastructure And What Goes With It'

Faced with U.S. threats of war in the Mideast and throughout their region, the ASEAN+3 states—the 10 Southeast Asian nations and their dialogue partners China, Japan, and South Korea—met in Phnom Penh, Cambodia Nov. 4-5.

Starvation Catastrophe Threatens 30 Million

While the attention of Western governments and the world media has been directed to the looming war against Iraq, an unparalleled humanitarian crisis is readying itself in Africa, which threatens to overshadow all news of disasters we have received from Africa in the past 30 years, including even the Ethiopian hunger catastrophe of 1984-85.

Different Kind of Earthquake in Turkey

The earthquake that hit Turkey on Nov. 3, was a political one, but its tremors are being felt more acutely in the country and abroad, than if it had measured 8 on the physical Richter scale.

International:



LaRouche's Return After 20 Years Is Big News in Mexico

For the first time in 20 years, Lyndon H. LaRouche, Jr. returned to Mexico on Nov. 4-6, with a visit to Saltillo, the capital of the northern state of Coahuila. His trip, while short, proved explosive—all the more so, because Wall Street had been confident that LaRouche would not set foot in Mexico again.

Will Brave Israeli Leaders Emerge To Challenge Sharon's Fascism?

The Oct. 30 collapse of the government of Israeli Prime Minister Ariel Sharon, and the prospect of new elections, puts Israel at a crossroads. Either Israel allows Sharon to usher in a new Middle East war and the destruction of the state of Israel, or leaders will emerge who are courageous enough to reopen the way toward peace with the Palestinians.

A Rogues'Gallery of Fascist War Criminals

On Oct. 28, the Israeli newspaper Ha'aretz published an extraordinary commentary by Knesset Member and Meretz party head Yossi Sarid, 'Before Jewish Fascism Takes Over.' It warned that the Ariel Sharon-led radical right wing in Israel was evolving into a full-blown fascist movement.

National:

LaRouche 'Super-TVA' Leads, After Dems' Self-Defeat

Once again, the nation's pundits and talking heads had it wrong with their '50-50 America' nonsense-formula; and have it wrong with their now-incessant prattle about a 'Bush mandate' in the Nov. 5 election. **See LaRouche's response to email on the election outcome at end of this article.**

LaRouche Vote: Shape Of Things to Come?

The Democratic Party's evident national leadership vacuum has left Democrats, and sane Republicans, no place to turn but to the economic recovery policies of Democratic Presidential candidate Lyndon LaRouche, the leader of the 'FDR' tradition internationally.

The International 'Christian Embassy' in Jerusalem and Its Terrorist Connections

On Oct. 11, President George W. Bush delivered a videotaped address to a Washington, D.C. meeting of the Christian Coalition, the organization founded by televangelist billionaire 'Diamond Pat' Robertson. The Coalition conference gathered thousands of Christian Zionists for a 'Unity With Israel' rally, whose major theme was, that there will never be a Palestinian state on the Biblical land of Israel...

Christian Zionists Are Not Christians

Just as 'Christian Zionists' were rallying in Washington, D.C., in support of the Israeli Likud government's genocidal policies toward Palestinians, and the Bush Administration itself appears to be operating in parallel with these fundamentalist lunatics, the fallacies of Christian Zionism were being thoroughly dissected and exposed at a little-noticed conference, held by Christians from Palestine and their supporters in the Western and Eastern churches.

The Strange Sources of Violence for Children

Parents and early-childhood teachers will be interested to learn that Israeli military intelligence figures created and market the number-one violent game among very young children, 'Mighty Morphin Power Rangers.' That this same grouping owns 'Christian' fundamentalist televangelist Pat Robertson's TV show, and that Robertson in return praises their violent entertainment products, is not at all as strange as it may seem.

Will Moonie Money Be Used in Netanyahu-Sharon Election Theft?

Reports are already coming in from sources in Israel that the radical right wing there is banking on massive amounts of money from the United States, to swipe the upcoming Knesset and prime ministerial elections, and consolidate a Jewish fascist garrison state.

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