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This Week You Need To Know

Cheney's 'Shadow Government' Comes into the Sunlight

by Edward Spannaus

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All the trees in the forest have not yet fallen—to use the famous Watergate analogy—but they are beginning to shake. And as they do, the secret "shadow government" operating under the direction of Vice President Dick Cheney and centered in the Pentagon's Office of Special Plans (OSP)—the driving force for war with Iraq and other countries—is coming out into the light.

Over the weekend of June 6-8, *EIR* founder and Democratic Presidential pre-candidate Lyndon LaRouche issued a widely circulated statement charging that the growing mountain of evidence showing that Cheney had repeatedly used a forged document to corral Congressional and public support for the Iraq War, constituted grounds for the impeachment of the Vice President. The document in question was the now-famous forgery, purporting to show that Iraq had attempted to purchase uranium ore "yellowcake" from Niger.

Since LaRouche issued his demand that Cheney, and not President Bush, must be the target, the attention to Cheney's role in the intelligence fiasco leading into the war has heightened, so that as of this writing, the momentum is building to the point at which heads are likely to roll in the coming days and weeks.

Tenet 'Admission' Backfires

Any hope that Cheney and his defenders might have had, that by forcing CIA Director George Tenet to fall on his sword and take the blame—for failing to stop the White House from including the fraudulent Niger story in the President's State of the Union Address—they could somehow shut down the scandal, rapidly evaporated in the days following Tenet's July 11 statement. All that Tenet's admission did, was to focus attention on the question of *who* in the White House wanted to override the CIA and include the Niger fable.

Exemplary of the growing focus on Cheney, in just the few days following Tenet's statements, are the following items:

July 13:

* Maureen Dowd, in her *Sunday New York Times* column, noted that the line about the Niger story only got into the State of the Union speech over the CIA's objections, because "a higher power wanted it in."

"And that had to be Dick Cheney's office," Dowd concluded, noting that former Ambassador Joseph Wilson was sent to Niger to investigate the Iraq claim by the CIA, in response to questions raised by Cheney's office.

* The *Washington Post* reported, in a front-page story: "Administration sources said White House officials, particularly those in the office of Vice President Cheney, insisted on including Hussein's quest for a nuclear weapon as a prominent part of their public case for war in Iraq. Cheney had made the potential threat of Hussein having a nuclear weapon a central theme of his August 2002 speeches that began the public buildup toward war with Baghdad."

July 14:

* In a *Newsweek Online* column, Eleanor Clift wrote: "CIA director George Tenet sent [Joseph] Wilson to Niger after Vice President Cheney asked for an investigation. Wilson asks why Cheney's office would demand this inquiry and not want to know the result. If Bush really was misled, wouldn't he want to know who embarrassed him? Who made him a liar? In a White House as obsessed with loyalty as this one, the fact that no heads rolled strongly indicates this could go all the way to Cheney, if not to Bush himself. Who knows how much Cheney tells the boss. Bush is not a detail guy. He may not have wanted to know."

* The London *Guardian* wrote: "Fingers were also pointed at the Vice President, Dick Cheney, who was allegedly obsessed with proving his repeated claims last August that Saddam was actively pursuing a nuclear program.... According to his chief of staff, Lewis Libby, Mr. Cheney had taken an interest in an Italian intelligence report in late 2001 about Iraqi attempts to buy uranium in Niger."

* *Time* magazine noted that when the Italian report on Niger yellowcake got to Washington, it "caught the eye of someone important: Vice President Dick Cheney."

"Cheney's interest hardly came as a surprise," *Time* said, explaining that "he has long been known to harbor some of the most hard-line views of Saddam's nuclear ambitions."

* *USA Today* reported that George Tenet is being pushed toward "walking the plank," and suggested that Vice President Cheney's office is in the lead among those pushing for Tenet's ouster, citing a number of reasons why Cheney's office is angry at the CIA Director.

* The group of retired intelligence officers known as Veteran Intelligence Professionals for Sanity (VIPS) called upon President Bush to ask for Cheney's immediate resignation, telling the President that Cheney's role has been so transparent that further attempts to cover it up, "will only erode further your own credibility." (See *Documentation*.)

July 15:

* *New York Times* columnist Nicholas Kristoff featured the VIPS statement, saying that it reflects the view of many in the intelligence community "that the central culprit is Vice President Dick Cheney."

* Rep. Henry Waxman (D-Calif.) sent a letter to the leadership of the House Intelligence Committee, highlighting reports that the forged Niger documents had been first given to Vice President Cheney's office in early 2002, and demanding that a number of agencies and offices, including Cheney's, be thoroughly investigated for abuse of intelligence.

* Sen. Carl Levin (D-Mich.), in a statement on the Senate floor about the yellowcake matter and other dubious claims

about Iraq's alleged nuclear capability, posed a series of questions which need answers, including the role of the Office of the Vice President in triggering the mission of former Ambassador Wilson to Niger, and whether Cheney's staff was briefed on the results of the Wilson mission.

* Rep. Dennis Kucinich (D-Ohio) held a Congressional briefing in a hearing room packed with reporters and cameras, featuring VIPS spokesman Ray McGovern, and Andrew Wilkie, a senior intelligence analyst for Australia's Office of National Assessments, who had resigned on March 11, 2003, to protest the way intelligence was misused to justify Australia's support for war on Iraq.

Kucinich asked a series of questions to McGovern, who had been a CIA briefing officer for Vice President George H.W. Bush during the 1980s, such as: Is it possible that Vice President Cheney was never told about the Wilson mission to Niger? "That's an easy one," McGovern answered. "It is not possible." McGovern then pointed out that Cheney had "led the charge" for war last Summer, using disinformation and the "mushroom cloud scare" to frighten Congress into giving the President the authority to go to war against Iraq.

Kucinich also asked McGovern, if it were possible that someone like former Ambassador Wilson could be sent to Niger at the initiative of the Vice President, and then the Vice President would not have been told the result? McGovern said that this would go through National Security Council (NSC) channels, adding: "When a Vice President has a question, as certain as night follows day, he gets an answer."

Kucinich also asked McGovern if he had ever known of a Vice President making regular visits to the CIA, standing over analysts as they do their work? "Never," he answered.

During the question period, *EIR* asked McGovern to elaborate on the VIPS recommendation to President Bush that he call upon Vice President Cheney to resign, noting that Lyndon LaRouche had called six weeks ago for Cheney to be impeached.

McGovern answered, "If you read our statement, it's very clear that the Vice President spearheaded the push for war. If you look at Cheney's speeches, he is way out ahead of other American statesmen and officials in saying that Saddam Hussein has a nuclear capability," citing as an example Cheney's March 16 television appearance in which he stated that Saddam "has reconstituted nuclear weapons."

July 16:

* The London *Independent's* lead story was headlined: "Cheney Under Pressure to Quit Over False War Evidence," reporting that calls for Cheney's resignation were coming from a number of quarters, including the VIPS organization.

Tenet Fingers a 'Mole'

It was also on July 16, that George Tenet and another senior CIA official, Alan Foley, testified in a closed-door session of the Senate Intelligence Committee. Their appearance also marked a turning-point, in shifting the Committee's focus from the role of the CIA, to the question of who within the White House had pressed for the inclusion of the fraudulent Niger story in the State of the Union speech.

It was reported that Tenet and Foley had, under intense questioning, named Dr. Robert Joseph, the Director of Nonproliferation for the National Security Council, as the staff-level official who insisted on retaining the discredited Niger canard in the President's speech. Following the Committee session, its chairman, Sen. Pat Roberts (R-Kan.) indicated for

the first time, that the Committee will broaden its focus, to "follow the trail wherever it may lead," and he suggested that he may call White House officials in for questioning. "We'll let the chips fall where they may," Roberts declared.

The identification of Robert Joseph in an official hearing is quite significant. (Joseph had already been identified in a number of press accounts, as having been engaged in a dispute with CIA officer Foley over the Niger statement.)

EIR had published a profile of Joseph back in April 2001, exposing him as a "plant" in the NSC for leading neo-con warhawk Richard Perle, the discredited former chairman of the Pentagon's Defense Policy Board. During the Reagan Administration, Joseph worked under Perle and Frank Gaffney in the Office of the Secretary of Defense. He now sits on the Advisory Board of Gaffney's Center for Security Policy, one of the major "chicken-hawk" nests in Washington.

Cheney's 'Shadow' Spy Agency

EIR has recently been provided with new details, by several high-level U.S. intelligence sources, regarding the role of Cheney in the rogue intelligence operations run out of the Pentagon in the United States, and out of Prime Minister Ariel Sharon's office in Israel—operations designed to circumvent established intelligence agencies such as the U.S. CIA and DIA (Defense Intelligence Agency), and Israel's Mossad.

Cheney's office learned of the existence of the Niger documents from Sharon's office in Israel, probably through the Pentagon's Office of Special Plans, *EIR* was told. By late 2001, Cheney and his national security adviser and chief of staff Lewis "Scooter" Libby, were making regular trips to CIA headquarters to press for followup to the Niger story.

EIR has for some time been aware of a major Israeli component to the Pentagon OSP operation. Two sources have now separately confirmed that there is a parallel office to the OSP, situated in Prime Minister Sharon's office. Both units were created in the wake of the 9/11 attacks, for the purpose of bypassing their respective nation's traditional intelligence agencies. The Israeli Mossad reportedly refused to participate in this game, not wishing to jeopardize its longstanding relations with U.S. and other intelligence services. The Mossad, as a professional intelligence institution, also disapproves of much of what Sharon is currently doing.

The OSP, as we have previously reported, is run under the direction of Doug Feith and Paul Wolfowitz, by Abram Shulsky, an avowed follower of the late fascist philosopher Leo Strauss, and the fanatical William Luti, a former aide to Cheney.

Shortly after *EIR* had received the above-cited reports, the online edition of the London *Guardian* published a bombshell account of the Pentagon's "shadow intelligence agency," the OSP, on July 17, which coheres with these reports, as well as with *EIR*'s extensive coverage of the OSP over the recent months. *Guardian* investigative reporter Julian Borger reported that senior officials in the Bush Administration have created "a shadow agency of Pentagon analysts staffed mainly by ideological amateurs" to compete with the CIA and DIA, and that it operates "under the patronage of hardline conservatives in the top rungs of the administration, the Pentagon and at the White House, including Vice President Dick Cheney."

"The President's most trusted adviser, Mr. Cheney, was at the shadow network's sharp end." The shadow agency operates "off the official payroll and beyond Congressional oversight," Borger wrote. "He [Cheney] made several trips to the CIA in Langley, Virginia, to demand a more 'forward-leaning' interpretation of the threat posed by Saddam. When he was not there to make his influence felt, his chief of staff, Lewis 'Scooter' Libby, was. Such hands-on involvement in the processing of intelligence data was unprecedented for a vice-president in recent times, and it put pressure on CIA officials to come up with the appropriate results."

Borger describes the OSP as "an open and largely unfiltered conduit to the White House" for both Iraqi opposition groups

such as Ahmed Chalabi's Iraqi National Congress, and the "parallel, ad hoc intelligence operation inside Ariel Sharon's office," which provided the Bush Administration "with more alarmist reports on Saddam's Iraq than Mossad was prepared to authorize." Borger notes that this represented a continuation of the long-standing relationship that Feith and other Washington neo-cons have with the Israeli right-wing Likud Party.

The *Guardian* also reports that the OSP's "primary customers" are Cheney, Libby, and their closest ally on the NSC staff, Stephen Hadley, the deputy to National Security Adviser Condoleezza Rice.

Even though the rogue OSP has been operating without Congressional oversight, that may soon change. The senior Democrat on the House Appropriations Committee, Rep. David Obey (D-Wisc.), is looking into the OSP, and has made a formal "survey and investigation" request to the Appropriations Committee which could trigger an inquiry by the Committee's investigative arm. "That office [OSP] was charged with collecting, vetting and disseminating intelligence completely outside of the normal intelligence apparatus," Obey says, adding that its information was not shared with the regular intelligence agencies, and that it "was passed on to the National Security Council and the President without having been vetted with anyone other than political appointees."

The noose is now tightening around this small, sinister cabal that has captured the President and planned the Iraq War, and other imperial adventures. The sooner Cheney and this apparatus are cleaned out, the sooner the nation can get back on track to deal with the genuine problems facing us: most urgently, the global economic and financial breakdown.

LATEST FROM LAROCHE

LaRouche Campaign Second in Individual Contributions — Of All Democratic Presidential Candidates

LaRouche in 2004, Lyndon LaRouche's campaign committee for the Democratic Presidential nomination, is second in the number of individual contributions, and sixth in total money raised among all Democratic Presidential candidates, according to the Federal Election Commission's website.

LaRouche in 2004 has raised a cumulative total of \$4,564,654.66 through June 30, 2003. In the most recent quarter, April 1 through June 30, the campaign raised \$839,744.70, approximately \$20,000 more than in the previous quarter.

LaRouche's total number of individual contributions for the campaign is 12,464, the second highest of all the candidates, with 4,630 of those individual contributions raised in the most recent quarter. (Individual contributions are transactions by individuals giving \$200 or more in total.)

Here are the most recent figures for all Democratic candidates taken from the Federal Election Commission at www.fec.gov.

	Cumulative number of Individuals	Cumulative Candidate Contributions (Amount in \$)
Dean	14,424	10,545,459.56
LaRouche	12,464	4,564,654.66
Kerry	11,622	16,028,267.92
Edwards	10,001	11,936,

Lieberman	7,395	8,151,575.99
Gephardt	6,305	9,787,981.77
Graham	2,806	3,136,325.79
Kucinich	1,528	1,720,354.71
Sharpton	269	137415.00
Braun	235	217,108.85

Source: Federal Election Commission

* Individual contributions are transactions by individuals giving \$200 or more in total.

LaRouche to Ibero-American Youth: What Is True Leadership?

Lyndon LaRouche addressed a tri-city Ibero-American cadre school July 5, by telephone, where members of the Ibero-American LaRouche Youth Movement were gathered in Mexico City; Buenos Aires, Argentina; and in Leesburg, Virginia. A question-and-answer session follows LaRouche's initial remarks.

You young people—and, of course, there may be some old goats among you, but don't pay much attention to them, because I'm talking to you—are part of an international association of growing international power. The power centers around my figure, presently as a U.S. Presidential pre-candidate, as a candidate for the nomination of the Democratic Party, and I'm the only person of nine others officially running, who has anywhere near the qualifications to actually be nominated or elected to that office next year.

In the meantime, my position is that, because of my credibility—the fact that I've been correct on the international financial/monetary process for more than three decades, where every other known person on that subject has been wrong—is of importance. Not only that, but what I've been right about is a crucially determining factor in the present world situation.

Now, you have the following situation: You have emerging in Eurasia—that is, in Western Europe and in Asia generally, you have a coalition emerging, a coalition for survival. This coalition is not yet committed to what they must be committed to, that is, we need to reform the Bretton Woods system, to go back to the old Bretton Woods system. This means putting the present IMF and World Bank into bankruptcy reorganization—that is, receivership called bankruptcy, by governments.

Collectively, the IMF and World Bank has to go into receivership by a group of governments exerting international authority over the range of the IMF's and World Bank's initial charter. This will also involve, in a sense, participation by institutions of the United Nations Organization, which have an association with the IMF and World Bank. But otherwise, in each country, each national government must put its central banking system into receivership, that is government-controlled receivership, for bankruptcy reorganization.

This reorganization is indispensable, because any attempt to refinance or roll over existing world debts, within the range of existing institutions, will result in a dark age for all humanity. By dark age, I mean a collapse of the world population from now over 6 billion, down to something less than 1 billion—and that in a generation or so. And this is unacceptable. Any failure to put the present IMF system, the present world monetary system, into bankruptcy reorganization of the type I've described, would be the greatest mass murder in all human existence. So therefore, it's not acceptable.

A Shift in Europe

You have in Europe, as with the recent discussion from Berlusconi, the Prime Minister of Italy, who is now in charge of the leadership of the European Union for the next six months, until the end of the year, the announcement, again, of the European Investment Bank policy, which means that these governments who participate, are going outside European Union agreements, on the basis that what they're talking about is long-term investments, not annual budgets. And therefore, long-term investments in basic economic infrastructure and science-driver development programs is the policy. You have a similar complementary policy in Asia, notably China; India is now cooperating; Southeast Asia, and so forth.

So therefore, Europeans and others are talking about large-scale development projects, as in China, in which government investment in basic economic infrastructure—water projects, power projects, transportation projects, and so forth—these measures will generate sufficient increase in both employment and productivity, to carry the economies through on a year-to-year basis. There will be enough employment, enough wealth produced, to carry national economies from year to year.

This means that we're going to have to freeze much of the debt, cancel large portions of it as being illegitimate: All of Latin American debt is in net effect illegitimate. It should be cancelled immediately, because all of these nations have more than paid for everything they've incurred as debt prior to the 1971-72 change in the system. And the debt since then is fake debt, based on refinancing on IMF terms, and the IMF terms and so forth, have been fake. They've been thieving.

So that's the situation.

What is lacking, however, is the willingness to go beyond very good, large-scale infrastructure projects—and they're being proposed inside the United States too, at the state level. But to go beyond that, to realize that these programs will not work, unless we also put the present monetary/financial system into bankruptcy reorganization. That, so far, is what no government, in Eurasia, for example, has been willing to entertain. The best we've had has been in Italy, where the Chamber of Deputies, and also Senate groups, have proposed a New Bretton Woods system, that is, a return to the monetary policies of the former Bretton Woods system, as opposed to what has been in place since 1971-72. That's going on. But otherwise nothing.

Therefore, my particular role, my unique role as a candidate for President of the United States, is to push now, as a candidate, even as a so-called pre-candidate, to push now to provide international leadership for those forces who are willing to support, both inside and outside the United States, large-scale infrastructure investments as a method of employment and growth to stave off a depression collapse. My job is to push this one thing, which is indispensable. Otherwise, all these fine plans will not work. That's my role.

My corollary role is in dealing with the alternative; that is, the enemy's alternative. The financier groups which gave us Hitler, the Vichy government, Mussolini, Franco, and so forth, and the PAN Party in Mexico, these groups are the financier groups behind these political influences, and are moving now, as they did in the 1920s and '30s, to set up international systems of fascist dictatorships, as the alternative to accepting the role of government in putting a bankrupt system into bankruptcy reorganization. They're out to prevent something like Franklin Roosevelt from happening today, as they fought against Franklin Roosevelt, and as they fought to put Hitler into power back in the early 1930s. So that's the issue.

I represent the opposition, the leading international political opposition, to international fascism, typified by the formation of the PAN in Mexico itself. This international fascism is now centered in the government, on the position of the Vice President of the United States, Dick Cheney. Now, Dick Cheney is not a very intelligent man. As a matter of fact, he's in a sense like a ventriloquist's dummy. His wife is his controller; she speaks, and his mouth moves, and the words come out of his mouth. But it's the people around her who are actually running Dick Cheney.

Around Dick Cheney are a group of people who are outright fascists. Many have Trotskyist and similar backgrounds, who have gone over to fascism, such as Wolfowitz in the Defense Department, such as Bolton in the State Department, Wurmser in the State Department, Lawrence Libby in the office of the Vice President, and so forth and so on. These fascists are lackeys, who have seized control of the U.S. government, control of the mind—which is not much of a mind—of the current President. They have been controlling and orchestrating policies.

They came to power, not by election but by an operation run from inside the United States at a very high level, which is known to the world today as 9/11, that is, the three aircraft attacking, respectively, the two towers in New York City, and the Pentagon in Washington, D.C. This was done for the same reason that the Nazis ran the Reichstag Fire in 1933, in order to create the pretext for establishing Adolf Hitler as a dictator in Germany. The cause of World War II.

Today, Cheney and company were brought into the present position of power as a result of 9/11, and 9/11 was done in order to bring Cheney into that position of, technically, more or less dictatorial power with his circle. These fellows are threatening not only world war; they're threatening the use of nuclear weapons against nations which have no nuclear weapons. They're using this as a method of terror, of Nazi-like Nietzschean terror, to intimidate the world into submitting to a world government under them. They, in turn, are simply the puppets of financier groups, just like the same groups of financiers who were behind Hitler, behind the Vichy government, behind Mussolini, behind Franco, and so forth. And also William Buckley and his friends in Mexico. So this is the problem.

Therefore, my position, the leadership I'm giving, internationally—and it is international—the repercussions are international. I'm not just a U.S. candidate. I'm the U.S. candidate who is campaigning effectively for support from leading nations of the world. I'm the one candidate for President of the United States, who can bring the world back together, under these conditions of crisis. Now, that's who I am. And that's who you are. You're a key part of the process.

Eisenhower Saved the U.S. from Fascism

Let's look at another aspect of the process. Go back to the beginning of the 1960s. Eisenhower, who had opposed the fascist takeover of the United States—remember, Truman was essentially a fascist. He was the one who brought the Right to power in the United States. He was the one who unleashed nuclear weapons on Hiroshima and Nagasaki for *no* military reason, for political terror reasons. He was the one who started the right-wing terror in the United States. He was the one who created what was called McCarthyism, and we saved the United States from an immediate fascist takeover by the election of Dwight Eisenhower, who was opposed to these kinds of fascist military and other methods. So, Eisenhower was President from 1953 into his retirement in 1961; and outgoing, he warned people against what he called the "military-industrial complex," which is nothing but this pack of fascists which is behind Cheney and his co-thinkers, so-called, today.

From that point on, think of what you went through, or your parents went through. You had, first of all, the Bay of Pigs (and they were really pigs) coming into Cuba. They were also the friends of Joe Lieberman, the Senator from Connecticut who qualifies as a Bay of Pigs memorial object. You had this process. Then, you had the Missile Crisis. The world was terrified; we were at the brink of a general, full-scale thermonuclear war. Then we had various coups against various governments, in various forms, around the world. We had the assassination of Kennedy, which was covered up by John McCloy, or on orders of John McCloy, and was never really investigated by any official agency. It was a big cover-up. Then we had the plunge into the Vietnam War, the Indo-China War.

These developments of the early 1960s, coming on the heels of the impact of the Truman fascist era in the postwar United States, terrified the population. It especially terrified those who were yet still adolescent at that time, who were about to enter adulthood, who were about to enter universities, for example. So you had the rock-drug-sex counterculture. You had the cultural paradigm-shift in the population. Around the Americas, you had the spread of existentialism, which was already a disease in most of these countries of South America, but it led into this counterculture process. All the elements

of the left wing of the fascist movement. It prevailed.

In the United States, we had the so-called '68ers; we had, in Europe, the '68ers. Now, some of these people, who are now between their 50s and 60s, are running most of the governments and business institutions and similar institutions, universities and so forth, in the Americas and in Europe. These guys, the Baby Boomers, and others, who were not essentially as highly privileged as those Baby Boomers are today, are nonetheless affected by the cultural impact of the terror inflicted, during the early 1960s, upon them.

So, you have a whole generation of people who were coming out of adolescence in the 1960s, who were hit hard by the impact of nuclear terror and similar kinds of things then.

So therefore, the world went through a cultural paradigm-shift, from optimism about the postwar recovery and so forth, to pessimism, cultural pessimism. We went from the commitment to scientific and technological process in the production of physical goods and infrastructure, to the anti-technology movement typified by the so-called environmentalists, from the early 1970s on. But even earlier, by the '68ers, who were anti-progress. They were anti-society, anti-economy—the leaders were.

So, this ideology was crucial in transforming the United States, in particular, from a producer society—the most productive society on the planet—into becoming a parasitical, increasingly predatory, consumerist society, living on the blood, for example, of Mexicans who grow the food for the United States, but at wages at which Mexicans can barely continue to exist. This is typical around the world. This is what's happened in Central and South America. This is what's happened to Africa, with the genocide being done by the English-speaking and Israeli groups operating there. This is the big problem.

A Partnership To Save Humanity

So, therefore, you, who represent a younger generation, now in the approximate equivalent of a university age, realize that the society your parents' generation has given you, is a catastrophic failure. And that if the present trends continue, you have no future! This is true around the world. Not all parts of the world, but especially in Europe, and in the Americas, throughout the Americas.

Therefore, you recognize that you have to change the way things are going, if you are to have a future. If you are to avoid the terrible penalties which are now looming before you, with this Great Depression which is already ongoing.

Your parents' generation generally lacks the moral ability, on its own, to deal with this crisis. They're so pessimistic, so demoralized, so corrupt, so looking for personal lifestyle gratifications, rather than a role in history, that they will do nothing, generally, to change it, *unless* you intervene. That is, if you, who are becoming adults, adult children of this generation of Baby Boomers, if you move, your going into political motion, will move the older generation, your parents' generation, as nothing else can do it on this planet.

Therefore, your partnership with me, in moving to change the world from the plunge into a lemming-like abyss, into a hopeful future, your relationship to me is the most important thing on this planet today. Not because of anything else but the fact that we, together, are playing a crucial role in saving humanity from a self-inflicted crisis.

That's who you are, that's what you are.

I propose for you—it's your development: Don't depend upon the universities. Don't disregard universities, of course, but you have to recognize that universities are polluted by the culture; the cultural changes which occurred, especially those

since the early to middle 1960s, have polluted these universities. They no longer meet the cognitive standard that they used to meet. The courses are largely junk. What is taught and the methods by which they're taught, is garbage. But, they're still important institutions. Therefore, you have to have an approach to university life, which may be in it, but also, simultaneously, independent of it.

To this end, I have raised this question of Gauss's 1799 paper, and I've also written—which is now in the process of publication and circulation, a paper entitled, "Visualizing the Complex Domain,"¹ which in a sense explains the deeper implications of Gauss's 1799 paper. My purpose is to give young people a point of reference, from which to launch their own, independent overview of what is going on in the culture, both in terms of physical science, and in terms of art and so forth, in general.

So, that's where we are. You represent—even though still few in numbers—you represent what we've demonstrated in the United States, and what we are demonstrating in some degree in France, and probably will demonstrate in Germany. You represent, in the Americas, a fast-growing but small influence, which, in the course of the coming months, will transform politics throughout the hemisphere. That's what you represent. Enjoy it.

Okay, I turn it over to you.

Dialogue with LaRouche

Q: My name is Abraham. My question is somewhat more concrete: What is the role of Mexican youth in the world, and the transformation of the world?

LaRouche: Mexico probably has the most important position of any nation below the U.S. border. The reasons are largely historical. For example, Mexico had to fight against the worst from Europe, more than anyone else. I mean, in more recent times, other things have happened to other countries, but Mexico faced the brunt of it, with the attempt to prevent, initially from Spain, the independence of the emerging nations of the Americas, especially those below the U.S. border. So, this history of Mexico and its proximity to the United States, has put Mexico in a very special position among all the states of the Americas. Mexico has an implicit constitution, in addition to the formal Constitution, which is extremely relevant.

Mexico also has within it, because of the influence from the Nazis, and from Napoleon III's occupation of Mexico, has a history of fight within Mexico against Synarchism, or what is called Synarchism in this century, this past century. So, Mexico is in the forefront: Mexico has faced both the attack by the synarchists from the left, and the attack by the synarchists from the right.

For example, Soustelle. Take the case of Jacques Soustelle, a perfect example. Jacques Soustelle was an agent, specifically, of a group of influences from France, based around the association of Schlumberger, Mallet, de Neuflyze. This is typified in the Western Hemisphere by the case of Jean de Menil, based out of Houston, Texas, who was the husband of the Madame Schlumberger, who was very important in this area. And these three people, Paul Rivet—the teacher of Soustelle operating in Peru; de Menil out of Houston; Schlumberger operating in Caracas; and Soustelle operating in Mexico City, actually represented the left, the so-called pro-Marxist left in Peru, in Mexico, and so forth. They became the core of the left wing of the Synarchist network, throughout the Caribbean region and below.

You're being hit now from that. This takes the form of the indigenist movement against the Mexican Republic. That's your "left," and things like that. Then the "right," the pseudo-Catholics of the right, who are the enemies of the present Pope—which is a crazy position for a Catholic to have, but they have that—who are essentially in the tradition of William Buckley, Sr., who is a key figure in orchestrating both sides in the Cristeros War of the 1920s. So Mexico has faced—in the

form of Woodrow Wilson's policy in the period of the First World War—Mexico has faced the brunt of the troubles in the United States and from the United States, more than any other nation.

Mexico is also a powerful nation, implicitly. It's been much destroyed since 1982, when Mexico was a much more powerful nation, when López Portillo was still President. And you look back to López Portillos' address to the United Nations in October of 1982, you see the voice, the spirit, of the actual Mexico and its leading role in the hemisphere, is clearly displayed.

In more recent times, Mexico has come upon poorer times, with poorer influence and much foreign oppression, particularly with the transformation of the Bank of Mexico into an instrument of foreign power, and of the worst kind of foreign power. So therefore, that's crucial.

Look, for example: When López Portillo was fighting, and I was involved in that, as some of you know, with a discussion with him and with other people throughout the hemisphere, in fighting around the issue of the Malvinas War and the things that went with it; when he initially made his resistance to the raid on Mexico's finances in 1982, he had the initial backing both from the junta of Argentina, and the President of Brazil, both of whom, under U.S. pressure, backed off from supporting López Portillo.

So, the President of Mexico was isolated, politically, in the hemisphere, but nonetheless, he went to New York, to the United Nations, and delivered this historic address, which every patriotic Mexican should read again today. This historic address shows the true Mexico, the essence of Mexico, the essence of Mexico's brave leadership within the hemisphere. And it shows also the importance of Mexico, relative to the efforts of Brazil and Argentina today. Mexico is still number one in the hemisphere in this particular fight.

Therefore, being youth in Mexico, in particular, you actually carry a legacy, even from people you do not personally know, that the intellectual youth of Mexico, when organized in a patriotic venture, not only on behalf of Mexico itself but on behalf of the hemisphere, on behalf of justice on the planet, represent a powerful force, albeit only an intellectual force—but it's that kind of intellectual force that makes the greatest revolutions in human history.

Leadership, Not Sancho Panza

Q: I would like to ask what would be the sublime state which a young person should have as a concept to face the challenge in front of us, and not to be like Sancho Panza in Don Quixote, as you say? And I would like to hear your opinions about this.

LaRouche: Very good. I like the question, because it goes to the essence of the matter. It's something which I address in part in this paper on the "Visualization of the Complex Domain."

The essence of leadership of civilization, depends upon a long legacy, which in European civilization, runs notably from Plato, Plato's Dialogues. It became a social-political movement, in effect, through the influence of Christianity, such as the Apostles John and Paul, most notably. So, this conception of Plato's, of Platonic politics and science, and so forth, became integral to the role of Christianity, with the immediate apostles of Christ, such as John and Paul. Since that time, the struggle throughout European civilization, as it became globally extended, in particular, was for this conception of man, the special nature of man which is typified first by Christ, and a conception of man which spilled back into Judaism, through people like Philo of Alexandria, whose attacks on Aristotle are typical of this. And spilled, in a very significant way, also into Islam.

For example, in the case of the history of Spain, the Andalusian movement among Christians, Moors, and Jews in Spain, was one of the great positive cultural forces in the emergence of Europe, especially from the time of, say, Frederick II Hohenstaufen in Italy, in the 13th Century on. So, this was a great movement, but it's an expression of the role of Christianity, within an extended Hellenistic civilization, in creating what became the motion of a globally extended European civilization, both in respect to Christians, as well as Jews, and also Muslims. The Andalusian case is an example of this great fusion, which was a keystone for the development in the 15th Century, of the great Renaissance in modern civilization.

Now, the crucial thing here is this. Do we conceive man as an animal, as Thomas Huxley or Frederick Engels does? Engels says man is nothing but a beast, and the beastly behavior of some Marxists corresponds to Engels' stupid opinion on this subject. Or do we consider man as having a quality which is absent in the animals? A quality which is sublime, a quality which is divine.

The evidence for the latter, is that mankind is capable of making discoveries of universal physical principles, that is, discovering principles which are not visible to the senses, but which we can not only prove to exist as controlling the universe, but we can also willfully act on this knowledge of these principles, to change the universe. No other living creature can do that. Therefore, man, the individual, is both a creature of the flesh, as an animal is, but he's also a creature of something else, which is called spiritual: the power of discovery, of universal physical principles, typified by science, and typified by great examples of Classical artistic composition. This is it.

Now, therefore, how would you view your role in life? What makes a leader as opposed to somebody who is less than a leader, or less than a qualified leader? The qualified leader, like Jeanne d'Arc, is able to see their individual life as a talent, as a period of mortality which is given to them. Their concern is not what they get out of directly, in a sensory sense, out of that life—what they eat, what they wear, what they feel, their sexual experiences, and so forth—but what's important, is what their life means for humanity.

Mortal life is a brief gift, a talent. How do you spend a talent, for the future of all humanity, and the past as well? People who, like Jeanne d'Arc, are able to consider their life an expendable talent, to be spent for some great cause which makes their existence *necessary* in the scheme of eternity, these people are the source of leadership. They're the source of leadership in science, in creative art, and in politics.

There are other people who will see that, and say, "Yes, I guess you're right, I guess I should be like that, but gee, I don't feel like that. I have to worry about my community, my neighborhood, my family," this or that. They can't come up to the standard of Christianity, as Christ posed it to his people, who said, "What do I do? What do I do?" You have to give up everything, that is, your attachment to all kinds of mortal gratifications. Make them purely secondary, incidental, in order to focus on that thing which gives your life eternal meaning. What you are contributing to mankind, how you are honoring the contributions, and preserving the contributions of the past, and passing these on, improved, to the future. Such people, with such conceptions, are leaders. Those who can see this, can be influenced by it but can not actually commit themselves to that kind of position, personally, are lesser leaders. They are useful, but lesser leaders.

Unfortunately, in the history of mankind, there are very few people, so far, who can make that kind of decision, as typified by the case of Jeanne d'Arc. Because remember, it was her sacrifice, her willing, conscious sacrifice, which made possible the emergence of the first modern nation-state, that of Louis XI in France. The first state in which the general welfare of the population as a whole, was the primary obligation and *raison d'être* for the existence of the state.

This idea, of course, is already in Plato. It's in the mouth of Socrates in the Republic, the concept of agape', the general welfare—the posterity of mankind and its general welfare. It's a law of society. But Jeanne d'Arc made possible that kind of state by her sacrifice. She was crucial in it. She also inspired the great reform of a shattered papacy, and helped its

reorganization and restoration during the course of the 15th Century.

So, what we need, primarily, are people who can become such leaders. Not that I'm recommending immolation, or torture by the Inquisition, which many had to do, as she did, but the point is, we need those kind of people who can make that kind of personal decision, to commit themselves to the cause of humanity, to the cause of their nation within humanity, above all else. We also need people who have, shall we say, less character, less strongly-developed character, weaklings who compromise between the sense of being an animal and being a true human being.

Thus, the role of the Youth Movement is to produce from itself as large a ration as possible of true leaders. That's why I focus on this Gauss 1799 paper, because it poses—and I detail this in my paper on "Visualizing the Complex Domain"—it poses the question, the question inside you, of what is a true leader. How can I know that I'm a true leader? How do I know that I have within me, the capacity to provide the kind of leadership that society requires of me? And that does it, and that's the way I approach this.

So, therefore, we need everybody, either to support the idea of the distinction between the man and the beast, or to go to a higher step, of embodying that quality, that sense of immortality, which is the mark of a true leader.

Knowledge vs. Sense-Perception

Q: Good morning, Mr. LaRouche. I'm going to quote a paragraph from one of your books, "How Bertrand Russell Became an Evil Man,"² which says, "You have to recognize that the postulates and axioms of the so-called Euclidean geometry are wrong. You have to adopt circular action instead of such Euclidian axiomatic assumptions of the point and the line. You have to understand the idea of limitless phase-space, and we have to accept the ideas of Nicholas of Cusa, Kepler, and da Vinci, of a boundary that is defined." My question is, what do you mean by boundary, a finite boundary? Thank you.

LaRouche: This is the question of sense-perception versus knowledge. Take two discoveries. I refer to this, and the answer which I'll give you is a summary of an answer included in this paper on "Visualizing the Complex Domain."

There are two great modern principles of modern science which separate all earlier science from modern science, that is, true modern science. This work is based on the influence centered around Nicholas of Cusa, in the 15th Century, and by the influence of two of his followers, Luca Pacioli and Leonardo da Vinci. Then you have the work of Kepler, at the close of the 16th Century and beginning of the 17th Century. So, Kepler discovered a principle of universal gravitation, a concept which did not exist in human knowledge prior to that time.

Subsequently, a follower of the work of Kepler, Fermat in France, a famous physician and mathematician, conducted an experiment which demonstrated that the universe does not function physically on the basis of a pathway of shortest distance, but rather functions on the basis of a pathway of quickest time, the so-called principle of refraction.

These two principles exemplify modern science as opposed to empiricism, the empiricism of Aristotle, or the reductionism of Aristotle, the empiricism of Paolo Sarpi, Galileo Galilei, and so forth. That's the great modern fight.

Now, the point is, a universal principle, such as gravitation, or a principle of universal least action, which is the implication of Fermat's discovery, does not exist as an object of sense-perception. You can not see it, you can not smell it, you can not touch it. Yet, we're able to demonstrate that these principles actually control the behavior of the visible universe.

So, therefore, there's something which the mind can encompass, called a universal principle, which controls the universe, as if from *outside* the objects of sense-perception. This ability of mankind to discover such principles—and this same ability

was demonstrated by the Pythagoreans, by Plato and so forth, earlier, in their dialectical method for geometry—this method distinguishes man fundamentally from all forms of animal life. This is the so-called noetic principle, as described by Vernadsky. The ability of mankind, the mind of man, is superior to life and non-living processes in the universe, in its power and authority.

So, that's the notion of immortality.

Now this leads to the question of, not only what is man? If you say that man is only a beast of the senses, then you are degrading man to a beast. When you degrade man to a beast, as Russell does, you are committing a Satanic act of evil. All fanatical materialists, including empiricists, are evil, because they degrade man to a mere beast, by denying the existence of that which separates man from the beasts: the ability to discover and control the universal physical principles of the universe.

Now the concept of the universe, which is ancient, comes from astronomy. It comes from what the Pythagoreans called "spherics," in which they saw the starlit night as a kind of great extended sphere, the interior surface of a great sphere, and looked at the motions of stars and planets on this sphere. And this was the idea of universe, that which encompasses the Earth, which encompasses the existence of man.

What we know by universe, we equate in modern science with those principles which are universal. Now, we know that there probably are an indefinite number of universal physical principles of the universe, of which we know only some. Hopefully, we are discovering and mastering more as it goes along. But we know that the universe is composed of nothing but these physical principles, which correspond to the universal principles, in the sense that we use "universe" to describe the stellar system, the visual stellar system. We're saying that nothing exists outside the universe, as defined by universal physical principles. In other words, you can not make a sense-perceptual determination of what a universe is. You must deal with the universe as only man can know the existence of a universe, in terms of universal physical principles.

Now, what we say is, nothing exists outside the universe, as defined by man's actual and potential knowledge of universal physical principles. That is, that there is nothing outside the universe. Secondly, there is nothing that occurred before the existence of that universe. Third, nothing will exist *after* the existence of that universe. This is what Einstein means mathematically, by saying that the universe is finite, but without bounds: It's boundless. There is no external casing of the universe. The universe is finite. That is, it is limited by the domain of universal physical principles, of which we know only some. We are looking for more, but that universe, so implicitly defined, is what exists, and no other universe exists.

Thus, only man—with a sense of immortality, associated with the discovery of universal physical principles and their application—only man is capable of conceiving the universe. That is why Christianity argues, in epistemology, that man is made in the image of the Creator, because man is the only created existent being which has the same qualities which are necessarily attributes of the Creator.

National vs. Central Banking

Q: (from Argentina) My question is perhaps a little bit technical, respecting the first part of your talk. When you talk about reorganizing the IMF, and later you talk about a process of receivership—how can we implement that, this year?

LaRouche: The problem here, the difficulty arises from European sources into South America: the idea of the existence of a government coexisting with an independent central banking system. There's where the problem lies.

Now, what is an independent central banking system? Go back to about 12 centuries ago. Go back to the time that Otto III

was becoming the Emperor of the Holy Roman Empire, in which Otto III sort of turned Venice loose from the previous war of the Ottonian Emperors. And Venice then went on to subvert, and ultimately conquer and destroy Byzantium, as in the Fourth Crusade, which was a purely criminal, swindling act organized by Venice. Venice then dominated Europe, increasingly from about 800 AD into about the late part of the 17th Century. It was an imperial-maritime-financier power. The power resided in an oligarchy, a financier oligarchy, which were the leading families of Venice, who were, in their financial aspect, called *fondi*, or funds.

Europe was dominated under the power of the Normans. The Norman conquest of England was actually a consolidation of a certain power which became known later as Plantagenet, or Anjou influences, and this close association of this military order, associated with the Normans in Europe, became the predatory factor which became the characteristic of a so-called feudalism, into modern times. This was pure evil,

Now, there was an effort, several efforts, including the 15th-Century Renaissance, to establish a true nation-state, based on the concept of the general welfare and so forth. We had the first such states: Louis XI's France and Henry VII's England. We know that both of them later degenerated significantly, in the course of the 16th Century, under the influence of the religious wars and similar things, orchestrated by Venice, from about 1511 to 1648. And this is what destroyed Spain. Spain was destroyed by this Venetian takeover of Spanish policy, from 1492, essentially, on. And that's what happened to Spain in the middle of the 17th Century.

So, in this process, there was an effort to create a true republic, going beyond what had been accomplished by Louis XI and by Henry VII of England, into establishing a true republic. And they selected as the target of this, in the 17th Century, selected English-speaking North America, but they selected particularly English-speaking North America around a young man with a youth movement: Benjamin Franklin. The leading minds of Europe contributed their efforts, and influence and ideas, to the development of this youth movement around Benjamin Franklin. That's a whole history in itself.

So therefore, we established in the United States, as of 1789, prior to the storming of the Bastille, we established the United States as the first true republic in modern history. The viability of the U.S. Constitutional system is based on the fact that the Constitution as a whole is based on the principles set forth in the Preamble. That is, every other part of the Constitution is subject to revision, except the Preamble. And every part of the Constitution, every law passed, every amendment, is subject to interpretation and revision according to the principles of the Preamble. Only the Preamble is, in a sense, sacred. Everything else is subject to interpretation. Every other institution. A careful interpretation, but nonetheless so.

Because of this characteristic of the U.S. Constitution, the Preamble, the United States has so far survived. The first time it was threatened seriously, was with the Confederate insurrection organized from London. The second time was actually the attack, now, from the so-called Synarchist effort to take over the United States. That's the situation.

The American Model Republic

Now, at that point, at precisely the time that the American model of a republic, was threatening to "infect" Europe with reforms—for example, the Bailly-Lafayette reform of the [French] Constitution, the constitutional reform under Louis XVI, the one that was aborted, and aborted chiefly by the storming of the Bastille—that this reform was aborted. So therefore, except for an effort around Charles de Gaulle and the Fifth Republic, there has never been a significant effort toward actually establishing a true republic in Europe. Instead, what has happened, is we have had so-called more or less democratic reforms of pre-existing feudal institutions, in the form of a monarchy or a Presidency modeled upon a monarchy, and a parliamentary system modeled upon a democratization of the feudal parliament.

But all through this period, these governments, reform governments, in modern history of the 18th Century, the 19th Century, and 20th Century, have been based on a veto control over government, and control of the money system, by

Venetian-modelled private banking institutions of the type of the fondi. A central banking system, a so-called independent central banking system, is a parasite, a Venetian-style parasite, representing specific family interests who are looting and sucking the blood of the country which they occupy. That's the problem.

Now, what is required, therefore, is, as the U.S. Constitution prescribes—despite the Federal Reserve System, and despite the criminal thing that President Jackson did under the influence of his owner, Martin Van Buren—despite these corruptions of the U.S., the U.S. system is based on the Constitutional provision that there is no authority to issue or to regulate money on behalf of the United States, except for the U.S. government, specifically, the authority of the Executive branch of the government, with the consent of the Legislative branch, the Congress.

This is not true in any other nation, generally, in the world today. There's a special case in China, but generally it's not true in any other nation. Therefore, when people talk about reforms of international institutions, they accept the silly idea that money has a value, independent of the determination of government. Now, the only institution in the world today, in modern civilization, which assumes that role, is the central banking system, as a consortium, or part of a consortium of independent central banking systems, which are controlled, in turn, by private financier interests, like the Federal Reserve System.

So therefore, the problem we have today is this parasite, the financier system, typified by the central banking system, now, as with the case of Hitler, moves to establish a dictatorship, to prevent the state, that is, government, from using the lawful authority of government to put a corrupt and decadent financial system back under government control. That's what the issue is. We've come to the point that the amount of debt in the world, financial debt, far exceeds any possible payment, without genocide against the human race. Therefore, this system is hopelessly bankrupt.

Therefore, the only agency which can decide is either these bankers—like Robert Mundell's friends now meeting in Siena, Italy, these bunch of fascists—or governments. The government must therefore act to save humanity, by putting the central banking systems into receivership. That is, the government takes them over. It doesn't privatize every bank. It takes over the central banking system and takes over the ordering, the organization, and regulation of the money system and the banking systems.

Each government does it on the basis of its own sovereignty. However, since we need an international financial-monetary system, we go back to the lesson we should have learned from the immediate postwar period, with the initial form of the IMF. We need a concert of agreements, among sovereign governments, to regulate international financial and monetary relations among states, of the type that was successful, in, say, the 1950s, at least in many parts of the world. We go back to that example, and say, now we go to what is called national banking. That does not mean that the banks in a country are all nationalized, in the sense of being public property. On the contrary: It means that a central bank, a government central bank, as an auxiliary extension of control of the Treasury of that country, the Executive branch, with the consent of the Legislature, sets up rules for banking under which the financial system and the banking system in general, particularly, will operate from that point on. And that's what we have to do.

If we don't do that, good-bye, humanity. Good-bye, civilization. We've come to a point of irony and paradox in history. We must eliminate, now, the feudal power, the feudal tradition of central banking systems, of independent central banking systems, and restore a system of national banking, under which private banks within a nation, will function according to rules set by national banking, under the direction of the authority of the Executive branch, and under the provisions of law provided by Legislatures. We must, at the same time, establish a reasonable, good order, in agreements among sovereign nation-states, to create a world monetary system which can sustain long-term loans—we're talking 25 to 50 year loans—at 1-2% simple interest rate, chiefly for the purpose, immediately, of great infrastructure projects, in water management, in transportation, in power generation and distribution, in public health, in education, and so forth—that is, the public sector, these kinds of things, and use this as the driver for world economic recovery.

We're talking about a world in which 50%, approximately, of the total capital formation of nations will be in the public sector, by governments, and the public sector will be the driver on which the private sector depends for the stimulation of employment and progress. Additionally, of course, government must take responsibility for sponsoring, initiating, promoting scientific and technological progress for the benefit of the economy as a whole.

1. See Lyndon H. LaRouche, Jr., "[Visualizing the Complex Domain](#)," *EIR*, July 11, 2003; or go the website: www.larouchein2004.com.

2. Lyndon H. LaRouche, Jr., "[How Bertrand Russell Became an Evil Man](#)," *Fidelio*, Fall 1994.

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Feature:

MEXICO'S CRISTERO REBELLION

Synarchism, the Spanish Falange, and the Nazis

by William F. Wertz, Jr.

This article is dedicated to the memory of Carlos Cota. It was prepared with the assistance of Cruz del Carmen Moreno de Cota.

The purpose of this article is to give the potential youth leader in Mexico and elsewhere knowledge of the way in which Synarchism has been used to try to prevent Mexico in particular from developing as an independent sovereign nation-state, as part of a worldwide community of sovereign nation-states mutually committed to the promotion of the general welfare of their respective populations through economic development.

Economics:

Europe's Energy Supply: On the Way to California

by Lothar Komp

Everywhere in the European Union, the energy sectors have been hit with a whirlwind of confusion, as a consequence of electricity 'deregulation' at varying tempos.

- **Why Italy's June Blackout?**

by Claudio Celani

The national electricity provider was forced to impose 1.5- to 2-hour blackouts in all Italian cities on June 26-27.

- **Britain Faces Return To 'Winter of Discontent'**

by Lothar Komp

[A] report by the country's Institute of Civil Engineers (ICE)... forecast that the lights almost certainly will go out all across the country within 15 years, under the present energy and electricity deregulation policy.

- **Can France Be Europe's Provider of Electricity?**

by Emmanuel Grenier

... France has progressively gained its energy independence thanks to its ambitious nuclear program, which provides, today, for 75% of its electricity. Since 1980, France has been exporting ever more relatively cheap energy to its neighbors.

Italian Plan for Growth Becomes European Plan

by Claudio Celani

'The Italian plan has now become the European plan,' announced Italian Finance Minister Giulio Tremonti, at the end of July 14-15 meeting of the European Union members' economic and finance ministers (Ecofin) in Brussels. Led by the Italian EU presidency, the Ecofin has given a formal mandate to the EU Commission—in collaboration with the European Investment Bank (EIB)—to elaborate a technical scheme for implementation of the 'European Action for Growth' plan.

Energy Pirate Firms Are Exposed in Mexico

by Ronald Moncayo

The clandestine attempt to privatize Mexico's energy sector, publicly exposed by EIR magazine as far back as December of 2001, was legally stalled on June 25, when Mexican Sen. Manuel Bartlett presented a formal demand to the Superior Auditor of the Federation and to the Oversight Committee of the National Congress' Chamber of Deputies, for an investigation of 225 licenses for electricity generation, that had been granted by the previous Ernesto Zedillo and the current Vicente Fox governments.

International:

A Wounded Imperial War Party May React With New Wars

by Paul Gallagher

Increasing threats of war on the Korean Peninsula, or strikes against Iran, show that the imperial 'perpetual war' faction led by U.S. Vice President Dick Cheney and the circles around British Prime Minister Tony Blair and Israeli Prime Minister Ariel Sharon, is losing its control in Washington, but is not yet decisively defeated.

LaRouche Is Best-Known Dem Candidate in Mideast

by Hussein Askary

Lyndon LaRouche continues to be the most recognized and popular American Democratic Presidential pre-candidate in the Middle East. The continued coverage in the Arabic press of his activities in the United States to remove the war party of Vice President Dick Cheney and his Straussian cabal, and LaRouche's tours in Eurasia and the Mideast to establish an alternative, just foreign policy for America, are often reported and commented upon.

Extraordinary Steps in Franco-Russian Relations

by Jacques Cheminade

'Do the French and Russian Foreign Affairs and Defense Ministers still have anything to say to each other?' *Le Monde* asked editorially on July 10: 'Because, according to them, they agree on all issues.' The description of French and Russian policies as converging, 'down to minute details,' came recent Le Bourget aerospace exhibition, through an arrange- both from the leading French dailies *Le Monde* and *Le Figaro*, and from within Paris political circles, after a high-level visit to Moscow by French officials on July 7-9.

New Phase Beginning In Afghanistan

by Ramtanu Maitra

On July 14, the first batch of NATO forces arrived in Afghanistan's capital Kabul, to lay the groundwork for the Western military alliance to take over of command of the International Security Assistance Force (ISAF) on Aug. 11. Billed as the launch pad for NATO's most radical transformation ever, the deployment has received support of Russia. But China and India, two other major powers in the region, have remained quiet.

India's 'No' on Troops To Iraq May Be Catching

by Ramtanu Maitra

India's Cabinet Committee on Security (CCS) made the official announcement on July 14: India will not send troops to help America and Britain 'stabilize' and rule Iraq. Although the CCS reached the decision in 10 minutes, the issue had been hanging fire for weeks,

Australia Dossier

Australia To Invade Solomons

by Robert Barwick

Australian Prime Minister John Howard, who enthusiastically endorsed the invasion of Iraq, is smarting from the same kind of heat that's on Britain's Tony Blair and the U.S. 'chicken-hawks' under Vice President Dick Cheney...

National:

Depression and War Blow Out Bush's Budget

by Carl Osgood

President Bush's Federal government, representing an economy six times the size of Gov. Gray Davis' California, now has a budget deficit estimated 30 times as large, for Fiscal 2004.

U.S. Economic/Financial News

Boeing To Slash 4-5,000 More Jobs in Seattle

Boeing, the world's largest aircraft maker, announced July 17 that it will cut 4-5,000 more jobs at its Seattle-based commercial jet unit by the end of 2003, due to the carnage in the airlines sector, on top of the 35,000 job cuts in the unit since Sept. 11, 2001. The new, "extremely painful" job cuts reflect an "unprecedented and very difficult time" in the commercial aviation industry, said Alan Mulally (the jetliner unit's president and CEO), as air travel has plummeted and airlines have cancelled or deferred hundreds of plane orders.

Since September 2001, Boeing has already slashed its highly skilled, technological workforce to 159,800 from 199,000, a drop of 20%. Employment in the jetliner unit has plunged by 37%, from 93,000 to its current level of 58,900. The next round of 60-day layoff notices (previously announced) will be issued July 18 to 660 employees.

Dying Manufacturing Industry Challenges Bush Administration To Intervene To Save It

As U.S. machine-tool consumption reached "one of its lowest points in history," the Bush Administration must "seize the responsibility to recognize manufacturing's importance to our economy," urged Albert W. Moore, president of the Association of Manufacturing Technology (AMT), on July 14. U.S. industry consumed \$140.78 million worth of machine tools in May; although down only 0.8% from April, it was a whopping 36.4% drop from the level in May 2002. During January-May, U.S. machine-tool consumption has plunged by 24.4% compared to the same period in 2002, according to a joint report by AMT and the American Machine Tool Distributors' Association. Moreover, machine-tool use had already fallen by 2002 to only 37% of the level in 1997. "America's investment in modern manufacturing equipment is at one of its lowest points in history," Moore warned.

Moore noted that the U.S. Department of Agriculture was created to recognize agriculture's economic importance, and that Reagan formed SEMATECH to help the semiconductor field; he called on the Bush Administration to make it a policy to save the "vital" manufacturing sector. "Now it's time for this Administration to seize the opportunity—as well as the responsibility—to recognize manufacturing's importance to our economy," he insisted. "This vital sector needs a permanent place in our nation's policy structure."

AMT chairman Lawrence Rhoades had urged the Administration, in House testimony on June 5, to undertake a Federally funded "national offensive" to rebuild America's machine-tool capability. In addition, the National Association of

Manufacturers on June 10 had warned that the U.S. manufacturing collapse was reaching a point of no return.

'Ivory Tower' Economists Declare 'Recession' Ended in November 2001

The National Bureau of Economic Research (NBER) had its own "yellow cake" story this week, which, in the realm of economics, represents an equally huge disconnect with reality, as the now infamous "16 words" in the President's State of the Union message: The Business Cycle Dating Committee of the NBER—a private group of university economists—claimed that business activity hit a "trough" in November 2001, marking both the end of the "recession" that it said began in March 2001, and the beginning of a (mythical) economic "expansion." Denying that an economy is measured in physical terms, the panel said it based its decision mostly on the Commerce Department's estimate of U.S. Gross Domestic Product, the growth of which resulted entirely from productivity gains that *EIR* has repeatedly exposed as a hoax. Nevertheless, NBER was forced to admit, "employment has not begun to recover at all."

California Congressman Pete Stark, the ranking Democrat on the Joint Economic Committee, blasted the announcement. "We've declared victory over the recession, and we're still laying off a couple hundred thousand workers a month," he noted. "If it weren't so painful for so many people who are out of work, it would be hilarious," he added.

Greenspan Says Fed Could Cut Rates, Again

With the Federal funds rate now at 1%, "substantial further conventional easings could be implemented, if the Federal Open Market Committee judged such policy actions warranted," Federal Reserve chairman Alan Greenspan told the House Financial Services Committee on July 15. Even though "some financial firms would experience difficulties in such an environment," he said that the Fed plans to keep interest rates low "for as long as it takes."

Meanwhile, Greenspan may have made a "strategic miscalculation," says Michael Englund in the July 14 *Business Week*. The Federal Reserve chairman's deflation talk, charges Englund, may be causing a negative impact on business investment, negating the expected benefit of lower bond yields.

Energy Pirate Mirant Files for Bankruptcy Protection

Listing \$20.6 billion in assets and \$11.4 billion in debt, Atlanta-based Mirant Corp. filed for Chapter 11 bankruptcy protection on July 14, making it the tenth largest Chapter 11 filing on record. They join not only Enron but also NRG Energy and PG&E National Energy Group in bankruptcy court.

Mirant was one of the out-of-state power pirates that was served a subpoena by Federal prosecutors last November as part of the continuing probes into the illegal trading practices that caused the California electricity crisis three years ago. In December, Mirant was accused in a separate lawsuit of "systematically" purging potentially damaging data in the case from its computers.

Top Iowa, Nebraska Farm Teaching Centers Axed

As of June 30, many Farm Belt states saw the overnight shutdown of world-famous, high-tech agriculture research and teaching centers, as a result of insane budget cuts, instead of emergency measures to save and expand economic activity. Two examples make the point:

* The Iowa State Dairy Teaching Farm will be closed by the end of the summer. It has been in operation for decades, at the College of Agriculture at Iowa State University in Ames. (The dairy program was set up by Henry Wallace—the father of

FDR's Secretary of Agriculture and later Vice President Henry Wallace—who was a professor of dairy science at Iowa State, and national Agriculture Secretary under Harding and Coolidge). The college gave the order to shut down, as part of its attempt to make up for a \$2.6-million deficit. The Dairy Farm houses all six breeds of milk cow, the only university farm in the nation to do this. All the animals are being sold off; and all help fired.

* In Nebraska, June 30 marked the last day of the existence of the 35-year-old South Central Research and Extension Center, of the University of Nebraska. State budget cuts ended the facility, located in Clay Center, which specialized in high-tech, irrigated cropping systems, used widely in the state, and in many parts of the world, from Egypt to Australia.

World Economic News

UN Report: Growing Poverty for Much of World's Population

The decade of the 1990s was one of growing poverty and genocide for vast numbers of the human population, reveals the United Nations' Human Development report for 2003, released July 8. Here are some of its conclusions:

For developing countries overall compared to 1990:

- * 54 are poorer now;
- * 34 have a lower life expectancy;
- * 21 have more people are going hungry;
- * 14 have more children dying before age 5;
- * 12 have shrinking primary school enrollment;
- * 2.4 billion people don't have access to adequate sanitation;
- * 1.2 billion people live on less than a \$1 equivalent per day;
- * 1 billion people don't have access to improved water sources;
- * 10.7 million children, in 2000, age five or younger, died of preventable diseases.

Of 54 countries with declining income per capita, 20 are in sub-Saharan Africa, 17 in Eastern Europe and the Commonwealth of Independent States (CIS), six in Ibero-America and Caribbean, six in East Asia and the Pacific, and five in Arab states.

The embedded axioms of environmentalism, free trade, and post-industrial low-technology development that characterize much of the UNDP report, lead to deadly so-called "solutions" which will perpetuate, rather than halt, this cycle of imposed death. For example, "Growth is more likely to benefit poor people if it is ... labor intensive ... rather than capital intensive." Or its call for elimination of tariffs and subsidies.

Venezuelan Banking System Faces Imminent Collapse

The banking system of Venezuela is on the verge of a collapse comparable to 1994, when the private banks' indulgence in a pyramid of self-lending, led to their stunning demise, according to economic analysts interviewed by *The Miami Herald*. The *Herald* reported July 14 that 60% of Venezuela's bank deposits are in the form of state debt paper, where that figure had only been 25% in 1994. Given the weak state of the economy, no one is seeking bank credit except the Chavez government, which is committed to paying 20% interest on that credit. When either the government is unable to pay interest on that debt *or* the banks' depositors decide to pull their accounts and put them into gold, real estate, or take them out of the country, the banks will collapse like a house of cards, say these analysts.

"This explosion of the economy is coming, and among the first victims will be the banking system," says Jorge Salazar Carrillo, director of the Center for Economic Research of Florida International University. "The Venezuelan banking system is seriously threatened by an explosive debacle. Today the banking system is full of paper. In 1994, the banks were full of self-loans. In 1994, there was in effect an illiquidity situation. Today, there is a potential insolvency situation."

Economist Alexander Guerrero warns, "The Venezuelan banking system depends heavily on public finances. In other words, the fate of the banks is tied to the fate of the government, which at the same time, has very bad finances." Guerrero summed it up: "The growing government debt to the banks is moving toward insolvency, because the economy is in strong contraction, and it is not generating the resources with which to pay that debt."

The state of the Venezuelan economy is so bad, that the Chavez government has ordered an extension until January 2004 of a decree first imposed last April, prohibiting any more private or public layoffs, in hope of containing the rage of a growing army of unemployed as long as possible. Venezuela's collapsing private sector is furious at this latest maneuver by Chavez. Nor will his gesture ease the rising unrest within the population, as shortages of everything from beef, chicken, and eggs, to rice, powdered milk, and flour are steadily worsening. Agriculture Minister Efren Andrade has already announced that "emergency measures" are being taken to increase national supplies, but he did not elaborate on what those measures might be.

Notably, in the midst of this devastation, Venezuela's foreign creditors are receiving assurances from President Hugo Chavez that the foreign debt will be paid on time. Finance Minister Tobias Nobrega announced this week plans to issue between \$500,000 and \$4 billion in international bonds this year, as part of a debt swap and new financing strategy to cover an estimated \$4.7 billion deficit. At least \$2.2 billion in foreign debt payments must be paid between August and September of this year alone.

Sub-Saharan Africa 'Left Behind' in Race for Development

The United Nations Human Development Report 2003 cited above, says that sub-Saharan Africa is a region "left behind" in the race for development in the 1990s. It reports the economies of this region "have not grown," with "half of Africans living in extreme poverty and one-third in hunger, and about one-sixth of children die before age 5—the same as a decade ago." At these rates of stagnation or negative growth, "Sub-Saharan Africa will not reduce poverty until the year 2147 or child mortality until 2165!"

In addition, "Africanization" is spreading. "People in Central and Eastern Europe and the CIS ended the 1990s less healthy and with lower average incomes than people in Latin America and the Caribbean," the report states. Further, during the 1990s "Poverty more than tripled, to almost 100 million people—25% of the region's population."

Tibet Hydropower Project Could Light Up Asia

China will go ahead with a feasibility study on the Yarlung Zangbo-Bramaputra-Jamuna hydropower project in October, the Chinese news agency *Xinhua* announced July 17. The China Water Conservancy and Hydropower Planning and Designing Institute, which is running the feasibility study, has already sent an expert team to the area to begin preliminary work in late June.

This project involves digging a 16-kilometer-long tunnel through the mountain wall of the world's deepest canyon, where the Yarlung Zangbo makes a "U-turn" and drops 2,755 meters over 500 kilometers. The Yarlung Zangbo River is called the Brahmaputra in India and Jamuna in Bangladesh. The project, according to the new *Xinhua* report, could generate 68 million kilowatts of power—the same capacity as 60 typical large Western European nuclear power plants!

This could light up a lot of Asia.

It would also control the water flow on the Brahmaputra-Jamuna, which, if fully coordinated with India and Bangladesh, would be critical for flood control during the monsoon.

Past press reports have stated that there have been discussions going on between China and India on this project for several years.

China-India Border-Trade Task Force Established

The confederation of Indian Industry (CII) is setting up a task force on expanding border trade with China through the Nathu La pass in Sikkim, it was announced in mid-July.

When Indian Prime Minister Atal Bihari Vajpayee was in China in June, the two sides signed an agreement to open the almost 5,000-meter-high pass for trade. The CII will advise the state of West Bengal, where Kolkata (Calcutta) has the nearest major sea—and airports to Sikkim and Tibet. Border trade through Nathu La was stopped by the 1962 China-India border war.

"The task force will calculate border trade volumes and suggest infrastructure investment structures," the CII announced. "We will advise both the state government and the Centre and all relevant bodies." CII expects bilateral trade between the two countries to be somewhere near \$20 billion by 2008.

More Development Projects Under Discussion in South Asia

The perspective of the Grand Tibetan water power project getting closer to realization, also provides new options for the development of infrastructure in Bangladesh. A branch of the Brahmaputra River, which is to benefit from the Tibetan project, is the Jamuna River in Bangladesh.

The completion of the multipurpose Jamuna River Bridge, which is essential to establish direct railway communication between central, northwestern, and southwestern Bangladesh, is dependent on a lot of river bank fortification and other construction work.

Railway issues also came up during the latest session of the Joint Economic Commission in Dhaka, presided over by the Foreign Ministers of India and Bangladesh: The Indian government said it is committed to renew state-to-state credit to Bangladesh, in the range of 2 billion rupees—most of which would be available for railway transport improvements on the Bangladeshi side.

On July 9, Bangladeshi Communications Minister Nazmul Huda announced that his government would give new emphasis to the development of railway transport, especially of links to the country's neighbors. He made direct reference to the Jamuna River Bridge project, as crucial in this respect. Railway communication with India, Nepal and Bhutan had priority, Nazmul Huda said, adding the perspective of a link to the project of the Transasian Railway, via Myanmar.

United States News Digest

Advisory Team Warns Iraq Stabilization Window Is About Three Months

U.S. Army General John Abizaid, Commander of Centcom, and the Iraq war and occupation, announced this week—in contradiction to the prior repeated claims by Iraq Viceroy Paul Bremer, and Defense Secretary Donald Rumsfeld—that the U.S. forces are facing a full-scale "guerrilla war."

At the same time, a DOD advisory team, commissioned by Rumsfeld, says that the U.S. has three months to establish security and advance reconstruction of Iraq. The findings were released July 17 in a report called "Iraq's Post-Conflict Reconstruction: A Field Review and Recommendations," by the Iraq Reconstruction Assessment Mission. Rumsfeld sent a task force of five members to Iraq, in order to weigh the situation. Their report states: "The next three months are crucial to turning around the security situation, which is volatile in key parts of the country," and adds that the United States must also be ready "to stay the course in Iraq for several years."

Two of the members of the team were affiliated with the New York Council on Foreign Relations (CFR), which issued the following statement on July 18: "With Iraqi expectations and frustrations on the rise, the window for cooperation with the United States is closing rapidly. If the Iraqis do not see progress on delivering security, basic services, political involvement and economic activity, the security situation will likely worsen and U.S. efforts and credibility will falter. While the United States and its allies have proven their ability to succeed in key areas, significant challenges lie ahead."

The task force was headed by Paul Hamre, president of the Center for Strategic and International Studies. Its four other members were: Robert Orr, vice president and director of the Council on Foreign Relations D.C. office; Frederick Barton, co-director of the Post-Conflict Reconstruction Project at the Center for Strategic and International Studies (CSIS) at Georgetown University; Johana Mendelson-Forman, senior program officer at the UN Foundation; and, Bathsheba Crocker, a CFR International Affairs Fellow, currently at CSIS.

War, Looming 'Cheneygate' Fray Nerves of GOP

The House of Representatives verged on a physical brawl today over the Republicans' repeated abuse of the rules in running the House. Based only on short sections heard on C-Span, a meeting of the House Ways and Means Committee blew up when the Republican chairman gavelled a discussion closed "without objection"—without allowing a Democrat to voice his objection. A shouting match with "wimp" and "fruitcake" ensued, with the chairman declaring a physical threat and calling the police.

A subsequent floor discussion saw the Democrats expressing total outrage at the repeated refusal to follow the rules—the disallowing of Democratic debate, amendments and such—with the current event seen as just another of many, many cases. A number of speakers cited Rep. Tom DeLay's (R-Texas) call to the Department of Homeland Security to track down the Texas Democratic state legislators who had left a legislative session, thereby preventing a quorum from being present.

The majority Republicans were declared un-American and dictatorial, with readings of the Constitution and the Jefferson

Rules book. A leading black Democrat (who may have been the person in the Committee meeting) said on the floor that he had stood up to Bull Connor and other tyrants, went to jail in civil disobedience, but never believed that he'd be threatened by police for carrying out his elected duties in the Congress.

Ballistic Missile Defense Programs Won't Work

The American Physical Society released a 400-page report July 15, the result of a three-year study, evaluating the effectiveness of the technologies under development for defense against ballistic missiles in their boost phase.

The conclusion reached is that both systems being developed by the U.S.—either space-based interceptors or the Airborne Laser—could not defend against solid-fuelled missiles in their boost phase, due to their short burn-time. Even liquid-fuelled missiles, which have a somewhat longer burn-time, could only be hit if the interceptors were based close to potential flight paths, the study found. (It is preferable to disarm a ballistic missile early, in its boost phase, before it releases multiple warheads, and/or decoys.) The study did not consider space-based directed-energy systems, promoted in Lyndon LaRouche's beam weapons defense program, the only efficient counter to missiles in boost phase.

On July 11, the Pentagon itself slowed down the space-based interceptor program that President Bush announced in December would be deployed in 2005, delaying it to until at least 2008, due to technical problems. Appropriations Committees in both Houses of Congress have slashed by half or more the Administration's request for \$301 million to develop boost-phase interceptors, which were under development, because of problems in the ground-based midcourse interceptor program.

Grassroots Opposition Grows to USA Patriot Act

Communities throughout the U.S. are resorting to political guerrilla warfare tactics to circumvent the draconian measures of John Ashcroft's "PATRIOT Act," which was passed just six weeks after the Sept. 11 attacks.

Hawaii, Alaska, and Vermont have approved resolutions calling for the act's repeal, as have 134 cities and counties. In Berkeley, Calif., the public library director purges all records of returned books each day and erases the list of websites visited on the library's terminals, to prevent the Justice Department from obtaining the information. In Portland, Ore., officials declined to cooperate with Federal agents serving secret warrants, and in Arcata, Calif., the City Council passed an ordinance in April barring city workers from enforcing the act. "People are finally getting it, that the Bill of Rights and the Constitution are being threatened," says the Bill of Rights Defense Committee.

Investigation Over Forged Intelligence on Iraq Compared to Pentagon Papers

Who knew what, when? is the question being asked repeatedly by investigative reporters, and now the U.S. Congress, the British Parliament, and prominent individuals in Australia. The investigation of the lies used to hype an Iraq war is just beginning, as evidenced by the following summary of some of the major coverage this week:

On July 13 *The London Independent* published an article called "20 Lies About the War," by Glen Rangwala and Raymond Whitaker, who write, "Falsehoods ranging from exaggeration to plain untruth were used.... More lies are being used in the aftermath." Rangwala is the person who exposed the plagiarism hoax by Tony Blair and Alastair Campbell in February 2003. The article not only names the lies, but names who said them, and what the truth is. The lies they cite are:

1. Iraq was responsible for the Sept. 11 attacks; 2. Iraq and al-Qaeda were working together; 3. Iraq was seeking uranium from Africa for a "reconstituted" nuclear weapons program; 4. Iraq was trying to import aluminum tubes to develop nuclear

weapons; 5. Iraq still had vast stocks of chemical and biological weapons from the first Gulf War; 6. Iraq retained up to 20 missiles which could carry chemical or biological warheads, with a range which would threaten British forces in Cyprus; 7. Saddam Hussein had the wherewithal to develop smallpox; 8. U.S. and British claims were supported by the inspectors; 9. Previous weapons inspections had failed; 10. Iraq was obstructing the inspectors; 11. Iraq could deploy its weapons of mass destruction in 45 minutes; 12. The "dodgy dossier"; 13. War would be easy; 14. Umm Qasr; 15. Basra rebellion; 16. The "rescue" of Private Jessica Lynch; 17. Troops would face chemical and biological weapons; 18. Interrogation of scientists would yield the location of WMD; 19. Iraq's oil money would go to Iraqis; 20. WMD were found.

In the U.S., syndicated columnist Georgie Anne Geyer says there is a mood like that around the "Pentagon Papers" in Washington, and as in 1971, "It is only the beginning." She reviews Cheney's role in the Niger "yellow cake" affair, and notes how many times the information that Iraq was procuring uranium from Africa in massive quantities, was repeated, even after Ambassador Joe Wilson debunked the information.

See this week's [InDepth](#) for report from Congress.

Congress Cuts Funding for Mini-Nuclear Weapons

In an important development, on July 14, the Energy Subcommittee of the House Appropriations Committee cut more than \$50 billion from the Administration's requested \$68 billion appropriation for research on a new generation of nuclear weapons. The subcommittee chairman, Ohio Republican David Hobson, said, "Before we go blindly into new areas, we have to think about where we are, and what we are doing with what we've got. I did what I thought was the responsible thing to do, and my committee concurred."

EIW and Democratic Presidential pre-candidate Lyndon LaRouche exposed the program as a pet project of the neo-conservative utopians in the Administration who see these weapons as a "first strike" capability, in line with the Cheney-Wolfowitz Defense Strategy document of September 2002, which set the U.S. on a course of a succession of preventive wars, beginning with Iraq.

Administration supporters of the new-weapons research were caught by surprise, and will try to reverse the committee's action on the House floor next week.

The money had been authorized by the House and Senate earlier this year, after both chambers voted to ease a decade-old ban on research into low-yield nuclear weapons.

In the Senate, California Democrat Dianne Feinstein and others seized on the House action, and urged the Senate to follow suit.

Senate Moves To Kill DOD Surveillance Plan

Republican and Democratic leaders of the Senate Appropriations Committee are reportedly acting together to prohibit all spending for a proposed vast Department of Defense computerized scheme for surveillance of the U.S. population. The Pentagon's notorious Terrorism Information Awareness program (formerly "Total Information Awareness") would not be allowed even a research phase, under amendments now going through the committee.

The project, housed in the Pentagon, and run by convicted Iran-Contra perjurer former Adm. John Poindexter, was to have included the tracking of all credit card transactions in the U.S., in order to "prevent terrorism."

CIA Makes Preemptive Attack on Chickenhawk Bolton's Lies About Syria

On Monday, July 14, neo-conservative warmonger Assistant Secretary of State John Bolton was supposed to testify on WMD in Syria—but the CIA prepared a 35-40-page report before his testimony, discrediting everything he was planning to say. Instead, Bolton's testimony is now postponed till September, reported a Knight-Ridder story in the *Miami Herald* of July 15.

Bolton is already under suspicion for reporting a completely lying report in May 2002, claiming that Cuba has extensive chemical and bio weapons. Recently, a State Department intelligence expert, Christian Westerman, told a closed-door Senate Intelligence Committee meeting that Bolton's exaggerations were not supported "by intelligence data."

Greenspan Refuses To Recognize Manufacturing's Importance To U.S. Economy

The lunatic Federal Reserve chairman, on July 15 in testimony to the House Financial Services Committee, refused to heed the call for the Bush Administration to "seize the responsibility to recognize manufacturing's importance to the economy," given the previous day by the president of the Association of Manufacturing Technology. Alan Greenspan babbled that an economy is measured on the basis of money, rather than on physical production—the basis of the American System of political economy. Moreover, he claimed, manufactured goods could be gotten from foreign nations.

Congressman Paul Kanjorski (D-Mass) noted that the manufacturing sector has suffered two-thirds of the U.S. job losses during the past three years. He asked if it were unimportant for the U.S. to have manufacturing jobs to have a successful economy. And he asked, what would be the minimum number of manufacturing jobs without destroying the economy's ability to create wealth?

Greenspan replied: "Whether value is created by taking raw materials and fabricating them into something consumers want, or value is created by various different services which consumers want, presumably should not make any significant difference so far as standards of living are concerned, because the income ... is there. If there is no concern about access to foreign producers of manufactured goods, then I think you can argue it does not really matter whether or not you produce them, or not."

Later, Rep. Donald Manzullo (R-Ill) cited the warning by the National Association of Manufacturers, on June 10, that the manufacturing collapse is reaching a point of no return, which would virtually assure a decline in U.S. living standards. Greenspan responded, "I think it is incorrect," because jobs would be created in the services sector.

Greenspan Is Grilled by U.S. Senate

Excerpts from Federal Reserve chairman Alan Greenspan's semi-annual monetary report to the Senate Banking Committee, reflect the importance of Lyndon LaRouche's impact in exposing Greenspan's "bubble economics," and LaRouche's plan for implementing a bankruptcy reorganization and infrastructure-vectored economic recovery, under the name of the New Bretton Woods. Greenspan's credibility is shot, as indicated in the grilling he got from the Senate:

* Sen. Paul Sarbanes (D-Md): "Unlike Chairman Greenspan's statement that he finds the [employment] situation mixed, I find it very negative." "[H]ave we all fallen into the trap of believing that there's a mythical recovery which is just around the corner? I mean, in all three of these years now [2001-03], the Fed has really been off the mark on its projections, overly optimistic consistently." It appears "we have a more serious economic situation on our hands than is being generally acknowledged or admitted to."

* Sen. Christopher Dodd (D-Conn): "[T]his is such a growing concern to me about what's happening here when you look at the job loss, the businesses that are going out of business ... Someone's got to respond to this. We need some ideas on how to respond to this.... [I]s it a matter of concern to you?"

* Sen. Jon Corzine (D-NJ): "But I don't understand what is different in the policy mix we have today," versus that of 2001 and 2002, "that gives us so great a confidence that this is all going to work as well as everybody projects it is."

* Sen. Tim Johnson (D-SD): "[O]ne begins to suspect that reports of an imminent recovery are assuming a bit more juice than we really have."

Ibero-American News Digest

Chile's Lagos Pushes IMF-Style Plan vs. Mercosur

Chilean President Ricardo Lagos is trying to sabotage Mercosur as a customs union, proposing instead a more "realistic" form in the IMF style. In a July 13 article published in *Folha de Sao Paulo*, which was subsequently published in Argentina's *La Nacion*, Lagos states that, while the idea of a customs union is very important, it must necessarily be a very long-term goal. In the meantime, he said, it is important to send a "realistic" message to the world about Mercosur, the Common Market of the South, and to see what can be done "right now" to "make ourselves attractive in the world dialogue."

Lagos goes on to praise effusively the IMF-directed policy which the government of President Lula da Silva has so far imposed in Brazil. Lula's policy, which has "reestablished the confidence of the international markets, and the markets in his own country, has been highly beneficial, not only for Brazilians, but for the whole region," Lagos states. Not only did it bring down Brazil's "country risk" rate, but also the "regional risk rate," Lagos claims.

Lagos calls for "coordination of macroeconomic policy," for Mercosur, by which he means a kind of Maastricht for the region, where member government agree on austerity targets for inflation, fiscal deficit, monetary policy, etc. Above all, he warns, "we cannot confuse our long-term goals with the building of that which is within our reach today.... [O]ur challenge is to be credible."

Brazilian Public Workers' Strike Expands; Lula's Ratings Drop

Government concessions of minimal revisions to some aspects of the IMF-dictated pension reform have failed to convince striking civil servants in Brazil to call off their protest. In fact, customs workers, who have been striking only three days a week, are now saying they may walk off their jobs altogether, should the final version of the pension bill sent to Congress not contain the changes they want. Meanwhile, magistrates in four of Brazil's 27 states say they're willing to join the strike, and are awaiting a decision by the Brazilian Magistrates Association on the matter, to be determined at a meeting next week.

In order to force compliance from legislators belonging to the ruling Workers' Party (PT), the party executive voted 52 to 26 on July 12 to compel PT legislators in the Senate and the House to approve the pension and tax reform, or be expelled from the party. "Fundamental points" already in the text of the reform cannot be removed, the committee stated, adding, revealingly, that party statutes, which allow members to vote against legislation on moral or philosophical grounds, "do not apply" in this case.

Lula's popularity is suffering as a result. In the most recent poll by the CNT/Sensus agency, 10.3% of those interviewed

gave Lula a negative rating, of which 5% said the government was a disaster, and 5% said Lula personally was doing a terrible job. The 51.6% approval rating in last May's poll has now dropped to 46.3%. Reflecting a sense of betrayal, Francisco Fausto, the man Lula named to head up the Superior Labor Tribunal, told *Tribuna da Imprensa* that Lula's pension reform, "as everyone knows, ... was imposed by the IMF and World Bank ... and by those international organizations which have for so long controlled Brazil's economy." The IMF and private pension funds will be the only beneficiaries of this policy, Fausto charged, adding that had Lula dared to go public with such a policy during his electoral campaign, he would never have voted for him.

Brazil Seeks Italian Financing To Build Railroads

Brazilian officials are seeking Italian financing to build railroads. The president of Brazil's North-South Railroad, Jose Francisco das Neves, has already travelled to Italy to discuss this, and a delegation of Italian officials has travelled to Brazil for the same purpose. Italy's Transport Minister Pietro Lunardi was scheduled to travel to Brazil as well, but had to postpone his trip, due to political tensions that erupted between Italy and Germany a few weeks ago. He is expected to reschedule it.

Superintendent of Railroads Jose Americo Azevedo says the Italians are interested in the project for a passenger train between Goiania and Brasilia, as well as a possible high-speed train between Sao Paulo and Rio de Janeiro. The North-South railroad project was begun in 1987, but then stalled during subsequent governments. When completed, it will cover 2,100 kilometers, from Maranhao and Para to Goiania, if connected to the Central-Atlantic Railroad grid. Government officials say they must seek additional financing, as there aren't sufficient funds in the national budget to build these projects.

Ecuador's President Cracks Down on Labor, per IMF Demand

Ecuadoran President Lucio Gutiérrez has just decreed legislation that will enable his government to slash the size of the country's public sector, as part of his pact with the IMF to win \$205 million in fresh "aid" disbursements. The legislation mandates a complete hiring freeze, and stipulates that the number of government workers cannot exceed the size of the November 2002 state payroll.

While there are no numbers yet on how many jobs will be eliminated, Ecuador's public sector is expected to "cut its own fat," preparatory to eventual privatization of many of the services. This is the same process which, under the name of "restructuring," "reform," and "fighting corruption," is being carried out in Colombia, Brazil, Mexico, and elsewhere across the continent.

Industrial Layoffs, Collapsing Wages Slamming Mexican Economy

The latest manifestation of Mexico's unemployment crisis has surfaced in Puebla, where the near-bankruptcy of Volkswagen has triggered fears that more than 5,000 workers could end up jobless—2,220 immediately. The union is negotiating with the company to avoid the layoffs, by offering everything from four-day work-weeks and 20% wage reductions, to using pension fund resources, called AFORES, to help cushion the blow to the workforce. The head of the Businessmen's Coordinating Council (CCE), Luis Regordosa Valenciana, said the union's petition to use AFORES funds to balance workers' incomes at the Puebla VW plant was "not viable," and urged instead that the company take charge of the funds and speculate with them on the stock market!

Meanwhile, official reports reveal that contracted salaries in Mexico have gone down by 2% between January and May of this year, largely in the industrial sector (cement, petrochemicals, textiles, and rubber, in particular). According to a July 15 *Washington Post* article, workers in Mexico are earning far less than they did a decade ago, before the 1994-95 financial

crisis.

Central Americans in U.S. Send Billions of Dollars Home

Regional officials cited by *EFE* July 14 reported that more than 4 million natives of El Salvador, Nicaragua, Guatemala, Costa Rica, and Honduras, who are living in the United States, are sending home more than \$4 billion in remittances to their families this year. In Honduras alone, this more than doubles the total earnings from banana and coffee exports, the country's two leading export products. Salvadorans will be sending home more than \$1 billion this year, equivalent to nearly 65% of the country's exports, 13.5% of the country's GNP, and covering more than 80% of the country's trade deficit. As much as \$2 billion will be flowing into Guatemala this year from the 1.2 million Guatemalans who live in the United States.

Offensive by Transparency International Against Argentina's Security Forces Is Accelerating

An offensive by Transparency International against the security forces of Argentina is accelerating, led in the province of Buenos Aires by Security Minister Juan Pablo Cafiero, a Jacobin-leftist closely tied into the Sao Paulo Forum's most radical elements. Cafiero, together with Justice Minister Gustavo Beliz, a member of the rightwing Catholic Opus Dei, and asset of the anti-nation-state Transparency apparatus, is carrying out further "reform" of the police, historically linked to the Peronist political machine in the province, alleging that its "corruption" is the reason why crime has increased so dramatically. He makes no mention of the unemployment, poverty, and depression caused by the austerity dictates of the International Monetary Fund.

After the head of the Buenos Aires provincial police force, Gen. Alberto Sobrado, was fired because he failed to disclose a \$333,000 overseas bank account, Cafiero delivered an ultimatum to 1,000 police officials, to reveal all their financial holdings or be purged. Many police themselves are criminals, Cafiero alleges, vowing to wipe out "white collar" and "political" crimes.

Cafiero's crusade matches that led by a nest of Transparency-linked human rights activists, lodged within various government ministries, who are directing the campaign to overturn the decree prohibiting automatic extraditions of military officers accused of human rights violations. A key development in this fight is President Nestor Kirchner's nomination of jurist Eugenio Zaffaroni to the Supreme Court. Also closely linked to Transparency International, Zaffaroni favors extraditing military officers abroad, and eliminating existing laws which pardoned military officers accused of human rights violations. His nomination has provoked enormous unrest among the Armed Forces, exacerbated by what many see as Kirchner's "confrontational" approach to the military.

Brazil Central Bank: Austerity Will Continue

Brazil Central Bank president Henrique Meirelles declared that any significant drop in 26% interest rates is not likely, when the bank's Monetary Policy Committee meets July 23. This insistence on suicidal policy is beginning to provoke responses from Brazil's business and industrial sectors, which won't survive under current conditions. Despite a deflationary trend in prices, Meirelles insists that "current monetary policy" will continue to keep inflation in check.

Brazilian industry produces largely for the internal market, where demand is now extremely depressed, making it difficult for companies to sell their large inventories, while exacerbating Brazil's inability to absorb imports from neighboring Mercosur countries. According to a study released July 11 by the SOBEET think-tank, for the first six months of this year, investment in industry and the service sector declined by 51% and 44%, respectively, compared to the same period last year. Economist Paulo Nogueira Batista of the Getulio Vargas Foundation warned that government policy "doesn't lead to growth but to recession. It has already produced one in the industrial sector, and can lead to a broader one affecting other

sectors of the economy."

There is now a heated debate occurring within President Lula's cabinet over the direction of economic policy, in the face of mounting evidence of deepening depression. During a five-hour cabinet meeting July 17, the president of the National Economic and Social Development Bank (BNDES), Carlos Lessa, presented a detailed study for an aggressive infrastructure plan over the next four years, which *Folha de Sao Paulo* described as "an adaptation of Franklin Roosevelt's 'New Deal' for Brazil." How Lula will respond to this proposal, and whether he will authorize a shift in economic policy, remains to be seen.

Western European News Digest

Witness Who Testified About Tony Blair's Iraq Dossier Found Dead

On Friday, July 18, a key figure in the ongoing investigation of forged documents and false intelligence used by the U.S. and British governments leading up to the war with Iraq was found dead, after being reported missing by his family. The victim, Dr. David Kelly, a former member of the United Nations' UNSCOM weapons inspection team in Iraq, was one of the world's leading experts on weapons of mass destruction. Dr. Kelly was suspected to have been the senior British Defense Ministry source for the *BBC's* story that the February 2003 dossier released by the Prime Minister's office on Iraq weapons of mass destruction had been "sexed-up."

Kelly had been reported missing by his family the night of July 17, because he had not shown up for hours, after having left his home for a walk on Thursday afternoon. His cause of death has not been determined, and police say they are treating it as an "unexplained death" until the coroner's report is filed.

Earlier this week, Kelly had denied before a parliamentary foreign affairs committee, that he was the source for the *BBC* story. Kelly was the Ministry of Defense's scientific advisor to the proliferation and arms control secretariat, prior to which he had been a weapons inspector in Iraq. Kelly was a very senior arms control expert, and often represented the British government at Pugwash conferences. A spokesman for Prime Minister Tony Blair (who was en route to Japan) said an official inquest would be made into the death, and that a judge was expected to be named within 24 hours, but there is already a firestorm raging against Tony Blair, who was in the United States for a high-profile visit when Kelley disappeared.

On July 18, Iain Duncan Smith, the head of the British Conservative Party, called for Blair to return immediately to Britain, and cancel the remainder of his international tour.

"There are very many questions that will need to be asked over the coming days, and I think if I were the Prime Minister, I would want to be back here to deal with these." Duncan Smith added, "I don't want to rule out the recall of Parliament. There are still undecided issues about the circumstances of this tragic death and until we are certain of those I would wish to reserve my position."

On hearing of the death of David Kelly, Lyndon LaRouche said that "the sudden death of this key person will suggest to onlookers that those covering up for Cheney and Blair are becoming increasingly desperate."

LaRouche told associates that he wanted it to be known that he said that he does not believe in "accidents" in these kinds of circumstances. Usually there would be a desire to avoid a backfire effect as a result of such a death. This would usually function as a deterrent to "wetwork" activity. Therefore, when someone goes ahead and does it under these circumstances, it is an indication that the perpetrators are dead serious.

There is a natural reluctance on the part of intelligence services to engage in such activity. They usually try to avoid such actions, because they could trigger war between intelligence agencies. Therefore, the question is, who let it happen?

French President Calls for Easing Maastricht Rules

In a television interview on Bastille Day, July 14, French President Jacques Chirac said that whereas the Maastricht Stability Pact as such should stay in place, "what seems important is that the countries of the euro-zone be encouraged to jointly review the conditions for a temporary easing of the rules. The finance ministers shall find a regulation that complies with the requirements of the Stability Pact, but at the same time avoids strangling growth."

The 12 euro-zone finance ministers—those countries which can use the single currency, by complying with the Maastricht budget regulations—were scheduled to convene July 14, to prepare for the July 15 session of all 15 European Union finance ministers. Further discussions about the European Commission's Van Miert Plan and the Tremonti proposals for greater funding of public infrastructure projects are on the agenda.

German Chancellor: Chirac's Remarks on Maastricht 'Important'

At a press conference in Berlin July 16, Chancellor Gerhard Schroeder said that Jacques Chirac's call for a softening of Maastricht Stability Pact rules, was "great and really very important. He made clear that the pact is called the Pact for Stability and Growth for a good reason. But everyone ever only talks about the stability aspect." "But in reality, it is called the Pact for Stability and Growth. And because of that, it is possible and also necessary, and here I agree with Chirac, to stimulate growth," Schroeder said. Similar remarks were made by France's Finance Minister Francis Mer in Paris, when he said that his message to the other EU finance ministers at their July 15 session was that growth had priority. He said that everything would be done by his government to observe the stability aspect, but in a difficult economic situation like the present one, a balanced budget would hardly be possible to achieve.

***Le Monde* on the Conundrum That Is Europe's Stability Pact**

Le Monde's Economic Supplement, published July 8, says that "there is at least one economic theme upon which everybody is in agreement today: the budget stability pact as it had been adopted originally is no longer fit" for the current situation. Author Delhommais cites several political leaders to this effect, among them Italian European Affairs Minister Rocco Buttiglione, who on June 27 called for a "reasonable and transparent reform" of the Pact which could "reinforce it and make it more flexible."

"Many things which seemed sure at that time are no longer sure," Delhommais told the *Berliner Zeitung*. He cited German Chancellor Schroeder and French Finance Minister Francis Mer, who have made statements to the effect: We will do our best to respect the pact, but....

Indicative of the ambiguities, Delhommais says, is the fact that there is no longer a fixed date on which everybody has to come to equilibrium. "Whether it be in 2006, 2007 or 2008, everybody recognizes today that there is no point in fixing a date just for the pleasure of it," Francis Mer said recently.

Delhommais also points to a strong faction in favor of toughening up Stability Pact criteria, mainly among ECB people like Ernst Welteke. The majority, however, oppose the pact. Delhommais concludes that the latest fad among European leaders is to "find the smart ways to extract themselves from the 3% maximum deficit rule" without necessarily burying the pact. Delhommais says the Italians want to have their growth plan financed by the EIB outside of budget deficit constraints; the

Germans believe that their tax cuts should also be "off deficit"; and the French think that military spending should be pulled out as well.

EIB To Provide 100 Billion Euros for Infrastructure

At the Brussels meeting of EU Finance and Economics Ministers July 15, European Investment Bank (EIB) president Philip Maystadt presented a memorandum, outlining preliminary proposals of how the EIB could help to finance investments into Trans-European networks (TENs) and technology programs. The memorandum states that such investments, which are key for "boosting European long-term growth in general," require a "sustained, appropriately resourced and comprehensive approach." Obviously, the EIB, due to its long-standing role as the major financier of TENs, will have to play a crucial role in planning and financing these investments. Since 1993, the EIB emphasizes, it has provided 73 billion euros of loans for TEN projects. In addition, it has approved 18 billion euros in loans for public-private partnerships related to infrastructure construction. Furthermore, the EIB has provided 15 billion euros for R&D projects in the recent three years, and on that basis just launched its "Innovation 2010 Initiative."

However, in view of the requirements identified by the Van Miert report—235 billion euros for the priority TEN transport projects and 600 billion euros for the overall TEN projects—much more is obviously needed. In a first response, the EIB therefore says that—in line with the decisions at the EU Thessaloniki summit—it is willing to provide a TEN Investment Facility (TIF) of up to 50 billion euros for public- and private-sector borrowers.

See this week's [InDepth](#) for a full report.

France's 'Circle of Economists' Releases Pro-Growth Plan

Leading French economists presented some ideas at their last conference in Aix en Provence, under the heading, "Europe, a new economy." In a publication *Cahier N°3*, this group, which includes Patrick Arthus (Deposit and Consignment Office), Pierre Jacquet of the French Institute for International affairs, and Jean Pisani-Ferry of the National Economic Council, which advises France's Prime Minister, proposes to reorient European investment toward an industrial, high-tech, and high R&D content.

In their view, to be competitive Europe must develop: 1) industry and "protected sectors," which create enough jobs; and 2) have strong investments into productivity, through which strong growth can be generated in industry, sparking rapid rise of demand. Furthermore, investments in R&D cannot be sacrificed, quite to the contrary, and innovation must be supported.

German Foreign Minister's Charm Offensive in the USA

German Foreign Minister Joschka Fischer's four-day visit to the United States began July 14 with meetings with unnamed "influential" business representatives in New York.

His trip to Washington, D.C. began July 15, where Fischer met the majority leaders of the House of Representatives and the U.S. Senate. On July 16 he met Secretary of State Colin Powell and National Security Adviser Condoleezza Rice, followed by a meeting on July 17 with Vice President Richard Cheney.

Fischer also participated in three television talk shows: the *Charlie Rose Show*; CNN's *Judy Woodruff and Inside Politics* July 16; and *Meet the Press*.

German Cross-Party Consensus: No Troops to Iraq

Although German Chancellor Gerhard Schroeder had already rejected sending troops to Iraq at the London "Modern Governance" meeting of (nominally) leftist leaders, he reiterated that position before his flight back to Germany, in discussions with German journalists, July 14.

Chancellor Schroeder said that three conditions had to be met, before he would consider the troop issue seriously: 1) a central role of the UN in the reconstruction of Iraq; 2) a legitimate Iraqi government, elected by the people of Iraq; 3) UN support and recognition of such a government.

A similar list of conditions had been presented also by leading speakers of the Christian Democratic opposition in Germany: notably, Friedbert Pflueger, formerly a pro-Bushite, said that a UN role in, and mandate for Iraq, would be the necessary precondition of any German engagement.

Government officials meanwhile leaked to the media, that instead of a military engagement in Iraq, Germany prefers deployment of the emergency relief agency THW (Technisches Hilfswerk) to Iraq, to help in the restoration of water and energy supply.

Polish Officials Embarrassed by Scandal Over Phony Intelligence on Iraq WMD

In an exclusive interview with *BBC* July 16, Polish State President Alexander Kwasniewski said he and many others who supported the war in Iraq were embarrassed by the latest revelations on the flawed nature of the Iraq WMD dossier: "It is a frustrating surprise that the secret agencies passed on false information. In Poland, we used that information because, after all, it came from sources of the British foreign intelligence."

As far as ongoing developments in Iraq were concerned, Kwasniewski criticized the Anglo-Americans indirectly, saying that "the Polish public needs positive news from Iraq," news of a kind that "the Polish soldiers will return in a foreseeable future."

Latest opinion polls showed that 90% of Poles are not in favor of seeing their troops in Iraq. It is also reported that among the Polish military, criticism has been voiced of the usefulness of the Polish presence in Iraq.

Gordon Brown Feeds Off Blair's Personal WMD Disaster

Political allies of Britain's Chancellor of the Exchequer, Gordon Brown—from inside Tony Blair's own Labour Party—have unleashed a brutal campaign against the Prime Minister over his handling of the Iraq war. On July 18, *Independent* political editor Andrew Grice wrote, "supporters of the Chancellor, Gordon Brown, have launched an extraordinary attack on Tony Blair, portraying him as a 'psychopath' and 'psychotic.' Blair loyalists are furious."

Grice wrote that a headline in the latest edition of *New Statesman* reads, "What Is the Point of Tony Blair?" Another article states that "the question of Tony Blair's sanity can no longer be avoided."

The latter *New Statesman* piece quotes Sidney Crown, a former consultant psychotherapist at the Royal London Hospital, claiming that Tony Blair "does not exist," but is just an actor. He says that Blair is attracted to his media czar Alastair Campbell, because the latter represents "Blair's dark side.... The psychopathic personality is very quick to pick things up and shift and move about."

Crown further claims that Blair did not really *lie* about Iraqi weapons of mass destruction, but was rather "highly selective" about the intelligence, picking material that appealed to him: "With all forms of psychotics, if you ask people about the consequences of what they've done, they can't tell you, because they've no ability to see the future."

Grice also cites parts of the *New Statesman* coverage, openly promoting Gordon Brown, as next British Prime Minister, to replace Blair.

Allies of Blair are trying to salvage his future. Home Secretary David Blunket declared July 18, in an interview with *Channel 4 News*, "The people who we have to worry about most, are those that you would describe as being loyal, who stab us in the back. We know who our opponents are in front of us, we know they're tribal. We know that they have very powerful voices through the media."

Russia and Central Asia News Digest

Ambassador Vershbow Provokes Diplomatic Scandal With Russia

In an interview with *Interfax* on July 12, U.S. Ambassador to Russia Alexander Vershbow provocatively asserted that Washington does not consider the Russian embassy in Iraq a "diplomatic mission" and "cannot accept responsibility for the security of its staff." The Russian Foreign Ministry responded with a sharply worded communiqué, noting that "since the present occupation of Iraq has no bearing on the existence of Iraq as a state, Iraq's diplomatic relationship with Russia continues." In particular, "Russian diplomats in Iraq retain their diplomatic status."

Furthermore, the Russian Foreign Ministry statement continues, "UN Security Council Resolution 1483 demands, that although an internationally recognized government of Iraq has yet to be formed, the 'occupying powers' are not absolved of 'their concrete responsibilities and conditions ... in correspondence with the norms of international law.' " The U.S. government is therefore obliged to honor "Russia's repeated requests" for the U.S. to "ensure the normal and secure functioning of the Russian embassy in Baghdad—especially since our countries had agreed at the highest level [presumably a reference to consultations between Putin and Bush] to cooperate closely on the post-conflict situation in Iraq."

Commenting on the background of this affair, *Izvestia* let loose the following bombshell story, referring to an unnamed source in the Russian Foreign Ministry: "When American forces seized Baghdad, a flood of [Iraqi] 'rioters' quickly looted representative buildings of the two states that had most actively opposed the U.S. military operation—the embassy of Germany and the French cultural center. According to *Izvestia's* information, the next in line was to be the Russian embassy. During two days, Moscow and Washington engaged in tense negotiations, both on the official and on the intelligence service level. During that period, the Russian Special Forces units, charged with protecting the embassy, had received the order to shoot to kill, in case aggressive crowds were to approach near to the building.

"It did not become necessary to fire. Moscow and Washington reached an agreement. The 'rioters' limited their pogroms to the French and Germans, and stayed away from the Russian embassy. It appeared that the problem had been solved, and there would be no further questions concerning the security of our embassy. But then, suddenly, the unexpected declaration by the U.S. Ambassador, and the sharp response from the Russian Foreign Ministry. A diplomatic scandal."

Interestingly, *Izvestia* accompanied this story with an article broadly covering former Ambassador Joseph Wilson and the Niger "yellow cake" story in the U.S., and entitled "Falsified information against Saddam may trigger 'Uran-gate.'" *Izvestia* notes that the "admission" by CIA director Tenet, has only compounded the growing mass of contradictions among various official statements from inside the U.S. government. "The Iraq war may backfire severely onto the Bush Administration," *Izvestia* concluded, drawing the comparison to the Watergate affair.

Russia Wants UN Security Council To Meet On Iraq

At a press conference after talks with Syrian President Assad in Damascus July 17, Russian Foreign Minister Igor Ivanov reiterated Moscow's position that the situation in Iraq requires convening a UN Security Council session, which would hear a report from the UN Secretary General's representative, S. Vieira de Mello. Representatives of the new Provisional Governing Council in Iraq could be invited, while the purpose of the meeting would be for "the international community to determine further steps towards an Iraq settlement, above all in the interests of the Iraqi people."

Ivanov is touring the region as part of the Road Map Middle East peace process. He came to Syria from Jordan. On July 14, the Russian Foreign Minister was in Ramallah to visit Yasser Arafat, whom he called "the legitimate leader of Palestine." He met with Palestinian Premier Mahmoud Abbas/Abu Mazen, who asked Russian help in getting the siege of Arafat's residence lifted. Ivanov said that Russia and the EU share Abbas' view that this is necessary, in order for the Road Map to proceed.

Under Fire in Russia, Khodorkovsky Consorts With U.S. Influentials

Even as police raided offices of Yukos Oil on July 11, in the fourth of five investigations of the company now under way, Yukos CEO Mikhail Khodorkovsky travelled to the United States to attend the glitzy Wall Streeter Herb Allen's annual meeting in Sun Valley, Idaho. A U.S.-based intelligence source with business dealings in Russia reported to *EIR* that the trip, which lasted till July 16, would include an unpublicized meeting with Dick Cheney. Khodorkovsky has been in touch with Cheney and related U.S. oil circles, in connection with the Russia-USA Commercial Energy Dialogue.

The discussion of Khodorkovsky came up in the context of questions about U.S. policy, around the behavior of U.S. Ambassador to Moscow Alexander Vershbow, who provocatively demanded—around July 10—that the Russian government explain its investigation of Yukos.

Yukos oil is the second largest oil company in Russia (slated to become the largest, if its merger with Sibneft goes through), which is under investigation by the Russian government. The July 11 raids on its offices by armed Russian police followed the arrest, one week earlier, of Yukos partner Platon Lebedev, in a Prosecutor General's investigation of the allegedly illegal acquisition of a mineral company in 1994. Yukos chief Khodorkovsky has been questioned in that case and on tax matters; so have the corporate leaders of Yukos' prospective merger partner, Sibneft.

EIR is working on independently confirming the reported meeting with Cheney, because such a meeting intersects a number of important crimes in which the Cheney/Halliburton nexus is involved:

* Halliburton's Brown and Root is moving the looting of Iraqi oil to a new phase as of a meeting in Iraq, which discussed driving the Iraqi oil production up to 3 million barrels a day.

* Cheney has close ties to another Russian oligarchy group—Tyumen oil—which was also reportedly tied to organized-crime financier Marc Rich. When Cheney was CEO of Halliburton, he secured Eximbank credits for Tyumen oil, which was subsequently bought out by British Petroleum.

Vremya MN of July 12, according to *RFE/RL Newslines*, reported leaks from President Putin's meeting with Russian political and institutional leaders the previous day, to the effect that Putin had communicated to Khodorovsky through Volsky, "not to use the Sun Valley conference as a platform for airing his grievances against the Kremlin."

Upon his return to Moscow, Khodorkovsky made a statement at the airport. He tried to threaten that "there will be a significant outflow of capital," due to these attacks. Khodorkovsky said he "felt this in my meetings with powerful business people in the United States."

Russian Foreign Minister Meets Palestinian Leadership, Arafat and Abu Mazen/Mahmoud Abbas

The Palestinian and Russian views on the Israeli-Palestinian peace process are identical, said a press statement from the Palestinian National Authority on July 14, following the meetings that visiting Russian Foreign Minister Igor Ivanov had with Palestinian President Yasser Arafat and with Prime Minister Abu Mazen/Mahmoud Abbas. Both leaders held separate press conferences with Ivanov.

After his meeting with Ivanov, Prime Minister Abu Mazen emphasized that "Arafat is, and will remain the legitimate President of the Palestinian people," in his press conference with Ivanov. This statement came as Israeli Prime Minister Ariel Sharon was in London demanding that the British government and the Europeans cut off connections and meetings with Arafat, which the British government has rejected. Other Israeli officials were anonymously saying that they would "deport or arrest" Arafat if he "sabotages" the government of Abu Mazen. But these efforts to splinter the Palestinian leadership are being denounced as such by Palestinian journalists and others.

The meeting came following a tense week, in which Abu Mazen cancelled a scheduled a meeting with Sharon, amid protests from the Palestinian leadership bodies over the lack of Israeli motion on meeting the obligations spelled out in Phase I of the Road Map.

With Ivanov beside him, Abu Mazen told reporters that he had reviewed with the Russian Foreign Minister all of the points that the Palestinians are demanding from the Israelis, including "the necessity of releasing brother Abu Ammar (President Arafat) and to allow him to travel and depart wherever and whenever he wants." The other points were the Palestinian detainees release, the illegal settlements being shut down, "the (Apartheid) separation wall," and the Israeli roadblocks.

The same day, Arafat addressed the overall implementation of the Road Map with international support in his press conference with Ivanov. Arafat called for the Quartet (the U.S., UN, EU, and Russia) to have "direct supervision" of the implementation of the Road Map, but emphasized "we hope that the Quartet will quickly send international monitors and will at the same time start *strict* implementation of the Road Map on the ground."

Next U.S.-Russia Energy Meeting in September

Ambassador Alexander Vershbow—whose undiplomatic statements that Russian authorities should back off from the Yukos investigation have raised hackles in Moscow—said at an energy conference in Sakhalin July 17, that the green light is on for the next Russia-USA Commercial Energy Summit (of which Vice President Cheney and Khodorkovsky are prominent movers). That meeting is supposed to take place in St. Petersburg in September, focussing on the private pipeline project of Lukoil, Yukos, TNK (BP), and Sibneft, to export West Siberian crude to the United States via Murmansk.

Mideast News Digest

Halliburton Implicated in Illegal Looting of Iraq's Oil

The U.S. occupation of Iraq has—of necessity—escalated its timetable for looting the Iraqi oil to finance the disastrous empire scheme. Not surprisingly, Dick Cheney's Halliburton is in the middle of it, reports the London *Observer* in a July 14

article called "Pipe Dreams of Iraqi Oil."

The *Observer* reports that for the first time since the beginning of the Iraq war, freshly pumped oil from Iraq has been sold and was shipped out Sunday, July 13—to British Petroleum, which got 2 million barrels, at a price that is "\$5 less than standard price for a U.S. barrel." One week later, Texaco/Chevron will get 2 million barrels, and after that Shell will get 2 million barrels. About three-quarters of this oil is coming to the U.S., says the *Observer*. All the other shipments reported previously were from stockpiles.

Proceeds are going to the U.S. Coalition-controlled Development Fund for Iraq, which was authorized by a UN Security Council resolution on reconstruction. However, *EIW* and *EIR* exposed this weeks ago as a welfare fund for Vice President Cheney's Halliburton, and former Secretary of State George Shultz's Bechtel, which have the contracts to "reconstruct" Iraq, but the U.S. has no money to cover the costs.

There is a wrinkle in the looting scheme, which the financier-drive empire faction solved through a scheme to float bonds against Iraq's *future* oil production—in effect creating a massive debt for the people of Iraq.

The pumping capacity is just "a trickle" of only 323,000 barrels, reported the *Observer*. That is nowhere close to the cost of the U.S. occupation, and reconstruction of Iraq. So, the Cheney Gang has put things on a fast track: Last week, Halliburton's subsidiary Brown and Root and the Army Corps of Engineers, held a four-day conference in Baghdad with Iraqi oil officials to discuss pushing production up to 3 million barrels per day.

Experts cited in the article, such as the Centre for Global Energy Studies, and *EIR* sources familiar with the Iraq oil industry, say that reaching such a capacity of production will take three years. But the U.S. economy cannot handle that.

So, the *Observer* reports, there will a Central Bank set up very soon by Viceroy Paul Bremer, and then "Iraq will have its own Alan Greenspan." That is a step to making the money appear in a more rapid way—speculation.

Occupiers Plan Scheme To Sell Future Oil Receipts, With U.S. Government Backing

"Voices within the U.S. Administration have come up with a novel solution," reports the *Observer* July 13, concerning the dilemma that enough oil cannot be pumped out of Iraq to pay for occupation.

The article says, "The U.S. Export-Import Bank, a government trade promotion agency, has launched a campaign for securitization of future Iraqi oil receipts to pay for the reconstruction work of foreign contractors."

"The controversial scheme," which NGOs and some international law firms say is illegal, under the existing UN resolution on Iraq reconstruction, will essentially sell a proportion of Iraq's oil receipts from the future! Cash now, oil later, putting Iraq deeper into debt.

The *Observer* names Halliburton and Bechtel as part of the trade lobby that is pushing the scheme which solves several problems: It "simultaneously will solve Iraq's funding gap, take the funding pressure off an overstretched U.S. budget, and provide the security of payment that can attract the finest U.S. contractors to work in the unstable country."

Israeli Ambassador Hints of War Against Iran

Israeli Ambassador to the U.S. Daniel Ayalon has called Iran the "center of world terrorism," which "cannot have nuclear

weapons." An interview aired this weekend on the U.S. TV show, "The McLaughlin Hour," is a key part of the Israeli/U.S. neo-con escalation against Iran. Talking about the recent Iranian test of a Shahab missile, Ayalon said that this means that there is a *direct threat* to Israel, and that Israeli intelligence now knows it is "only a year" before Iran will have nuclear weapons—not five years, as some had said. Ayalon said that the effort to "disarm" Iran "should exhaust all possibilities diplomatically, and hopefully this will suffice. *But if not, of course we will have to revisit the issue and look for other ways.*"

That is understood to be a reference to the preemptive strike on the Iraqi Osirak nuclear reactor that the Israelis carried out in 1981. Ayalon added, "It's a very, very dangerous development.... We have a country here, Iran ... which is really the center of worldwide terrorism, incitement and hateful rhetoric, and also is relentless in its attempts to acquire weapons of mass destruction, mainly nuclear.... They are working also.... Shahab-4 and Shahab-5, later generations, which will ultimately reach—will cover all of Europe and will reach also the United States."

This kind of hysterical rhetoric is identical to the Iraq war buildup—even as the Cheney/Iraq scandal is unfolding, and the Iraq occupation is in a hot phase of warfare.

In other aspects of the buildup for war against Iran, Sen. Sam Brownback (R-Kans) succeeded in getting his bill, the "Iran Liberation Act," voted as an amendment to the State Department Appropriations bill. This is a political timebomb, which if passed, would be the basis for the same routine as the Iraq war. Brownback—who got his name because he fell into the latrine so often—announced his bill at a Washington demonstration that included members of the terrorist group Mujahedin e-Khalq, which he supports. The *New York Times* reported that the situation in Iran is heating up, saying that the largest student reform group, which previously supported President Khatami, sent a letter to UN Secretary General Kofi Annan that said the reform faction associated with Khatami is not able to provide "democracy, human rights, or freedom."

Ayalon's interview is part of a campaign by members of Ariel Sharon's government to *stop* President Bush's Road Map for peace between Israel and Palestine, and a Palestinian state. In New York, the *Forward* newspaper of July 11 reported that Sharon's Cabinet Minister Effi Eytam, of the National Religious Party—which advocates "transfer" of all Palestinians out of Israel and the occupied territories—blasted the Road Map as "worse than Oslo." Eytam was speaking to the most powerful Jewish lobby organization in the U.S., the Conference of Presidents of Major Jewish Organizations, and said that neo-conservative kingpin, Richard Perle, a key adviser to the Pentagon, supports Eytam's stand, and had encouraged Eytam to build opposition to the Road Map.

Of course, Perle vehemently denied Eytam's statement, but *EIW's* extensive past profile of Perle's ongoing relationship to the fanatical rightwing in Israel, indicates that such back-channel sabotage of U.S. policy is highly believable.

Abizaid Says: It's Guerrilla Warfare

In yet another example of the uniformed military contradicting the pronouncements of Secretary of Defense Donald Rumsfeld, Gen. John Abizaid, the new chief of U.S. Central Command, described what is happening in Iraq, during a July 16 briefing at the Pentagon, as "a classical guerrilla-type campaign" against the U.S. occupation forces there. He said he believed it was being organized, in a cellular structure, by mid-level Ba'athist intelligence service people, Special Security Service and Special Republican Guard people. "It's low-intensity conflict, in our doctrinal terms, but it's war however you describe it."

When a reporter noted to him the "hesitance" within the Pentagon (a veiled reference to Rumsfeld, among others) to refer to it as a guerrilla war, Abizaid described the cellular organization in greater detail, and said "I think describing it as guerrilla tactics being employed against us is, you know, a proper thing to describe in strictly military terms." At that point, Lawrence Di Rita, the acting Pentagon spokesman, jumped in to essentially say that how the warfare is being described is

irrelevant, and what's important is that these people are fighting to bring back the regime of Saddam Hussein. "It's always better to keep in mind what they're after," he said.

Who Will Recognize the Iraqi 'Governing Council'?

Will you recognize the Iraq Governing Council? is the question being posed by UN Secretary General Kofi Annan's envoy Sergio Veiera de Mello, during a trip through the region. On July 12, de Mello met Saudi Crown Prince Abdullah, and on July 16, met Syrian President Bashar al-Assad. In remarks to the press, he said that the newly formed "Iraqi Governing Council" wanted "recognition and support" from Syria. "I am conveying a request from the Governing Council that neighbors such as Syria should support them, should strengthen them, should recognize them, should even visit them," he said.

In Iran, de Mello met Foreign Minister Kharrazi and President Khatami. Foreign Ministry spokesman Asefi said July 15, "The formation of the Council which represents all Iraqi nationals should be a step to enabling the people to run their own affairs, ending the occupation as soon as possible, drawing up a Constitution, and forming legal institutions."

Khatami was explicit in defining conditions for any support: "The formation of the Governing Council in Iraq, if it leads to the establishment of a popular government, is a step towards guaranteeing people's demands, but this Council must not justify the occupation to continue." Pointing to the growing security crisis in Iraq, Khatami said he hoped peace would return with a national government. He also called for foreign troops to pull out, as being in their best interests and those of Iraq. Khatami was very critical of the U.S. war: "The UN has been established in order to prevent wars and violence and establish peace in the world and (thus) it must be entrusted with a pivotal and guiding role in every issue," he said. He attacked the "improper performance" of U.S. forces, saying "American operations in Iraq served as a blow to the prestige of the United Nations and weakened this organization on the international scene."

The Iraqi Council intends to send a delegation to the UN in New York, made up of INC head Chalabi, Akila Hashami of the Foreign Ministry, and Adnan Pachachi of the Iraqi Independent Democrats (and a former diplomat).

IRA 'Terrorist' Is, in Fact, an Irish Journalist

On July 14, the Israeli authorities arrested one John Morgan of Northern Ireland, who, they claimed, was a member of the Real IRA. The media claimed he was in the West Bank to train Palestinians in bomb making. It now turns out that this John Morgan is a journalist, teacher, and peace activist. The "Real IRA" is often called the "Royal IRA" because of its links to, and penetration by British intelligence agencies, but in this case, there is not even a connection.

The arrest was timed precisely with Israeli Prime Minister Ariel Sharon's visit to London to meet Tony Blair, where Sharon demanded that London cut off all contact with Palestinian President Yasser Arafat. Some Israelis believed that hyping an IRA/Palestinian terrorist connection would help Sharon's cause.

The arrest backfired. The British government, in any case, has consistently refused to "sideline" Arafat.

Although a Real IRA man by the name John Morgan does exist, the British authorities, who passed this information on to the Israelis, have no information on his whereabouts for the last three years. The man arrested is Sean Muireagain (he uses the Gaelic version of his name), who is a journalist, writing for a Gaelic-language daily in Northern Ireland. He has written articles on Jenin and the Israeli occupation. He is also a teacher and member of the Irish-Palestine Solidarity Committee in Belfast. He was in the West Bank to arrange the establishment of a link between his school in Belfast and a school in Jenin.

On July 17, the Israeli paper *Ha'aretz* reported that the Israelis finally freed Muireagain. Despite the fact that he had done nothing illegal, he was immediately deported to Northern Ireland, because he was in an Irish-Palestinian solidarity organization. Despite the fact that Muireagain was clearly not a Real Irish Republican Army terrorist, a fact proven by information from British authorities, and the fact that he passed a lie detector test, Sharon's office has continued to release statements referring to him as an IRA member. Sharon's office even claimed that he stayed at the same hotel as the two recent suicide bombers (who had British passports).

Asia News Digest

Rumsfeld Orders New Battle Plan Targetting North Korea

Defense Secretary Donald Rumsfeld has ordered the drafting of a new plan against North Korea, identified as "Plan 5030," which opponents within the Bush Administration warn could provoke war, according to the lead story in *U.S. News and World Report* July 21. Unnamed Administration insiders opposed to the plan warn that it blurs the lines between war and peace, by giving regional commanders authority to conduct maneuvers—*before a war has started*—to drain North Korea's resources, overstretch its military, and supposedly sow enough confusion that North Korean generals might turn against the country's leader, Kim Jong-il.

A senior U.S. official and opponent of Rumsfeld's plan told the magazine: "Some of the things Adm. Thomas Fargo is being asked to do are, shall we say, provocative." Unnamed sources said this amounts to a strategy to topple Kim Jong-il by destabilizing his armed forces. Those pushing the plan are "many of the same Administration hard-liners who advocated regime change in Iraq." Only recently have details of the plan been shared with White House, State Department, and other agencies. The plan is *not* yet approved, the article reports.

Scenarios in the draft include flying RC-135 surveillance flights closer to Pyongyang, forcing North Korea to scramble jets and burn precious fuel supplies. Another would be surprise, week-long military exercises, forcing the North to move to bunkers and deplete food and other supplies, and, finally, possible tactical operations to disseminate disinformation and disrupt finances. Andrew Krepinivich of the Center for Strategic and Budgetary Assessments asks an obvious question: Does the plan make war more likely? An unnamed Japanese official responded, "Once we push them too hard against the wall, we do not know what kind of reaction Kim Jong-Il will have."

Perry: U.S. Drifting Into War With North Korea

Clinton's former Secretary of Defense and Special Presidential Envoy to North Korea Bill Perry, gave a two-hour interview to the *Washington Post* July 15, in which he warned: "I think we are losing control" of the situation. "The nuclear program underway in North Korea poses an imminent danger of nuclear weapons being detonated in American cities," he said. Perry said he reached his conclusions after extensive conversations with senior Bush Administration officials, South Korean President Roh Moo Hyun, and senior officials in China.

"It was manageable six months ago, if we did the right things. But we haven't done the right things," he said. He added, "I have held off public criticism to this point, because I had hoped that the Administration was going to act on this problem, and that public criticism might be counterproductive. But time is running out, and each month the problem gets more dangerous."

The immediate cause of concern, Perry said, is that North Korea appears to have begun reprocessing the spent fuel rods. "I have thought for some months that if the North Koreans moved toward [re]processing, then we are on a path toward war."

After conversations with several senior Administration officials from different areas of the government, Perry is persuaded that the Korea policy is in disarray. "I'm damned if I can figure out what the policy is," said Perry. Diplomacy is failing, he said, because the President simply won't enter into genuine talks with Pyongyang, having taken a loathing to Kim Jong-il, Perry says. The notion of trying to "interdict" or embargo North Korean exports of missiles and nuclear weapons, "would be provocative, but it would not be effective," because "you don't need a ship to transport a core of plutonium that is smaller than a basketball." Perry sees the only alternative to war as what he calls "coercive diplomacy," which he explained as, "You have to offer something, but you have to have an iron fist behind your offer."

Neo-cons To Change Subject From Iraq to North Korea?

Speaking to *EIR* on July 16 about the exposure of Vice President Dick Cheney's lies regarding Iraq, a South Korean diplomat said: "Since their Iraq adventure has gone bad, Mr. Rumsfeld, Mr. Cheney, Wolfowitz, and their group have again become suddenly aggressive against North Korea.... No one in the Bush Administration is interested in negotiation, and everyone has stepped up demands for unilateral DPRK disarmament—which they know will be rejected," the Seoul source said. "The U.S. forces in Korea announced a new multibillion-dollar military restructuring and major new exercises this week. There is giant U.S. diplomatic pressure on Japan, Australia, and other countries to enforce what amounts to a blockade against North Korea, including sanctions, and to interdict DPRK ships on the high seas, which Pyongyang has already called an act of war...."

"The Pentagon has released a new war plan against North Korea calling for a new level of harassment, deliberate provocations, and misinformation. Their aim is to bring down the regime," he said, referring to Rumsfeld's Operations Plan 5030. "The neo-cons insist on just forcing regime change, with no intention to negotiate. I don't know if [former Defense] Secretary [William] Perry is correct that it is coming from Bush personally, but it is certainly coming at least from the neo-cons...."

"Not only is this illegal," he continued, "just as the invasion of Iraq, under international and probably U.S. law," he said, "but it is also a deliberate violation of the Korean War armistice, the only document now preventing conflict in Korea, since we never concluded the Korean War. It appears designed to provoke Pyongyang into a reaction which could be portrayed as aggressive—so as to justify a U.S. preemptive military strike."

Prelude to Korean Negotiations?

Despite the warnings by former Defense Secretary William Perry, the New York Council on Foreign Relations, and some South Koreans, as reported above, other Koreans are hoping that Washington and Pyongyang are in "one last chicken game," as the *Korea Times* put it July 17, as a negotiating prelude to finally reaching some kind of agreement. "Something seems to be going on between North Korea and the U.S.," Prof. Koh Yu-hwan of Dongguk University told the *KT*, which may have provided a chance for both sides to exchange terms prior to agreeing on a new round of talks.

China, for example, announced July 15 that senior envoy Deputy Foreign Minister Dai Bingguo had returned to Beijing July 15 after four days of talks in Pyongyang and "highly successful meetings" with North Korean leader Kim Jong-il July 14. Dai told Kim that the nations involved would jointly guarantee the North's security, Japan's Tokyo Shimbun reported. If this is true, then China may have won some sort of major new concession from the U.S., to match the pledges already made by Russia and China, to guarantee the North's security. North Korea in return said it will now accept U.S. demands for multilateral talks, an equally important concession, if Washington agrees also to a bilateral meeting on the sidelines, and follows through on the security guarantee, Japan's *Kyodo News* reported from Beijing.

Powell Says Korean Diplomacy Is 'Alive and Well'

China has told the United States that North Korea appears willing to accept multilateral talks on ending its nuclear weapons programs in a key concession, senior U.S. State Department officials told *Agence France Presse* July 17. Secretary of State Colin Powell had been given the news by Chinese Foreign Minister Li Zhaoxing, who called to brief Powell July 15 on the visit to Pyongyang by Chinese Vice Foreign Minister Dai Bingguo.

Vice Minister Dai was to travel to Washington July 18 to press for a resumption of multilateral Korean peace talks, the officials said. "The Chinese have reported to us on their visit and it appears that signs are positive for some renewal of multilateral talks," one official said. Powell told reporters July 16 that he had had a "very long conversation" with his Chinese counterpart. "The diplomatic track is alive and well and I expect to see some developments along that track in the very near future," he said. "The United States is still hopeful of a diplomatic solution."

"We're certainly pleased with the strong role the Chinese have been playing," State Department spokesman Richard Boucher told reporters.

U.S. Congress Passes Sanctions Against Myanmar

The U.S. House of Representatives passed a bill July 17 which had passed in the Senate last month, sponsored by Sen. Mitch McConnell (R-Ky) and Rep. Tom Lantos (D-Calif), to ban imports from Myanmar, freeze Myanmar assets in the U.S., ban the country's leaders from visiting the U.S., and calling on President Bush to offer aid to opposition groups. The bill was rushed through after Secretary of State Colin Powell threw the Administration's weight behind McConnell's bill last month, following a bloody confrontation between the followers of opposition leader Aung San Suu Kyi and pro-government groups, which resulted in house arrest for Suu Kyi.

Also, UN Secretary Kofi Annan, meeting with the Myanmar Deputy Foreign Minister U Khin Maung Win on July 17, sent a letter to junta leader Gen. Than Shwe, calling for Suu Kyi's release and a reopening of dialogue.

Thailand's Prime Minister Thaksin Shinawatra, however, told the press that there will be negative ramifications for the region from the U.S. sanctions, as more Burmese will be left unemployed and join the illegal immigration to Thailand to seek work, often in drugs and prostitution.

Myanmar sent a petition signed by 350,000 textile workers pleading for the U.S. not to impose the sanctions. Eighty percent of Myanmar's textile exports go to the United States.

Malaysia Sees Ukraine as Gateway to Eastern Europe

Malaysian Prime Minister Dr. Mahathir bin Mohamad made a four-day state visit to Ukraine, the first visit by a Malaysian Prime Minister, where he was greeted by President Leonid Kuchma July 14. Kuchma told Mahathir, "I am deeply honored by this visit. We have been watching Malaysia very closely, especially its success in overcoming the Asian financial crisis."

Travelling with Dr. Mahathir are his wife, and Malaysia's Defense, Foreign Affairs, Primary Industries, and Education Ministers. No specific agreements have been signed, but both countries see great potential in Ukraine's defense and aviation industries, which could complement Malaysia's high-tech and information technology, and also raw materials.

Mahathir later visited the Antonov aircraft plant near Kiev. The Ukrainian President expressed interest in establishing ties with the ASEAN member states. Currently, the balance of trade between the two is in Ukraine's favor.

Manila Announces a Ceasefire With the MILF

Manila announced a ceasefire with the Moro Islamic Liberation Front, and said it will drop arrest warrants against the leaders of the MILF, so that top leaders may participate in peace talks, to commence in Malaysia at the end of July. This was a demand of the MILF to participate in the talks.

Philippines President Gloria Macapagal Arroyo stated that safe conduct passes will be issued to MILF leaders and participants, as part of facilitating the talks. Foreign Secretary Blas Ople said that the Philippines expects the United States, through the Washington-based think-tank the Institute for Peace, to support Malaysia in facilitating talks. Manila has been told the U.S. Congress would allocate \$30 million for financial and diplomatic support for the peace process.

Indian-China Trade Soon To Reach \$10 Billion

India's Commerce and Industry Minister Arun Jaitley and his Chinese counterpart agreed, during the recent visit of Prime Minister Atal Bihari Vajpayee to China, that the level of trade between the two countries could reach \$10 billion within two to three years, according to an official release by the Commerce and Industry Ministry July 16. Already, from April 2002 to February 2003, trade was worth \$4.2 billion, up from \$2.6 billion in the corresponding period in 2001-02. India's exports to China during the last 11 months, were up 100% over a year ago.

Africa News Digest

Rebels Take Port Area in New Assault on Liberian Capital

A new rebel assault on Monrovia, the Liberian capital, on July 19 "shattered hopes that a speedy deployment of international peacekeepers could avert fresh bloodshed in a country where hundreds of thousands have died in two savage civil wars," *Associated Press* reported.

Heavy explosions and machine-gun fire shook Monrovia July 19 "as rebels punched into the city, sending tens of thousands of panicked residents and weary fighters streaming downtown. Many more civilians surged toward the fighting, waving leafy branches and demanding an end to more than a decade of turmoil," the July 19 *AP* wire said, adding that "fierce fighting broke out on the two bridges leading into downtown Monrovia and port area."

News wires July 20 said that the rebels have taken the port area and the northern part of the city.

President Charles Taylor told *AP*, "I will stand and fight to the last man," and will "fight street to street, house to house."

"There was frantic looting in the city center as long unpaid pro-government fighters helped themselves," *AP* reported.

Ex-Diplomat Tells Bush: Use Powell's Approach in Liberia

CFR Senior Fellow Princeton Lyman called for a "Colin Powell" approach in Liberia, and rejected "doing it on the cheap" (as Rumsfeld has proposed), in a *Washington Post* op-ed July 19. President Bush has promised some form of help for Liberia, but was still undecided as to what form it will take.

Lyman, a former U.S. Ambassador to Nigeria and South Africa, writes, "Peacekeeping should be guided by the same principle that Colin Powell, as chairman of the Joint Chiefs of Staff, brought to fighting wars: If we are to do it, we should

mobilize a sufficiently strong force to get the job done. This lesson has had to be learned over and over again at great human cost." He cites the Rwanda 1994 genocide; the initial UN force in Sierra Leone, kept small at U.S. insistence, to reduce costs; and the current situation in Congo.

But, "Now there is talk of doing it on the cheap." He argues that Liberians have mixed feelings about West African troops as peacekeepers, given previous experience; that Liberians need to have confidence that the force will be politically neutral (sic); and that "only by being strongly represented on the ground, in the streets and at the points of potential trouble can the U.S. exercise real control over the peacekeeping force to maintain standards of respect for the population ... and [standards of] effective confrontation, when necessary.... There is no better way to train African peacekeeping forces than to have them part and parcel of a U.S.-led and U.S.-controlled operation."

The U.S. should plan for an initial force of 1,500 to 2,000 U.S. troops, supported by 2,000 to 3,000 West African troops, "to stabilize the situation around Monrovia, where a third or more of the Liberian population has gathered." He continues, "This ... must include a plan of action for dealing with child soldiers, drugged and separated from their families, who make up much of both Charles Taylor's and the rebels' forces. An amnesty should be declared for all those under 18, and reception centers immediately established. And there must be rules of engagement for how to deal with child soldiers who threaten force."

"Taylor has to be persuaded to leave," he says. "Rebel forces must stand down, and the neighboring states that support them should help persuade them." The UN should be asked to provide political and material support for the political negotiations conducted by ECOWAS, the group of West African governments. "This effort should lead to a transitional government, perhaps under UN oversight, that could ... establish a political process free of warlords."

The UN, Lyman says, should establish a much larger force than the U.S.-led one, "comparable to the 17,000-member force needed in Sierra Leone, which would move through the rest of the country."

South African President Mbeki indicated, during President Bush's visit to South Africa earlier this month, that he favored U.S. participation in a peacekeeping force for Liberia, but not U.S. leadership of it.

West African States Sending Troops to Liberia

The Economic Community of West African States (ECOWAS) planned to have at least 1,500 troops from Nigeria, Ghana, Mali, and perhaps Senegal, in Monrovia by about July 20, to enforce the ceasefire, but their arrival has been postponed until the end of July. More ECOWAS troops will follow, and troops may also come from South Africa and Morocco. The decision was made in Maputo, Mozambique, in a meeting between UN Secretary General Kofi Annan and West African leaders July 9.

Reports of the Maputo decision did not indicate that the ECOWAS troops were conditional on a U.S. troop commitment, but according to *Reuters* July 19, "ECOWAS insists on American participation, not least to provide logistics support."

Annan, who favors U.S. leadership of the peacekeeping force, has just appointed a senior U.S. diplomat, Maj. Gen. Jacques Klein (ret.), as his Special Representative for Liberia. Klein has served as Assistant Deputy Undersecretary of the Air Force for International Affairs and held posts in the State Department.

President Bush is still awaiting recommendations from his advisers, based on reports from two U.S. military teams sent to assess what role the U.S. should play. One went to Liberia; the other toured ECOWAS capitals.

U.S. Creates Obstacles to Cheap Anti-Retrovirals

The U.S. Commerce Department and the Trade Representative's Office are making it unnecessarily hard for developing countries to access generic anti-AIDS drugs. That was the *Wall Street Journal's* message to the Bush Administration in an article by Michael Schroeder July 9, while Bush was in Africa. The Commerce Department is helping shape patent laws in developing countries that go beyond global standards in protecting the drug makers.

In 2000, the U.S. Agency for International Development started funding a \$1.2-million technical assistance program administered by the Commerce Department, and in Nigeria, for example, the project included helping rewrite patent laws.

Olayide Akanni, a representative of the Treatment Action Group, makes the following points against the resulting Nigerian draft law, as summarized by the *Journal*: It "mandates a complex Nigerian court process to license cheaper generic drug copies to treat serious diseases, instead of the simpler government administrative procedure allowed by global rules. It adds a four-year waiting period for issuing drug licenses, when WTO rules in general have no waiting period. The bill would block ... [non-governmental] organizations from applying for licenses."

In December 2002, urged by the drug companies, the U.S. alone, among 144 World Trade Organization (WTO) members, blocked a proposal for distributing patented medicines to less-developed nations.

Harvard Africa Expert: Bush Trip to Africa a Failure

Robert Rotberg, an Africa specialist from the Cold War years, called President Bush's trip to Africa a failure in a *Boston Globe* op-ed July 15, "Bush's lost chances to help Africa."

Rotberg writes, "His swift leapfrog from capital to capital was heavy on photo opportunities and platitudes but light on accomplishments and policy articulations. The President meant well, but Africa needs promises of concrete action; none were enunciated. Many and momentous were the missed opportunities, particularly so for someone expressing a newfound compassion for Africa.

"Bush's biggest bungle was over Zimbabwe, giving dictator Robert Mugabe an unnecessary propaganda victory.... Unlike Iraq and Afghanistan, Bush cannot intervene in Zimbabwe.... But he missed the chance to express a loathing of Mugabe's evil regime on African soil.... Bush either bought into or simply let Mbeki declare optimistically that South Africa's ongoing quiet diplomacy was about to reconcile Mugabe and Morgan Tsvangirai. Surely Mugabe's brutalities merit attention equal to those accorded the axis of evil?...

"Bush had a perfect opportunity ... to commit at least a few thousand U.S. troops to African peacemaking duty. Instead of declaring the United States squarely in favor of peace enforcement and promising to put money and personnel behind the task, Bush on Friday [July 11] even praised President Yoweri Museveni of Uganda, one of the backers of rebel turmoil in Congo, as a man of peace."

Rotberg is currently director of Harvard's John F. Kennedy School's Program on Intrastate Conflict.

Mbeki, Zimbabwe Government Press: 'Secret Deal' a Fabrication

South African President Thabo Mbeki and the government-run *Herald* in Zimbabwe have denied a claim that Presidents Bush and Mbeki reached a secret deal to have Mugabe out of power by the end of 2003. The story appeared July 11 in the Zimbabwe *Independent*, an opposition newspaper, and the British *Independent* July 15. The Zimbabwe newspaper cited

diplomatic sources; the British version cited no sources and made no reference to the earlier story.

Mbeki, speaking to reporters July 18, said, "There is no such thing. I don't know where that comes from. There was no discussion at all about anybody stepping down."

China To Provide Economic-Technical Help to Zimbabwe

Zimbabwe and China signed an economic and cooperation agreement worth US \$4.5 million, according to the *Herald* and *People's Daily* July 15. Chinese Assistant Foreign Minister Lu Guozeng signed the agreement in Harare after a long meeting with Mugabe, during a three-day visit.

China will fund economic and technical development programs in Zimbabwe. Lu said that new Chinese President Hu Jianto wishes to continue strengthening friendship between the two countries. Zimbabwe imports such goods as machinery, textiles, grain, and light industry goods from China. China is the major importer of Zimbabwean tobacco.

Sudan Gets Egypt's Help Over 'Destructive' Peace Proposal

Egypt has responded to the Sudanese government's request for Arab mediation for the U.S.-backed plan for settling the country's conflict. The Khartoum government continues to reject the peace plan put forward by the Inter-Governmental Authority on Development (IGAD), an East African grouping.

Egyptian Foreign Minister Ahmed Maher met with U.S. envoy to Sudan John Danforth in Cairo July 16, and stressed the need to redress the flaws in the most recent draft agreement put forth by IGAD, to which Sudanese President Omar al-Beshir responded July 14 by saying: "let IGAD and those behind it go to hell." Bashir called the IGAD proposals a "document of war, destruction and division." The Khartoum government has rejected its plan to give a virtual monopoly of power in the South to the SPLA rebels, disregarding other southern political forces; set up a council of ministers in the South; carve out an area of Khartoum and designate it the joint capital; and suspend Islamic law in Khartoum during the transition.

Maher noted in his talks with Danforth: "The Sudanese government voiced objection to the proposal, as it exposes Sudan's unity to danger and paves the way for the secession of [the South from] Sudan." It is essential, he said, that "any initiative concerning the solution favor a united Sudan in which people can access land and wealth fairly." Following talks with Maher, Danforth will go to Khartoum with a message from President Bush to President Bashir. Negotiations are to resume July 23.

But Danforth, in a Nairobi press conference July 19, claimed there was no serious bone of contention, and warned the parties that the U.S. and the Europeans would pull out if agreement were not reached in weeks.

Oil Majors Watching Sao Tome Closely in Wake of Coup

A spokesman for Exxon Mobil told the *New York Times* July 20 that the company was "closely following the situation like everybody else," after the army of Sao Tome and Principe overthrew the government in the early hours of July 16. "Everybody else" includes ChevronTexaco, Royal Dutch/Shell and TotalFinaElf. The press characterizes the coup as arising merely from tensions over how the country of 170,000 souls will use the income from the oil bonanza that is about to begin—in the form of \$108 million next year from selling nine offshore exploration permits—twice the national budget. Oil deposits are believed to be as much as 6 billion barrels of crude.

Overthrown President Fradique de Menezes had chosen the U.S. as the country's protector, Prime Minister Maria das Neves is an IMF true believer, and U.S. military plans in the Gulf of Guinea include possibly building a naval base in the country.

The first broadcasts of the coup leaders, led by Maj. Fernando ("Cobo") Pereira, chief of the military academy, do not, however, make U.S. ties the issue, but say the coup was "the reflection ... of the difficult economic and social conditions the country is going through." This may refer to the IMF-oriented policies of das Neves, who said last year that her policies would inflict pain on the people. Sao Tome is one of the world's poorest countries.

Pereira has reportedly said his forces do not plan to alter existing agreements with oil companies.

The World Bank has cut off all aid. After four hours of talks July 20 with envoys from eight countries—led by Gabon and including the U.S. and Nigeria—coup leaders departed saying negotiations had not even begun.

Plan for Railroad from Port Sudan Across Ethiopia to Kenya

Experts from Ethiopia, Sudan, and Turkey are planning a railroad from Port Sudan on the Red Sea, right across Ethiopia, to the Kenyan border at Moyale. Government experts from the three countries met in Addis Ababa July 2 to consider joint financing for the 1600-mile railway. A final decision to build has not yet been reached. The project is based on a study by a Chinese company. Trains on such a railway would climb from sea level to the Ethiopian plateau, 1.1 miles high, and down again. The outcome of the July 2 meeting is not known, but the experts also considered other trilateral projects in agriculture, energy, water, transport, and communications.

Ethiopia is landlocked, and in the present food crisis, when forced to choose between using the ports of a hostile Eritrea or a route much inferior logistically, it has chosen the latter. The railway solves the problem.

This Week in History

July 21-27, 1944

July 22, 1944 marked the conclusion of the Bretton Woods Conference, the singular event which established the postwar monetary system, and launched approximately 20 years of growth and prosperity internationally. A look at the principles established there, from the standpoint of the statesman who shaped them—President Franklin Delano Roosevelt—is vital to be understood today, as the world faces the need to establish a new monetary system, aimed at promoting economic growth and development, and a rescue from a New Dark Age.

Recall the stark similarities between the period of 1945 and today: While, today, the world is not emerging from a world war, nonetheless, devastation, breakdown, and enforced underdevelopment exist everywhere, just as they did 50 years ago. The old system is beyond repair, and a new financial system is required, in order to permit the long-term investment and growth so desperately needed. Today, as then, the new system must be constructed to foster peace and cooperation, in lieu of war.

There were two great objectives Roosevelt was trying to accomplish with the Bretton Woods System: 1) to free more than half the world's population from the British, French, Dutch, Belgian, and Portuguese Empires, and 2) to unleash global economic reconstruction and development, that is, to reconstruct" shattered Europe's and Japan's economies and to develop" the former colonial sector, eliminating enforced underdevelopment (this is where the World Bank's name came

from). Roosevelt proceeded from the American System of economics, of anti-usury,

The means for accomplishing this which FDR proposed, were several. First, to make the environment conducive to economic growth, he insisted upon currency stability—i.e., exchange rates fixed by governments. Second, he called for two institutions to be established, which would facilitate relations between states toward the above objectives: first, the International Monetary Fund, and second, the International Bank for Reconstruction and Development, today known as the World Bank.

Debating these objectives were 44 nations, including China, 19 nations of South and Central America, a Committee of Liberation for France, the Soviet Union, Great Britain, the United States, and more than a dozen other nations of Asia, Africa, and Eastern Europe. From the conclusion of the meeting, the proposal went back for ratification by the several states, which process was not completed until 1946.

To be sure, the death of President Roosevelt, which occurred a few weeks after he introduced the legislation authorizing U.S. participation into the U.S Congress, had a huge impact on the outcome of the new system. But the fact that Bretton Woods functioned as well as it did, in accomplishing the rebuilding of Europe and Japan, and palpable improvements in living standards in South America, was largely due to the impetus which Roosevelt gave it. Excerpts from Roosevelt's message to Congress on Feb. 12, 1945 follow.

"In my Budget Message of January 9, I called attention to the need for immediate action on the Bretton Woods proposals for an International Monetary Fund and an International Bank for Reconstruction and Development. It is my purpose in this message to indicate the importance of these international organizations in our plans for a peaceful and prosperous world.

"As we dedicate our total efforts to the task of winning this war, we must never lose sight of the fact that victory is not only an end in itself, but, in a large sense, victory offers us the means of achieving the goal of lasting peace and a better way of life. Victory does not insure the achievement of these larger goals; it merely offers us the opportunity—the chance—to seek their attainment. Whether we will have the courage and vision to avail ourselves of this tremendous opportunity—purchased at so great a cost—is yet to be determined. On our shoulders rests the heavy responsibility for our making this momentous decision. I have said before, and I repeat again: This generation has a rendezvous with destiny.

"If we are to measure up to the task of peace with the same stature as we have measured up to the task of war, we must see that the institutions of peace rest firmly on the solid foundations of international political and economic cooperation. The cornerstone for international political cooperation is the Dumbarton Oaks proposal for a permanent United Nations. International political relations will be friendly and constructive, however, only if solutions are found to the difficult economic problems we face today. The cornerstone for international economic cooperation is the Bretton Woods proposal for an International Monetary Fund and an International Bank for Reconstruction and Development.

"These proposals for an International Fund and International Bank are concrete evidence that the economic objectives of the United States agree with those of the United Nations. They illustrate our unity of purpose and interest in the economic field. What we need and what they need correspond—expanded production, employment, exchange, and consumption—in other words, more goods produced, more jobs, more trade, and a higher standard of living for us all. To the people of the United States this means real peacetime employment for those who will be returning from the war, and for those at home whose wartime work has ended. It also means orders and profits to our industries, and fair prices to our farmers. We shall need prosperous markets in the world to insure our prosperity, and we shall need the goods the world can sell us. For all these purposes, as well as for a peace that will endure, we need the partnership of the United Nations.

"The first problem in time which we must cope with is that of saving life, and getting resources and people back into production. In many of the liberated countries, economic life has all but stopped. Transportation systems are in ruins, and

therefore coal and raw materials cannot be brought to factories. Many factories are shattered, power plants smashed, transportation systems broken, bridges blown up or bombed, ports clogged with sunken wrecks, and great rich areas of farmland inundated by the sea. People are tired and sick and hungry. But they are eager to go to work again, and to create again with their own hands and under their own leaders the necessary physical basis of their lives....

"The main job of restoration is not one of relief. It is one of reconstruction which must largely be done by local people and their governments. They will provide the labor, the local money, and most of the materials. The same is true for all the many plans for the improvement of transportation, agriculture, industry, and housing, that are essential to the development of the economically backward areas of the world. But some of the things required for all these projects, both of reconstruction and development, will have to come from overseas. It is at this point that our highly developed economy can play a role important to the rest of the world, and very profitable to the United States. Inquiries for numerous materials, and for all kinds of equipment and machinery in connection with such projects, are already being directed to our industries, and many more will come. This business will be welcome just as soon as the more urgent production for the war itself ends.

"The main problem will be for these countries to obtain the means of payment. In the long run, we can be paid for what we sell abroad chiefly in goods and services. But at the moment, many of the countries who want to be our customers are prostrate. Other countries have devoted their economies so completely to the war, that they have not the resources for reconstruction and development. Unless a means of financing is found, such countries will be unable to restore their economies....

"The United States should act promptly upon the plan for the International Bank, which will make or guarantee sound loans for the foreign-currency requirements of important reconstruction and development projects in member countries. One of its most important functions, will be to facilitate and make secure wide private participation in such loans. The Articles of Agreement constituting the charter of the Bank have been worked out with great care by an international conference of experts, and give adequate protection to all interests. I recommend to the Congress that we accept the plan, subscribe the capital allotted to us, and participate wholeheartedly in the Bank's work.

"This measure, with others I shall later suggest, should go far to take care of our part of the lending requirements of the postwar years. They should help the countries concerned to get production started, to get over the first crisis of disorganization and fear, to begin the work of reconstruction and development; and they should help our farmers and our industries to get over the problem of reconversion, by making a large volume of export business possible in the postwar years. As confidence returns, private investors will participate more and more in foreign lending and investment, without any government assistance. But to get over the first crisis, in the situation that confronts us, loans and guarantees by agencies of government will be essential.

"We all know, however, that a prosperous world economy must be built on more than foreign investment. Exchange rates must be stabilized, and the channels of trade opened up throughout the world....

"A good start has been made. The United Nations Monetary Conference at Bretton Woods has taken a long step forward on a matter of great practical importance to us all. The conference submitted a plan to create an International Monetary Fund which will put an end to monetary chaos. The Fund is a financial institution to preserve stability and order in the exchange rates between different moneys. It does not create a single money for the world, neither we nor anyone else is ready to do that. There will still be a different money in each country, but with the Fund in operation, the value of each currency in international trade will remain comparatively stable....

"The International Fund and Bank together represent one of the most sound and useful proposal for international collaboration now before us. On the other hand, I do not want to leave with you the impression that these proposals for the Fund and Bank are perfect in every detail. It may well be that the experience of future years will show us how they can be

improved. I do wish to make it clear, however, that these Articles of Agreement are the product of the best minds that forty-four nations could muster.... It would be a tragedy if differences of opinion on minor details should lead us to sacrifice the basic agreement achieved on the major problems....

"In this message I have recommended for your consideration the immediate adoption of the Bretton Woods Agreements, and suggested other measures which will have to be dealt with in the near future. They are all parts of a consistent whole. That whole is our hope for a secure and fruitful world, a world in which plain people in all countries can work at tasks which they do well, exchange in peace the products of their labor, and work out their several destinies in security and peace; ...

"The point in history at which we stand is full of promise and of danger.... We have a chance, we citizens of the United States, to use our influence in favor of a more united and cooperating world. Whether we do so will determine as far as it is in our power, the kind of lives our grandchildren will live in." - * * * -

The fact that the promise of FDR's words was subverted beginning in the mid-1960s, should not obscure the fact that those principles which worked, must be put in place today.

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