

Online Almanac

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[return to home page](#)

This Week You Need To Know

The Lights Dim; The Curtain Begins To Rise

Less than three months ago, the talk was of a major Republican electoral victory, led by a highly popular Republican President. Now, all that is evaporating.

One credible report has it that Bush's political technician Karl Rove recently hit the panic button, after reviewing disastrous poll numbers, which showed a rapid collapse in support for the Iraq war, and a growing sense that Bush was fixated on Iraq—to the point of ignoring other crises, including, first and foremost, the economic collapse.

Rove said Bush must get Iraq behind him fast, to refocus on other problems, or he will lose the 2004 elections. The self-deluded President hopes to do this through a quick war in the near-term, followed by an easy victory. Notwithstanding this, the war can still be successfully stalled by the new Eurasian combination of France, Germany, China, and Russia, along with the institutions of the American Presidency, military and civilian, which have been instrumental in delaying it over the past months.

But the only way the drift towards war can actually be stopped, is through a reversal of economic and financial policy.

The economic reality of which Karl Rove got a glimpse, through the prism of electoral calculations, was summed up as follows by *EIR* founder Lyndon LaRouche, in the course of an address at Jaipur University in India, on Jan 21.

"First of all, the United States is bankrupt. Every major bank in the United States is bankrupt. Virtually every major bank in Europe is bankrupt. This means the Federal Reserve system is bankrupt. This means that the European banking system, monetary systems, are bankrupt. The Bank of England is bankrupt. Most of the banks of the world, outside of China, are in bankruptcy, or close to it. Whole countries are disappearing. Peru is crushed. Colombia is crushed. Mexico is being crushed. A great genocide dominates all of sub-Saharan Africa. You know some of the conditions in Asia, because you suffer from them here. The world is being crushed.

"In the United States itself, 46 states of the 50 Federal states are bankrupt, and there is no hope of balancing their budget. Whether by tax increases, or tax decreases. Makes no difference. Budget increases, or decreases. It makes no difference. The United States is bankrupt. Forty-six states of the 50 are officially bankrupt. Now, we've had enough discussions with a few governors and their circles, to know some of the details of this thing. It's bankrupt!

"Typical of that, at the end of this month: If the Congress does not pass and save the Amtrak system, the United States will no longer have a rail system. There will no longer be a national rail system; we're practically there already. We have United Airlines in bankruptcy, and American Airlines going into bankruptcy. If they're put into bankruptcy, they're being plunged into cuts or competition with other airlines that are not yet bankrupt. If this process continues, the entire U.S. airline system will go bankrupt, and they'll be largely disintegrated.

"Our power generation and production systems are disintegrating. We have a water crisis beyond belief. The Southwest of the United States is in a tremendous water crisis. There's no way of managing it. The ground is sinking in the large aquifers, from being overdrawn, as in California—sucking the aquifers is what California has done to the other states.

"We have a crisis in the health-care system. We're killing people, to try to balance budgets. And the killing is being done by domestic interests which are looting the health-care system, to help guarantee profits. The lower 80% of the population of the United States, and similar family-income brackets, have been collapsing at an accelerating rate, since 1977. We have a social catastrophe. We have an economic catastrophe."

There is no solution short of the reforms which LaRouche has advocated with increasing specificity over the past more than 30 years. The legal, regulatory, and treaty frameworks developed since 1964 must be repealed in favor of a regulated, protectionist, and perfectly sovereign system like the 1945-64 Bretton Woods system. The Federal Reserve, the other central banks, and major financial institutions must be declared bankrupt, and placed in bankruptcy reorganization. Rather than depending on private credit, large-scale government credits must be issued, directed towards building or rebuilding required infrastructure, thus rebuilding employment and the tax base of governments. Globalization must be scrapped. Led by the U.S., nations must come together to put in place a corresponding protectionist international order of sovereign states, with relatively fixed currency-exchange rates, and a gold-reserve system. The Eurasian Land-Bridge will function as a great infrastructure-motor for the world economy.

It won't happen, you say? If you are right, then congratulations—you have just written your own obituary! But, let me ask you: Did you foresee the crisis of the Presidency with which we began this column? Did you foresee that the threatened war against Iraq would be "jammed up," as it has been to this point? Did you foresee the economic disaster which precipitated it, or were you one of those who spoke of a recovery? Has the crisis perhaps outrun your habits of thought?

In Jaipur, LaRouche said, "Approximately one week from today, in Washington, D.C., from a Washington hotel auditorium at 1 o'clock, I will deliver a State of the Union report on the condition of the United States, which will last about three hours, as such events last. It will be a challenge to the President of the United States, who at 8 o'clock, that same evening, is scheduled to present *his* report on the State of the Union. I can assure you there will be a very distinct contrast, and there will be a very serious debate about the difference between my views and his."

LaRouche's State of the Union message can be heard live on Tuesday, January 28, at 1:00 p.m. EST (12 noon CST; 11:00 a.m. MST; and 10:00 a.m. PST) at www.larouchein2004.com.

LaRouches Return to India

Lyndon and Helga Zepp LaRouche visited India Jan. 10-22, where they met many old and new friends. In addition to the 170 members of the faculty and students at the Federation of Rajasthan University in Jaipur, LaRouche gave public addresses to the Maulana Abul Kalam Azad Institute in Calcutta; faculty and students at Jawaharlal Nehru University in New Delhi; the Institute of Economic Growth, a government thinktank at Delhi University; and an extremely lively meeting of officials, professors, lawyers, and other policy-makers in New Delhi. In addition, there were many private meetings with serving and former high-level members of the Indian government, policy thinktanks, and friends of two decades and longer.

LaRouche began every discussion by telling people of the **two** State of the Union speeches which will be given in Washington on Jan. 28—his first, and then President Bush's. This was very welcome news, with one very high-level former government official telling LaRouche: "I would vote for you for President."

The first question from almost everyone, was about the danger of a U.S. attack on Iraq. LaRouche's discussion of his personal leadership in mobilizing the U.S. military and other institutions, to—thus far—prevent the war, month by month, from September until now, had a big impact in countering widespread worry and pessimism on this question.

The other focus was the world financial/economic breakdown, and how to rebuild. LaRouche emphasized in the discussions, that if the Iraq war can be averted, how optimistic he is about the potential for the rapid growth of Eurasian economic cooperation. The core of this is the India-China-Russia Strategic Triangle, which, with neighboring nations in Asia, will become, LaRouche said, the main engine for world economic growth. The Triangle, with other Asian nations, is geared for combined economic development and national security: Nations establish their sovereignty by economic development of every region. Western Europe needs the markets of China and India to survive, and the same is true of Japan. The Mekong River project and the rail line in Korea, if completed, will play key roles.

There is great interest in China from the Indian side, some positive, some more cautious. One frequent theme of discussion, was how to improve Indian-Chinese economic relations, which can be done with water and power projects, and in technical cooperation, such as between India's highly developed software industry, and China's highly developed hardware.

In all the meetings, the Indian leaders and policy-makers denounced the role of the IMF/World Bank in choking Indian economic development. India must become willing to "burn" these international financial bloodsuckers. India is not investing due to its "fiscal deficit," but this is, in reality, costing the economy enormously.

LaRouche emphasized the importance of infrastructure: that 50% of a nation's economy must be infrastructure investment, led by the national government. Two things are vital for Asia: water management and nuclear power. Asia, as *EIR's* New Delhi bureau chief Ramtanu Maitra, who accompanied the LaRouches on their tour, stated, has very different water conditions from other continents, and this in itself is an opportunity to share water technology among Asian nations. India is launching a nationwide highway program to link every corner of the vast subcontinent, but also urgently needs to improve its rail system. Both President Abdul Kalam and Prime Minister Atal Bihari Vajpayee have some excellent ideas, but the "fiscal" crowd, which the World Bank has cultivated in the Indian bureaucracy, will always clamp down on any initiatives. The private sector has not taken up the slack of reduced government spending since the fiscal reform. Therefore, India must develop institutions for national investment, free of the IMF and World.

The visit to Calcutta, LaRouche's first since his memorable days there in 1945 and 1946, had a profound effect. Calcutta is now in worse economic condition than he saw it under British rule, LaRouche said. Infrastructure, buildings—everything has been allowed to collapse under 25 years of disastrous rule by the CPM (Communist Party Marxist) government. Although there was a massive demonstration of up to 1.5 million people in Calcutta during the visit, this was only a "show of force" by the CPM. Of Calcutta's 13 million people, some 20%—that is, 3 million people—live in the streets. Even in the center of the city, there is little or no public sanitation: In some places, there are human feces on the sidewalk and in the gutters. Food is cooked on the street, and the only "housing" is some blankets on the sidewalk. People, dogs, cows, goats, and pigs all live on the streets together. Many people are second-generation street dwellers. Yearly income is the equivalent of US\$100.

In New Delhi, Helga Zepp LaRouche visited an HIV/AIDS clinic. This is the work of a women's NGO, founded to help AIDS victims in New Delhi's slums. The mass migration of rural workers, as LaRouche noted, is becoming a critical national security issue for India. Many millions of migrant rural workers, from West Bengal, Bihar, Orissa, Uttar Pradesh, and Gujarat, are flooding into India's cities, now becoming unmanageable "super cities." The spread of AIDS is one part of this problem, the other is the spread of criminal elements, which subversive and terrorist networks penetrate and use as a cover for their operations.

In the cities, poor migrant workers are targets of drug pushers, prostitution, and AIDS. Slum housing ranges from old

houses with no running water or toilets, to huts built of anything available. Water is available only in the street, and even that often fails for days on end in the summer. Conditions become much worse in the summer, when temperatures reach 45° Centigrade (113° Fahrenheit). Many families can afford fresh vegetables only once a week. In these conditions, the NGO runs weekly clinics, "outreach" to families with puppet shows and house visits, to teach children and parents about health, and a clinic for AIDS victims. The clinic staff and health workers are well-known and very welcome in the areas where they work, as we saw directly. They work closely with local leaders, including the two Muslim and Hindu "elders" of one neighborhood, where religious strife is unknown. In another, the local teacher was the neighborhood coordinator. The NGO is caring for AIDS victims, and a small but growing number of children born HIV-infected.

—Report submitted by EIR correspondent Mary Burdman, who accompanied the LaRouches on their visit

Highlights of India Visit: —Discussions with Students; — 'Roundtable' with City Officials

Two highlights of the LaRouches' visit to India were their extremely lively discussions with students in Jaipur, and the spirited "roundtable" with city officials, professors, lawyers and others in New Delhi.

After LaRouche's talk in Jaipur, a tea was given in the garden, where groups of eight to 10 students at a time surrounded the LaRouches, wanting to know what they had to say on everything from Kashmir to the dialogue of civilizations. Students and faculty alike were surprised, but very happy, to hear an American statesman speak as LaRouche did on globalization, the IMF, and the U.S. "shuttlecock President." Many wanted more material.

In New Delhi, LaRouche's brief but to-the-point remarks on the world situation, set off a discussion on the role of the state in economic development, banking policy, and government regulation. The New Delhi State Commissioner for Housing and Slum Clearance was at the meeting, and was very impressed that we had visited the East Delhi slums. He described the failure of "privatization" of this sector, and the urgent need to build housing.

The discussion then turned to how leadership can be created, how to inspire people, and how India must re-define its idea of development. One participant mentioned Mahatma Gandhi's "cottage industry" policy and asked if this were appropriate today—to which LaRouche answered, that what Gandhi did must be understood as a policy of "strategic defense." Inspired by the Indian nationalist Tilak (1856-1920), Gandhi declared war on the British Raj in a very clever way. He led India's poor peasants, who would not fight, in non-violent resistance and local production of vital goods—strategic defense of their basic interests. This is the issue, not any "model" based on Gandhi's methods. What he did, was understand how you can lead the people which you have. He developed their powers, and led them to freedom.

The discussion ended with a debate on population, with several participants asserting that they did not think that population is the problem it is made out to be. Helga Zepp LaRouche then spoke about her intervention in the Bucharest World Population Conference in 1974, where it became clear that the "population issue" was made up by the likes of John D. Rockefeller—and that then, and now, the only real issue is poverty.

Leading Saudi Daily Interviews LaRouche

The Arabic-language Saudi daily *Asharq Al-Awsat* published an article and interview with Lyndon LaRouche on Jan. 23. *Asharq Al-Awsat*, the Arabic daily with the largest circulation in the world, and the most influential daily inside Saudi Arabia, published an article by Berlin-based writer Iqbal Al-Qazwini, who interviewed LaRouche on the sidelines of the Dec. 18 EIR Berlin seminar. Al-Qazwini uses paraphrases from her interview with LaRouche. The *Asharq Al-Awsat* cartoonist, Mandalawi, volunteered a nice drawing of LaRouche instead of a photo to accompany the article.

The article adds to the deep debate in the Arab world and, in particular Saudi Arabia, on the current U.S. policy and the role of LaRouche. It is also a major slap in the face of the neo-con allies in the Arab world who slandered LaRouche in the same paper one month ago.

The article refers to LaRouche's presentation at the Berlin seminar and statements made in the interview with al-Qazwini. The article goes through LaRouche's role as a thinker and political leader; the Eurasian Land-Bridge and New Bretton Woods system, and the "Oasis Plan" for Middle East water development as "a comprehensive development strategy" to "save the human race"; the American Intellectual Tradition as a basis for U.S. foreign and development policy; saving the American people from dictatorship; the gradual removal of the dictatorship of the "U.S.-created Saddam" through lifting the sanctions and allowing the Iraqi children to live; and LaRouche's view of the "Palestinian cause." As a final note, al-Qazwini says she asked LaRouche about those who call him a "Nazi millionaire." "The enthusiasm and seriousness with which LaRouche (the man who dreams to change the world) speaks turn into sarcastic laughter, when I asked him about what is being said about him as a 'Nazi millionaire.' He reiterated that he knows very well the source of these statements. It is a group of right-wing Zionist organizations and racist Likud-allied, right-wing Jewish groups. The reason behind this, is his opposition to their policies. He stresses that he paid the price for his commitment to his ideas and the moral principles and values he believes in. That price was five years in prison, from 1989 to 1994 on false charges. He considers that a badge of honor."

Here is the translation of the first paragraph of the article. A full translation will be produced.

Title: "Major Global Crises Require a Gigantic Project to Overcome Them"

Subtitle: "LaRouche, the American thinker and politician dreams of changing the world, and runs for the Presidency in his country from a different perspective."

"In spite of the controversy aroused around the personality of the American Lyndon LaRouche, the candidate for the 2004 Presidential elections, no one can deny that this politician has an extraordinary and balanced vision of the method he has been calling for since the 1970s. He is the founder of an international political movement with many supporters in the United States and around the world, especially among young students.

"LaRouche, in contrast to many other politicians, does not talk about a temporary program for attracting voters, but presents with conviction and enthusiasm a system of strategic, economic and cultural system of ideas. If these ideas were to be implemented, they would change the course of current history."

A Youth Movement of Geniuses — Can Create a Renaissance

by Lyndon LaRouche

Lyndon LaRouche made the following presentation to a group of youth in Wiesbaden, Germany, on Jan. 5, 2003. Subheads have been added.

Let's talk generally about the youth movement as such. I've said this before, but it's something which is important enough that it deserves to be said again. And I'm in the process of completing a paper for publication which I hope to have completed this week, which will clarify this somewhat more: That all history, as we know it, is a struggle between Tragedy and the Sublime. As a result of the decadence and corruption, or weaknesses, of cultures, cultures fall into decay, and sometimes exterminate themselves. They are saved periodically—in times of crisis especially—occasionally, by a Renaissance, a kind of rebirth of the society. These rebirths of society come from two general sources: one, from certain

leaders, or people who emerge as leaders, who have some of the qualities which Plato attributes to Socrates—someone who's against the existing culture, who knows its corruption, and therefore is able to hold up a lantern, so to speak, to guide people out of their own foolishness. That is, to guide the ordinary people, who are the cause of tragedy.

Popular opinion is the general cause of tragedy of every culture. It's a rotten popular opinion, which brings a culture down sooner or later. And the question so far in history has been: How do you get cultures out of their own rottenness, at the point they're about to go under, because of that rottenness—such as the world culture today, especially Europe and the Americas, most notably? We're in a rotten culture, which is about to go down; it's about to go under. We're in the month when it's ready to go under, worldwide. How do you save civilization?

We've got, in history, before, a few leaders, like Socrates, who go against the stream, who are the enemies of popular opinion, who under conditions of crisis are sometimes able to lead populations, to recognize that their culture is rotten, and to change it, in time.

These leaders did not work alone. As far as we know, there have been youth movements, people about your age, or slightly younger, who have arisen in response to such leadership, to kick their parents in the rear end, and to make them human again. The second birth of the parent is when the son kicks the old man in his rear, and the old man becomes human again, something he'd forgotten how to do.

Now, I've said, that's not adequate, because the problem has been, that in all the wonderful renaissances, the resurgences of society, what has always happened is that they never really went far enough. Sooner or later, as Solon of Athens in his old age describes the corrupt condition of his fellow citizens of Athens, whom he had formerly led to freedom—he wrote this poem documenting their personal corruption, which was leading them to destruction. So the question is, how do we prevent a society which has been led momentarily out of its own tragic self-destruction, to find its way out of that catastrophe? And why doesn't it last longer than it does?

The Religious Wars in Europe

For example, as you know from case of the history of Germany, the ground on which we're standing here, that it went through a terrible time, all of Europe went through a terrible time. And a fellow called Mazarin, who was a Cardinal in France, played a key part in pulling Europe out of the religious warfare, which had dominated all Europe from about 1511 to 1648—that is, periodic religious warfare, and wars which were reflections of religious warfare. Chiefly, on the one side, Venice, orchestrating the Hapsburgs, who were always evil, on the one side; and then this emerging new form of evil, later called Anglo-Dutch liberalism, which developed in an imitation of Venice, in the Netherlands, along the northern coasts of Europe, and later, in England.

So then, this great decadence took over from a great period of renaissance, which centered initially in France, around Colbert, the successor of Mazarin.

And then, with new wars launched in the time of Louis XIV, who himself was a forerunner of that Hitler called Napoleon, that in these times, there came another return to darkness, so to speak. It was called the Enlightenment. And since it was darkness, they called it enlightenment. It was typified by Voltaire. It was typified by these neo-Cathars, or a whole group of neo-Cathars, called Calvinists, and similar kinds of heathen, who believed, with the Cathars, that there are little green men under the floorboards of history, who, if they liked somebody, would make them rich, and make the other people poor! And this was the doctrine of Quesnay, this was the doctrine of Mandeville, who was an apostle of evil, this was the doctrine later of Adam Smith; this was the doctrine of Jeremy Bentham, and so forth and so on.

So the Enlightenment was crushing all Europe, which had emerged through a period of renaissance, under the impact of Mazarin and Colbert, a renaissance typified by the figure of Leibniz. So now, in the middle of the 18th Century, the Enlightenment, which is total degeneration, has taken over once again! It's dominant. In this figure, a fellow born in 1719, in Leipzig—and Leipzig is a very important city—Dresden became important later, but Leipzig is a very important city. For some reason, which probably has a great deal to do with the Hartz Mountains, and the way history was shaped in the period following the Thirty Years' War, Leipzig became a center of culture, in the period following the Thirty Years' War.

For example, Leibniz's family was an old Leipzig family, the Leipzig of Bach. Bach, in a sense, was a junior to Leibniz. And Bach's influence in Leipzig, despite the fact he had enemies there, was crucial in the development of culture and music.

You had another person in 1719 emerge from Leipzig, born again from a Leipzig family, Abraham Kaestner, who adopted the position of being the successor to both Johann Sebastian Bach, and Leibniz, in defending music and defending science. And to attack Wolff for simplifying and degrading the work of Leibniz. And he wrote this book, this textbook, in 1758, which is to free the students of Germany from the mind-slavery of the Wolffian simplification of Leibniz.

Now, Kaestner produced some great people, under his influence. He was a key figure—as you'll read in the coming months—he was a key figure in conveying the ideas of Leibniz into the United States, against Locke. And it was the movement around Franklin, through Kaestner's relationship to Benjamin Franklin, which organized the movement against Locke, and made possible the creation of the United States. The same Kaestner was the man who took another fellow from Leipzig, Lessing, and Lessing, with his friend Moses Mendelssohn, who were students, essentially, in following both the influence of Leibniz and Bach. Leibniz and Bach launched several things, including getting Shakespeare out of the dirt, and bringing him back to work again. And Kaestner was responsible for this, even though he did not publish the book of Shakespeare's plays: reviving them from the garbage pit, where the British had put them, the Enlightenment had put them.

So, you had in this period, in Germany, a great enlightenment, which spread in other parts of Europe. And the American Revolution was a reflection of the same enlightenment, of this kind of enlightenment, not the other one, but the real one. A renaissance.

The French 'Castration'

Then again, you had the French Revolution, 1789, the Bastille—everything went to Hell. Because the Bastille operation was conducted by Jeremy Bentham, who was head of the secret committee of the British Foreign Office, who ran Jacques Necker and Louis Philippe, who were the orchestrators of the Bastille. And the French, who lost their chastity with that, celebrate the loss of chastity every July 14. It's like a man who celebrates the day of his castration, as a eunuch. And this is what's happened to the French intellectual life, more or less, since.

So, but then at that point, what happened in France—and the France which is supposed to be a continuation of the same process expressed by the American Revolution—became a dismal swamp, and worse. It became the mother of fascism. The first modern fascist was Napoleon Bonaparte, and he's going to be celebrated on television this week. He's being celebrated! And the TV special—I haven't seen it, I've seen the previews of it—the TV will be dominated this week, on the second channel, by this Bonaparte film, which is a pure romantic cult film on Bonaparte. And it will have to be dealt with as a disease. A doctor has to pay attention to diseases, not because he likes them, but because he has to deal with them.

So, Europe went into a romantic decadence. First, with 1803, with Napoleon's coronation as Emperor, at which point Hegel, who had been a radical extreme leftist, Jacobin-type leftist, suddenly became a fascist. And he later, after the Congress of Vienna, he became the author of the Theory of the State, which is the model for fascism. The Theory of the State of Hegel is the basis for fascism in Germany—and also in other parts of Europe, Italy, so forth. In this period, with

the triumph of Napoleon as Emperor, in 1803, which destroyed all illusions about the French Revolution, except among real idiots. But everybody who had any brains knew this was a disaster, the French Revolution had become a disaster for all Europe.

Then, 1806: the Jena-Auerstadt defeat. Germany, even Goethe, became a romantic. You had a romantic degeneration of people who had been leading figures of the German Classical movement. Then, after 1815, especially after the Carlsbad decrees, you had a wave of pessimism throughout Europe, of moral despair, and only a few people continued to fight for freedom. Optimism was revived by the victory of Lincoln in the U.S. Civil War. It was as a result of Lincoln's victory, and the influence of Henry Carey, that Bismarck, in 1877, adopted a version of the List model, for the industrial development of Germany. It was 1877, and the visit of Carey, in his last trip to Germany, in 1879, which launched the industrialization of Germany—which the British didn't like at all.

It was the influence of the American Revolution which launched the trans-Siberian railroad under the direction of Mendeleyev, the great scientist, who also advised the Tsar, on beginning the industrial development of Russia. It was the influence of the American Revolution, under Lincoln, which transformed Japan, under the personal direction of Henry C. Carey, the same Henry C. Carey who worked, inspired Bismarck, to begin the industrialization of Germany. The Risorgimento in Italy, the establishment of a state in Italy, was a reflection of the same influence. There were things like that happening in France, which had gotten rid of Napoleon the Turd, and this sort of thing, which lasted for a period of time.

So there was a renaissance, which again was destroyed by the agreement in the 1890s, to go for a general war. There was an agreement that was organized by the King of England, even while Prince of Wales. The purpose was to prevent Eurasia from being organized for cooperation as among a system of nation-states, on the American model. The fight to do this was called geopolitics. The idea was that the English-speaking peoples should have a world empire, like the Roman Empire, free of Christianity, as heathen as Hell itself. And they should destroy Europe, Eurasia, by causing the leading powers of Asia to kill each other in a general destructive war. And because the three Kaisers—the Tsar, Kaiser Wilhelm, and the aging fool of Vienna—and Clemenceau and so forth, were all idiots and fools, the people of Europe, for no reason of their own, but motivated by chauvinistic motives, such as those of the Balkan wars, went into a war which caused the destruction of Europe, from which Europe has never recovered to the present day.

Solon vs. Popular Opinion

So, that's the problem, that's the nature of the problem. And you can go back in ancient history. You have the case of the Peloponnesian War. You have the case even of Solon's letter to the Athenians. Here in Athens, especially, with its culture of the Greek Classic, or developed on the basis of the previous work of Thales, and Pythagoras, and so forth, this great culture developed. *It destroyed itself! By popular opinion!* Exactly as Solon describes the process. It destroyed itself by popular opinion, with a crazy Peloponnesian War. A virtual Thirty Years' War, from which Athens, and Greek culture, never revived politically. Greek culture continued, largely in the form—under the heritage of the Academy of Athens, and the conquest of the Persian Empire by Alexander. That's the so-called Hellenistic culture, which was in the process of degeneration. But the Roman conquest of southern Italy, at the end of Second Punic War, the conquest of Greece, the games with Egypt to destroy Greece and Greek culture, this resulted in a destruction of civilization from which mankind did not recover significantly, until the 15th-Century Renaissance.

Europe was dominated by a neo-Roman style of regime, which became, after Otto III, the Emperor Otto III—was centered on Venice. Venice was a continuation of the Roman Empire, a rival of, and successor to, the Byzantine Empire of Diocletian. Venice was an imperial maritime power, based on a financier class, a financier oligarchy, which can be described in biology as a slime mold—a lot of individuals putting knives into each others' backs, who nonetheless come together for the common purpose of breeding the slime mold, and spreading it. This is Venetian culture. Venice controlled

the Hapsburgs, and Venice dominated Europe, especially after about 1000 A.D., by using the Normans.

The Normans were used, first of all, to destroy the Saxon culture, which was a human, Christian culture of England. And to destroy Charlemagne's work in France. The Normans became known in succession, as Plantagenets, and the House of Anjou. It was these Normans, under the control of Venice, as a military force, who conducted the Crusades, including the Norman conquest of England, which was actually a Crusade, technically, to destroy the Saxon, Christian culture, and introduce a heathen culture in its place. Again, the same kind of process. A long wave of degeneration of European civilization.

There were many efforts to bring it back. But Frederick II was killed, and his family died. The work in Spain, of the people like Alfonso Sabio, was drowned eventually, in the Reconquista. And in the Inquisition. The great influence of Islamic and Jewish culture, contributing to Europe, was repeatedly crushed, though not entirely exterminated.

So the problem in history then is, again and again, noble efforts to elevate man—from the tragedy of his own stupidity and cultural corruption, cultural degradation, of the people themselves, and of their customary leaders—were done by a handful of leaders, if they're available, and if they survive. And by youth movements.

Now, the problem has been that the youth movements of the past, which have done these things—and sometimes youth movements did bad things, rather than good things, as we saw in the middle of the 1960s. The youth movement of the mid-1960s was used primarily to destroy European civilization from inside—a systemic destruction of European civilization. That's what you're suffering from now.

So, therefore, the problem is, how do we develop a youth movement with sufficient qualities of leadership and breadth, so that the elimination of a handful of leaders does not ensure the victory of the forces of tragedy, over a new renaissance?

Rejuvenating an Aging Organization

And that's how I approached this business, some years ago, of launching a youth movement. Our efforts were sliding into the mud, as a result of being an aging organization, which had not been rejuvenated by a youth movement, as we had been born as a youth movement. I created this thing as a youth movement. It was a youth movement. It functioned just fine, with all its foibles, with a certain amount of psychoanalysis to deal with tough cases, we got through. It worked. But then it became demoralized. It became aged. You know that some people, at the age of 35 to 40, become *aged*. You would think they were ready for retirement, or past time for retirement, which some of you may have thought about some of your parents. That they retired about the time you were trying to get out of high school.

So, to rejuvenate that, we had to do more. We had to get a youth movement—otherwise this organization was going to die. It could not sustain itself internally, just on its own inertia, its habits—it would die. It was headed for death. So, I said we're going to revive it. And I had a lot of opposition to reviving it. So, I got sly, as I often do in these cases. I flanked the situation. We had some people in California, we had a couple of our leaders in California, who understood what I was proposing. So we protected and nurtured our youth movement in California, for the past four years, approximately, which I worked with, with special seminars, discussions, and so forth, back and forth, and things I wrote.

A couple of years ago, it began to take shape. A year ago, it began to assume shape. So, last year, I really released it, officially. And we pulled together what we had on the West Coast, and the East Coast, and some other things, and we began to spread it. We spread it into Mexico. It is now growing in Peru. It is here, as some of you know, and so forth and so on.

Now, the difference of this youth movement, and those you've known from the past, is what I have learned from history. That the problem has been, youth movements have been too practical. There's been too much enthusiasm, and too little intellect. And therefore you do not have *leaders*, in sufficient numbers, to have a secure movement. Because you have a few people who emerge as leaders, by a kind of natural, or unnatural, selection, as the case may be. And that's all. The rest of them will tend to slide back into decadence, under aversive circumstances, and without a renewal of the leadership. And that's how renaissances of the past have died. Those who led a great renaissance, were too few, too vulnerable, to keep the movement alive against aversive circumstances, by a determined enemy.

Therefore, I said, we have to produce a youth movement of geniuses. We have to outnumber them, outnumber the enemy. So we're not vulnerable to the loss of a few people, as we are now. You have to create a broad spectrum of leadership. That means you have to challenge young people, as groups, to become qualified leaders of civilization, not just political leaders, not honchos of local youth organizations, but actual leaders of civilization.

How do you do that?

By taking the principles, the Classical principles, of the Sublime, which is the general opposition to the tragic forces, and you train a youth movement around those principles, which define the essence of the Classical method of thinking and leadership.

What do you start with? Well, I said, when the question was posed several years ago at a conference in the Washington area, I said, to the youth, who said, "How do we get an education now? You describe our universities as junkheaps"—with which they agree. Anybody inside a university knows that the tuition you pay is in inverse proportion to the quality of education you get. That's the mathematical law of present U.S. education—and German as well.

How do we get an education? I said, you start with Gauss's 1799 Latin paper, attacking Euler, and attacking Lagrange, on the issue of the fundamental theorem of algebra. And you go from that mastery of science, from that standpoint, into understanding history, as first of all, a history of science, and from a history of science, understanding the science of history. In other words, things come down now to a fundamental question. What's the fundamental issue?

It's not how people *feel*. It's not what people *like*. What people like is usually poisonous and bad for them, and will usually kill them. They generally prefer the most stupid things you can imagine, and do terrible things—to themselves, above all, to their neighbors, their family. So what people like is not very important. Democracy in that sense is disgusting stuff. It's a kind of poison. You need a blood transfusion to get rid of this stuff.

What Is Man?

What you need is a sense of—what is man? Now, we had a discussion the other night, in celebration of Gabriele's old age, among a few of us. And one of the topics of discussion was the contrast between Gibbon and Mommsen, and what the implication of the contrast is. It's that the British Gibbon, who was associated closely with Jacques Necker—Gibbon was, like Necker, an agent of Lord Shelburne, the man who created the modern pig system of Britain. The father of Bentham, the creator of Adam Smith. One of the most evil men of the 18th Century, and the founder of the modern British System. So, Lord Shelbourne personally owned Gibbon, as well as Jacques Necker, and of course Madame de "Sow" Stael, and similar kinds of people, including Louis Philippe, one of the pretenders in France, who was the enemy of Franklin.

So, what we have today is a system, as we discussed this briefly in the discussion on that occasion, where Gibbon—and if you read Gibbon, it's obvious to you—he blames Christianity for the fall of the Roman Empire, and says that if you can get rid of Christianity, you can have a successful Roman Empire. *Now, that's exactly what's being done today!* That's coming

out of Britain, especially. It's coming out of the British monarchy, especially. It's world religion, and so forth. It's the present attacks on the Catholic Church, on all flanks, are part of this. It's Satanic evil.

So, looking at things from this standpoint, the problem is, not religion as such. Gibbon's a liar. The Roman Empire destroyed itself because of *paganism*, because of *its paganism*. That was its tragic force of self-destruction. It just took a longer time, because civilization moved more slowly in those days. The issue was: What's the rise of European civilization from the depravity which is inherent in Roman tradition? It's the Christian, Platonic tradition. It was the revival of the Christian Platonic tradition, which was the subject of a *struggle* from the time of Christ, the time of the Apostles John and Paul, to the present, which led to the revival of European culture. European culture, until the 15th Century, was just a thing on the landscape of the human race as a whole. There was nothing particularly special about it. It was the Renaissance, the 15th-Century Renaissance, which introduced on a massive scale, in terms of impact, which reintroduced the Classical Greek tradition and the Classical Greek version of Christian tradition, into Europe, which resulted in the Renaissance, and produced everything positive, distinctively positive, about European civilization worldwide, to date.

So, it was Christianity, understood not by some priest mouthing catechism, but as understood actively, as the leaders of the Renaissance did, like Cusa, which gave us the modern nation-state, and civilization, and all the achievements of European civilization. Gave us science, modern science. Science is Greek in its origin, Classical Greek. There was no science prior to Classical Greek culture. Prior to Thales and Pythagoras, there is no known Classical Greek science. And no known systemic science, as we define science today, in any other part of history. There are elements which lead to science. There are elements that we can recognize, and can praise, as achievements of humanity in the direction of science, from Egypt and elsewhere, but no idea of science as such, until Classical Greece. Until Plato. And no idea of a science-based civilization, a science of history, and history of science, actually until the work of the Renaissance, in the 15th Century.

So European civilization owes its achievement, its escape from feudalism and the Roman legacy, to this conception of Christianity, the Classical Greek conception of Christianity, typified by Plato.

As in Genesis

What's the central issue? The central issue is not whether you believe what you read in the Bible or not—that is unimportant! As you can see. All these fellas pointing to the Bible like this, "Here's what it says heah, and I understand this, God intended me to understand this jus' the way it's written heah, in plain English! God wrote this in English!" As Elmer Gantry will tell you.

That's not important, obviously. As a matter of fact, that's negative. Received belief, based on reading from the Bible, words from the Bible, interpreting words from the Bible, is not godly religion. It's a special kind of heathenism, to give you the real, American version of this stuff.

What's important, and what the essence of Christianity is, as expressed by the Gospel of John, and the Epistles of Paul, is the conception of *man*. It's the Mosaic conception of man, as in Genesis I. Adam and Eve never existed. I know, because I studied the matter. I was doing a study of Mesopotamia, ancient Mesopotamia, and I ran across these ancient heathen myths, in which this Adam and Eve thing came up. And they said, well, if God created man and woman in the first book of Genesis, as equal, and having dominion of the universe, responsibility, where did this Adam and Eve come from? And again, this woman, this rib out of man, out of Adam? Who's getting ribbed? It's the believers that are being ribbed! Who'd believe that nonsense? Cain. The old story of the atheist who said, "Where does Cain get his wife?" If human beings all came from Adam and Eve, Cain killed Abel, and then Cain went off and had wives, and children—where'd he get that wife? He committed incest, or something? It sounds like a Kentucky mountain family tree. A family tree with no branches.

So, who'd believe that junk?

But the issue then is, the issue of man, as defined, in a sense, in Genesis I. Who has that conception of man? That is the essence of the matter. The concept of Christ and Christianity in John, the Gospel of John, in the Epistles of Paul, is *this*: the conception of man. The conception of creation. The conception of man's relationship to the Creator. First of all, the conception that man is *not* an animal. Nor is he a runaway portable computer, the way some people argue these days. We can build, we can replace man, man is going to be replaced by a superior being—a computer! You know these things, you can't trust these things. Anyone who has one, knows one. You can't trust those things. You turn your back on them, and you don't know what they're going to do.

So, therefore, the question is: How do we know man is human? How do we know that man is not a beast? One thing we know, and this is reflected in Gauss's fundamental theorem statement, against Euler, against the heathen Euler and Lagrange, in 1799, based on ideas that had been taught to Gauss largely by Kaestner, who was the first person to pose an *anti*-Euclidean geometry. And some of you can read that—it's fun.

What's the difference? Man is—as Plato defined it—is capable of knowing what lies beyond the veil of sense perception. Essentially, it's a scientific issue. If you recognize the obvious fact that what are called sense perceptions are a reflection of organisms within your mortal body, then how dare you say that sense perception is truth? How dare you say, that sense perception is knowledge? The nature of your sense-perceptual apparatus is such, that all you can say is, that your body is stimulated by the real world, and the stimulation, insofar as it affects your sense-perceptual apparatus, is known to you as sense perception, not as the real world. Then, when you find contradictions in the sense-perceptual image of reality, and find that there are principles which you can not see, taste, touch, or lick, out there, beyond sense perception, which are really controlling the universe—then you know what we call a universal physical principle.

Plato called this a power.

Doubling the Square

For example, a simple case. The simplest of all cases. Can you double a line, without cheating? You can not. How do they say you can double a line? With a compass. A straight edge and a compass. Where'd you get this? What's the compass? The compass is a surface. How do you get a surface out of a line? You can't get a surface out of a line. In order to measure a line, you must have a surface. In order to have a surface, you must have a solid. These are powers, these are the powers, the only powers which are described by Gauss in his fundamental theorem of algebra.

Also, these numbers, which pertain to this, including the question of the cube, the doubling or roots of the cube, take you into the domain which is outside so-called normal mathematics, into what's called the complex domain. Which the poor heathen idiots like Euler and Lagrange call the imaginary. They call the numbers imaginary. But the complex domain, the mathematics of the complex domain, is a reflection of reality, as opposed to the false image of using simple counting number arithmetic.

And so this is a classical case of the problem. The difference between perceptual mathematics, perceptual doctrine of material matters, and understanding that it is the human mind, which, by making discoveries of principle, which are provable experimentally, that man shows that he is able to understand the universe which exists outside the bounds of sense perception, the so-called Plato's Cave allegory. No animal can do that. How do we know no animal can do it? Because no animal has ever done it, nor could.

Why? Because an animal is an ahistorical creature. Biologically historical, but not otherwise historical. Every animal starts over again where they began. They do not progress. Whereas the human being is wonderful. The animals are determined by their genes. Now, genes can evolve. The genetic system is overrated. Particularly, you meet some people, and you say,

"The genetic system here is obviously overrated." But we actually undergo, as human beings, we actually undergo an evolution. A physical evolution. We don't fully understand why it happens, but we can prove that it does happen. When we discover a universal physical principle, when we incorporate it into our practice, socially, when we change society's behavior, because of our discovery of this principle, we change man's relationship to the universe. We increase man's power to exist in the universe, per capita and per square kilometer. We live longer. We have more people. To control the deserts, and the oceans, and so forth.

Now, we die. Those who discover these principles, die. We each die. But we're capable of transmitting the experience of this discovery from one generation to the next. The transmission of these principles, from one generation to the next, changes the physical characteristics of the human species, in the same way that only biological evolution would change the characteristics of a form of animal life. For that reason, I've called this process "super-genes." That when we make a discovery of principle, and transmit it to others, when society assimilates that, as part of its culture, then society is transformed to a higher form of life than it represented earlier.

The history of these discoveries, and their transformation, and application, is, obviously, the history of science. And the relationship of this to the development of cultures, within which the transmission occurs, is the science of history. It is the science of man. So the issue of religion is not an issue of a textbook, a Bible, or some priest who's babbling something he doesn't understand. The issue of religion is the nature of man. That man is a cognitive being, as Plato describes him, especially implicitly in the *Timaeus*, who is capable of discovering the laws of the universe, who's capable of mastering the universe increasingly, as an act of will, through these discoveries, which changes him, himself, and his successor generations, by transmitting these discoveries of knowledge, through practice. A transmission we call culture.

What is true in culture, is that which is engaged in the truthful transmission of valid principles. That's the difference between Romanticism and Classicism. In Classicism, the question of truth is everything. Which I'll get into in a writing you'll get shortly. But that's the point.

The Case of the Sublime

So, the issue today, is this issue, the issue of man. Against the heathen British. The heathen British royal family, and similar degenerates. It's to defend the concept of man. It's what is called, "man made in the image of the Creator," as, in a sense, Genesis I describes it. But this is not something we accept because it's said in Genesis I; it's something we can prove. As a matter of knowledge, not a matter of arbitrary belief, or taught belief. It's true. We *know* it to be true. And the only ones who can lead, are those who know it is true. Not who believe it's true, but who *know* it's true.

Take for example, this case of the Sublime. Again, it comes back to this question of Classical culture. And the case of Jeanne d'Arc, as opposed to Hamlet, which I've contrasted on a number of occasions. What killed Hamlet was not Hamlet's failure. What killed Hamlet was the Danish people, and stinking culture. What killed Hamlet was the fact he couldn't violate that culture. What killed Hamlet was not his fear of death. It was his fear—as he says in the Third Act soliloquy—*his fear of immortality*. His fear of having to face what the implications are, of his having lived, in the future of humanity. He couldn't face that! "I can die. I can kill. I can die, but don't ask me to think about what is going to happen to me after I die. After I," as Shakespeare put it, "shuffle off this mortal coil."

That is what makes a coward out of Hamlet. That is what makes a coward out of most political leaders who otherwise seem promising. They have no belief in immortality! They're afraid of it. "I don't want to think about that!" Therefore, they don't have the ability, as Jeanne d'Arc had, to *die, for the sake of life*. And only leaders who understand this issue of immortality, in the way that flows naturally from this concept of man as in the image of the Creator, only from that source, can leaders derive the strength, under the most difficult conditions, to lead a nation, to lead a world, out of a great tragedy, like that today.

So, my mission here, is to develop a stratum of leaders, of young people, especially out of the 18-to-25-year, so-called university-age group, who represent a broad base of capable leadership, who, by being broad, in their numbers, and qualities, and not so damned vulnerable as the youth movements to which we are indebted from the past.

Thank you.

U.S. Economic/Financial News

Sinking Dollar's Fate May Be Decided in Asia

The "sliding dollar's fate may be decided in Asia," as Far East countries begin to pull back from U.S. assets, warned the *Wall Street Journal* Jan. 20. Japanese, Chinese, and other Asians collectively, have become the largest overseas investors in U.S. securities, in terms of net new money pumped into stocks and bonds. Last year, Asians accounted for 40% of the foreign-investment flows into the U.S., counterbalancing Europe's pullback, and ensuring a gradual decline in the U.S. dollar.

Through October 2002, European investors bought a net \$152 billion in U.S. securities—down 35% from the same period a year earlier. Moreover, they turned net sellers over the 10-month period, for the first time since 1993.

At the same time, Asian investors increased their purchases of U.S. securities, mainly Treasury and Federal agency bonds, to a net \$156 billion (January-October 2002), from about \$47 billion per year during the 1990s.

Now the concern is, how much longer can the Asian support last? Asian central bankers are beginning to move into other currencies, especially the euro—and into gold, whose price has jumped by 31% since Sept. 11, 2001. In November, Japanese investors, for example, bought \$5.3 billion of U.S. securities and \$9.1 billion of European securities—after having favored U.S. over European assets by nearly 6:1 during the first 10 months of 2002.

"If Asians pull back from investing in the U.S., there isn't much else to support the dollar," warns an economist at Morgan Stanley.

Strategists Tell Bloomberg: Sell Dollars

A majority of 30 strategists surveyed by *Bloomberg News*, recommended selling the dollar against the euro, yen, Swiss franc, British pound, and Australian dollar, citing grim U.S. economic data, a recommendation which could send the dollar lower for a seventh week in eight.

Moreover, foreign investors, notes *Bloomberg*, are reluctant to shift more money into U.S. assets.

"People are selling dollars and buying everything else," said an analyst at Pioneer Investment Management.

Fed: Rich Get Richer and the Poor Get Poorer

The "wealth gap" between the richest and poorest Americans, and between whites and minorities, widened further between 1998 and 2001, the Federal Reserve reported Jan. 22. The difference in median net worth between the 10% of families with

the highest incomes and the 20% of families with the lowest incomes, jumped by a whopping 70% from the second half of 1998 through the second half of 2001, according to the Fed's Survey of Consumer Finances, a telephone survey of about 4,000 families, conducted every three years. The gap between whites and minorities grew by 21%.

Net worth is the difference between assets (such as bank accounts, stocks, bonds, retirement accounts, houses, vehicles, business equity) and debts (mortgages, credit-card debt, loans). Stated another way, the median net wealth of the top earners, which was about 12 times that of lower-middle-income families during the 1990s, in 2001 surged to 22 times as much as that of the lowest earners.

Specifically, the net worth of families in the top 10% of incomes, skyrocketed by 69%, to \$833,600 in 2001 from \$492,400 in 1998; while the net worth of families in the lowest 20% of income, according to the survey, rose by 24%, to \$7,900. Median net worth for whites, rose 17% to \$120,900, but fell 4.5% to \$17,100 for minorities. The biggest gain in asset ownership, was in direct stock holdings.

While income for the top 10% of households jumped by 19.3% from 1998 to 2001, the survey claimed, income for the bottom 20% of households grew by 14.4%. For reasons that Fed officials had difficulty explaining to the *New York Times*, which carried the story Jan. 23, the median income for all non-white and Hispanic families barely increased.

At the same time, more people in the lowest income level had credit-card debt, and trouble paying bills. For the lowest 20% of income earners, the share of families with credit-card balances, increased 5.8% to 30.3%; while the percentage of low-income households at least 60 days past due on a debt, increased to 13.4% in 2001, from 12.9% in 1998.

Low Inflation? Not if You're Trying To Pay the Bills

A *CBS Market Watch* wire Jan. 20 poked holes in the financial gurus' mantra that the U.S. is enjoying a low inflation rate. "Only if you are an economist," *Market Watch* said, are you talking about deflation. But "the typical American household" is faced with higher prices for all sorts of basic goods and services: The price of fruits and vegetables increased 4.9% last year; energy costs zoomed 10.7%; transportation costs by 3.8%; and "gasoline costs were up a staggering 24.8% in 2002.... Housing costs were up 2.4%, and even water, sewer and trash collection service costs jumped 3.2%. Many families send their kids to private school and are trying to save for a college education. Education costs climbed 6.6%, including 6.2% in the category of 'tuition, other school fees and child care.'...

"Medical care is another staple of every household, and costs have increased here, as well," the report continued. "Somewhat surprisingly, the index for prescription drugs was virtually unchanged, though ... there are many that will dispute that. Hospital and related services led the charge, advancing 9.8%." While we hear a great deal about the specter of price deflation, "consumers can be understandably skeptical given the daily price escalation they face firsthand."

Job Cuts Grow at Leading Firms, Despite Continuing Talk of 'Recovery'

Among U.S. job cuts and layoffs announced last week:

***General Motors** will halt production at a truck plant in Flint, Michigan for a total of eight weeks, before the end of September. Starting next week, GM's Flint commercial truck chassis plant will be shut for one week each month through September, in addition to the annual two-week shutdown in July, affecting 500 workers. The world's largest automaker, also will halt production for two weeks at its Wilmington, Delaware, Saturn plant.

***Union Pacific**, the nation's biggest railroad, will cut up to 1,000 jobs this year, as it plans to slash costs by up to 20%,

blaming rising fuel prices and soaring insurance costs. The company will lay off up to 300 people by March, and will not fill retire 700 additional positions through attrition. First-quarter profit is expected to drop as much as 23%, compared to last year.

State Budget Holes Grow; No End in Sight

New York: Governor George Pataki (R) announced that the state's deficit is now at \$12 billion, up \$2 billion since the beginning of January. The \$12 billion represents \$10 billion projected for the next fiscal year which in New York begins April 1, and \$2 billion in this current FY. Pataki said, "We face a fiscal crisis today of a magnitude we have not confronted in our lifetime." He again made his "no new taxes" vow.

New Jersey: Governor James McGreevey (D) announced to a room full of mayors that a new \$1.3-billion hole in the state's *current* FY budget will "force" him to order "severe cuts across state." In this context, he warned the mayors that, "due to the dramatic deterioration of the budget," it was "simply impossible" to extend aid for towns and cities. Revenue is down from three taxes—personal income, cigarettes, and inheritance—for the first six months of this fiscal year.

Another revenue hole New Jersey has to deal with is the \$350 million in Federal Medicaid aid which has not been approved, on which it was counting for its health-care budget. It currently is projecting a \$5-billion deficit for next FY.

Connecticut: Governor John Rowland (R) announced layoffs of 1,000 more state workers—on top of 2,800 cut in the last eight weeks—as he demanded labor unions get serious about negotiating concessions.

Wisconsin: News of a still bigger revenue shortfall prompted Gov. Jim Doyle (D) to announce he's calling a special legislative session to get approval for emergency spending cuts, initially in the range of \$161.5 million. Miniscule in the face of the newly projected \$452 million *current* fiscal year deficit and an upward-revised \$3.2-billion shortfall for the next two-year budget cycle. Republican leaders scoffed at Doyle's approach, saying, "We've got a head wound, and he's putting a band-aid on it." Meanwhile, 31,000 state employee contracts are before the Legislature for renewal, inclusive of a 3% retroactive pay raise—an unlikely demand to be met.

Ohio: Governor Bob Taft (R) has taken aim at the state's poor, elderly, and disabled as an avenue to patch the growing budget hole, now over \$1 billion. Some 30,000 low-income parents will lose medical benefits, while 800,000 poor and disabled Ohioans will be cut from coverage of dental, eye, psychologists, chiropractic and podiatric visits. The Medicaid freeze Taft is seeking legislative approval for will cost hospitals \$180 million over two years, will force closure of many nursing homes, and will mean many people go without either food, heat or medical services.

Michigan: Governor Jennifer Granholm's (D) plan to cut \$127 million from public-school budgets as part of her budget-deficit fixing, will add to the Lansing school district's crisis. In Lansing, the state's capital, school administrators expect to cut \$4.7 million from this year's school budget, and may face teacher layoffs and school closings by next year.

League of Cities Looks for Band-Aid Solutions

Speaking at a national press conference, National League of Cities (NLC) president and New Haven, Conn. Mayor John DeStefano (D) described a nightmare week in his city, which went something like this: Tuesday, K-Mart closures and layoffs; Thursday, Pratt & Whitney closures and layoffs; and by Friday, the state of Connecticut laid off 1,200 state employees. And, for the first time in the history of New Haven, "I had to lay off nearly 100 city employees." The NLC has criticized the Bush "stimulus" plan as "doing little for cities," while its own plan, without changing the deregulation/anti-growth policy axioms, falls far short of addressing the hemorrhaging DeStefano described.

The NLC \$145.5-billion plan has three parts.

1. Boost consumer spending by having a \$75.5-billion Federal aid package to include such things as \$500 million in cities and towns for "transitional job creation"; \$10 billion for extension of unemployment benefits, etc.
2. Alleviate states' budget deficits with \$50 billion, for school repairs and renovation; unmet homeland security and infrastructure such as airport and port security, bioterrorism response, etc.; a one-time, one-year increase of Federal Medicaid payments, etc.
3. Buttress investments in current and future public infrastructure and service needs with \$20 billion for: first responders (police, fire, health workers); the nation's aging water infrastructure; transportation, housing, etc.

U.S. Infrastructure Breakdown Hits All Sectors at Once

Fuelled by Federal and state budget-cutting frenzy, U.S. infrastructure is crumbling ever faster. Some updates, by sector, not including aviation and rail, which are *in extremis*:

Housing: This week the Federal Department of Housing and Urban Development announced without warning, that they were implementing budget cuts of 30% to 50% to local programs—low-income housing, after-school childcare for the working poor, etc. For example, in Columbus, Georgia, the local Phoenix City Housing Authority will see a 46% cut in Federal aid. Add to this, that rates for sewer and water in Columbus, just went up by 30%!

The Springfield, Ohio Metropolitan Housing Authority was just notified it will see a 46% cut in Fed funds. It will lose \$850,000 this year, a quarter of its budget. These situations are typical.

In the District of Columbia, where there is a major increase of homelessness, 30% of the homeless are employed.

Water: Urban water mains are now cracking in the frigid cold, reflecting not simply bad weather, but decades of non-replacement, and poor maintenance.

Water supply shortages in Southwestern states have caused a major wrangle over which states will get scarce water from the Colorado River system, and other, very limited sources.

Drought-stricken agriculture counties, appealing for Federal aid, were snubbed by the Jan. 22 Senate vote of \$3.1 billion in disaster aid, instead of the requested \$6 billion plus, in line with past years' relief levels.

Social Services: Dislocation from joblessness and penury is proceeding way beyond any semblance of life-as-usual. In Denver recently, a mass of 8,200 people showed up for a job fair—the largest ever, since these occasions started in 1997.

Education: States are peremptorily hiking college tuition. This month Maryland decreed that a University Maryland out-of-state student must pay \$300 more for spring semester; \$100 more for in-state. Already, a year for an out-of-stater means \$14,000.

College Endowments Plunge—Along with Stock Market

Last year, college endowments suffered their biggest drop since 1974, due to the stock-market collapse. The average college and university endowment, invested overwhelmingly in stocks and bonds, lost 6.0%, while overall losses were \$14 billion in value during the 2002 fiscal year—the worst performance since 1974—on top of losing 3.6% during FY 2001, according to an annual survey of 654 higher education institutions by the National Association of College and University Business Officers (NACUBO). The two-year decline in endowment holdings—the first since NACUBO began its survey in 1971—has contributed to faculty layoffs, staff reductions, and a freeze on scholarship aid, new facilities and new programs. Through investment income, endowments (stocks, bonds, cash and real estate received as gifts) provide funds for financial aid, faculty salaries and other operating costs.

Banks Make a Killing on Overdraft 'Protection'

In a new version of the old "protection" racket, banks are aggressively encouraging customers with low balances to overdraw checking accounts, skirting credit laws, and reaping huge fees for the banks. Overdrafts have become a source of profit for the banks, who have put ATMs in supermarkets, especially in low- and moderate-income neighborhoods, as they move to depend more on fees than on interest from loans. Unlike traditional overdraft lines of credit for clients who have big balances, which usually charge an annual interest rate of up to 20%, the new programs (covering checks that would otherwise bounce) charge fixed fees of up to \$35 for each overdraft—representing an annual rate of 1,000% or more! Moreover, these overdraft programs require customers to re-balance their accounts in only a few days, and have limits of \$100-300. And the new programs automatically enroll almost every checking-account customer who does not have a traditional overdraft line.

The office of the Comptroller of the Currency, and the Indiana state banking department, have warned banks about the programs, since the overdraft fees translate into an annual interest rate that far exceeds the rates permitted by state anti-usury laws. The Federal Reserve is considering whether the programs should be made subject to "truth-in-lending" rules that require banks to disclose interest rates, fees, and other information to customers.

"The purpose of this is not, in my opinion, to help the consumer," said J. Philip Goddard, deputy director of the Indiana Department of Financial Institutions. "These programs are only to increase fee income."

Overall, banks will charge \$30 billion in ATM, bounced-check and overdraft fees in 2003—about 30% of their operating profits—and an increase of 14% from 2001, according to the Federal Deposit Insurance Corporation. Banks raised their overdraft fees by 24% from 1997 to 2001, according to the Federal Reserve.

U.S. Senate Approves Increase in Home Heating Aid

The Senate approved an amendment adding \$300 million in home-heating aid for the poor, which President Bush had proposed cutting. The amendment, sponsored by Sen. Jack Reed (D-R.I.), Sen. Susan Collins (R-Me.), and others, as part of the Federal government spending bill, brings the funding for the Low-Income Home Energy Assistance Program (LIHEAP) this year to almost \$2 billion, while Bush had sought a level of \$1.4 billion, \$300 million less than last year.

World Economic News

German Daily Warns: 'Inflation Will Return'

"Inflation Will Return," reads an op-ed headline in the German daily *Frankfurter Allgemeine Zeitung* Jan. 20, by a Frankfurt-based Goldman Sachs economist Jan Hatzius. While just three months ago, investors were worried about the threat of deflation, he notes, "reflation" is now the word on everyone's mind. Traditional inflation indicators, such as

money-supply growth and the gold price have been rising rapidly for several months. Furthermore, there is the "excessive private indebtedness," in particular in Japan and in the Anglo-Saxon economies. And, inasmuch as boosting inflation is always the easiest way to reduce the burden of nominal debt volumes, the long-term effect of this excessive debt is inflationary as well. Central bankers, such as Ben Bernanke of the U.S. Federal Reserve, have already signalled their commitment to use unconventional measures to stimulate the economy, even if interest rates have already been pushed down to zero.

France Challenges Maastricht Deficit Caps

Undermining the credibility of the Maastricht Treaty agreements of deficit limits, French Finance Minister Francis Mer abstained from the European Union vote warning France on its budget deficit, *AFP* reported Jan. 21. Fourteen European Union Finance Ministers voted to issue France an "early warning" on the size of its budget deficit, as close to the 3% limit of GDP set by the Maastricht Treaty, but Mer abstained, insisting that France would be unable to balance its budget by 2006. EU Economic Affairs Commissioner Pedro Solbes said forcing France to slash spending and reduce its deficit, "is essential for the credibility of the system."

Brazil Central Bank Raises Overnight Rates to Over 25%

Brazil's Central Bank raised overnight interest rates by a half-percent on Jan. 22, to 25.5%. This is the highest rate since April 1999, and the fourth time the SELIG, or benchmark rate, has been raised since October 2002, when it was 18%. Supposedly, the Central Bank, now headed by the former global chief of the Bank of Boston, Henrique Meirelles, decided this was necessary, to "signal" to the markets that "President Inacio Lula da Silva is prepared to sacrifice economic growth to fight inflation," as *Bloomberg* wire service put it. With 61% of Brazil's debt in the form of \$300 billion worth of public debt pegged to the overnight rate, the interest-rate increase hikes the government's debt-service costs by some \$550 million, were the rate to stay at 25.5% for 12 months.

Leaders of the National Industrial Confederation (CNI), the Sao Paulo Federation of Industrialists (FIESP), the National Agricultural Federation (CNA), and the National Producers Movement each individually protested that the interest-rate hike will heap new difficulties upon productive activity, by raising the cost of their capital, while also lowering domestic demand.

A general Brazilian financial crisis is once again rearing its head. The Brazilian real lost 8.3% of its value over the week of Jan. 20-24, to close the week back under 3.5 to the dollar (at 3.6225), despite the Central Bank selling dollars. The devaluation, too, adds to the government's debt load (half the government's real debt is indexed to the dollar), as does the fact that the yields on Brazil's benchmark bond rose as bonds lost over 4% of their value this week.

Venezuela Suspends Currency Trading; Begins Exchange Controls

After the bolivar dropped 1.6% in the first moments of trading on Jan. 22, hitting a record low in the official markets of 1,922 to the dollar, the Venezuelan government shut down all official trading of the dollar. Finance Minister Tobias Nobrega announced, in a midday nationwide broadcast, that sales would be suspended for five business days, until the government and the Central Bank decide upon a new currency regime to be adopted. Nobrega never used the word "controls," but said that these and further currency restrictions may last for several months.

Nobrega said the government acted to answer the growing discussion in "the markets," of the likelihood of a Venezuelan default. Capital flight out of the bolivar was accelerating: On Jan. 21 the bolivar was trading on the street for as much as 2,200 to the dollar, heading towards 2,500 by the end of the week. The currency had lost about a third of its value since the national strike began on Dec. 2, even though the government was spending some \$70 million a day to keep the currency

from dropping, at the same time that its revenues collapsed, due to the oil strike. *Bloomberg* estimates that foreign reserves (including a special oil-revenues fund) had dropped by more than 12% since Dec. 2, to \$11.3 billion.

The measures also reveal the "growing fragility of the banking system," one of the top people at Pacific Investment Management Co. (PIMCO) pointed out to *Bloomberg*.

The head of the Congressional Finance Committee, Rodrigo Cabezas, said the government may fix the bolivar at 1,500 to the dollar, until the state oil company returns production to pre-strike levels of 3 million barrels a day. That's months away, even were the strike to end tomorrow. Restarting production at oil fields and refineries is not instantaneous, and there are reports—which EIR can't vouch for, one way or the other—that up to 20% of Venezuela's fields have been permanently damaged, by being shut down for so long.

Ibero-American Currencies Diving

Ibero-American currencies are generally falling even faster than the U.S. dollar. The Chilean peso hit a record low on Jan. 21, as did the Mexican peso on Jan. 24, both falling to below 10.8 to the dollar. Colombia's currency also fell, if not to a new record. An intelligent person, looking at the across-the-board pattern of currency crises in Venezuela, Brazil, Mexico, Chile, Colombia, etc., would conclude these are not a series of isolated events.

World Food Program Warns Millions in Africa Suffer Hunger

The United Nations World Food Program warned that more than 38 million people in Africa suffer from food scarcity, according to the latest counts shown on their website "Hunger Alert" map. On Jan. 22, the U.S. Ambassador to Zimbabwe announced a \$20-million food-aid package for Zimbabwe; the UN estimates that only 30% of the farmland there is under cultivation.

United States News Digest

Virginia State Corporation Commission: Slow Down Drive for Energy Dereg

The Virginia State Corporation Commission is recommending, in the words of columnist Ross Mackenzie in the *Richmond Times-Dispatch*, that "Virginia should slow down in converting to a competitive retail electricity environment. The time to hit the brakes is now, in *this* General Assembly" legislative session.

The SCC report goes on to say: "With rare exceptions, retail competition"—that is, deregulation—"is not providing meaningful benefits anywhere in the nation. It has been tried now for several years, and has yet to yield sustained savings. Other states have recognized this fact, and delayed, abandoned, or severely curtailed retail choice."

Exhibit A: California, where electricity deregulation caused absolute disaster in 2000 and 2001. The SCC report describes that disaster in detail.

With deregulation, all control of Virginia's power would pass to the Federal Energy Regulatory Commission, FERC, which wants to enforce a so-called "Standard Market Design" (SMD) of a "Regional Transmission Entity" (RTE). But the SCC says, "This Commission is very concerned with the bedrock issues of service adequacy and service prices likely to be available to Virginia under FERC's proposal. As described in this paper, the proposed new FERC structure will hinder Virginia's ability to ensure adequate service at reasonable prices."

Lieberman Slams Gov. Ryan for Commuting Sentences of Illinois Death Row Prisoners

Senator Joseph Lieberman (D-Conn.), who has announced his campaign for the Democratic nomination for President, issued a strong condemnation Jan. 17 of former Illinois Governor George Ryan's historic commutation of all death sentences in the state of Illinois. Lieberman complained: "Governor Ryan's action was shockingly wrong. It did terrible damage to the credibility of our system of justice, and particularly for the victims. It was obviously not a case-by-case review, and that's what our system is all about." In fact, Ryan *did* review each and every case, and met with both victims' families and the families of the condemned.

New Jersey Doctors To Strike Against Malpractice Insurance Costs

New Jersey physicians are planning a work stoppage starting on Feb. 3 to force the state government to put a stop to exorbitant malpractice insurance costs. Several months ago, a rally was held at the State House by physicians, primarily by obstetricians, one of the hardest-hit groups.

In a notice circulated at doctors' offices, they state that starting Feb. 3, they will be open only for acute and emergency cases. They anticipate a strike of one week, but conditions will dictate its length.

New Jersey is considered one of the 12 "crisis" states targetted by the American Medical Association for reform of malpractice laws. Doctors' premiums for the mandatory coverage have increased 50-100% or more in the past 12 months, especially in high-risk specialties such as obstetrics, surgery, and radiology.

The underlying causes of this crisis situation are reported in the Jan. 17 issue of *EIR*; writer Linda Everett reports that in New Jersey, 65% of hospitals say that some physicians have left practice because of insurance premium increases.

However, the proposal by the physicians' organizations that people harmed by medical negligence should receive, besides compensation for medical costs and lost income, only up to \$250,000, is not viable. The problem can only be addressed by dealing with the collapse of the financial markets and the physical economy on the basis of the policies put forward by Lyndon LaRouche, including his proposal to "outlaw HMOs" and "managed health care."

U.S., Philippines Open Year-Long Joint Anti-Terror Exercises

Captain Steve Wollman, spokesman for the U.S.-Filipino Joint Special Operations Task Force, said last week that about a dozen U.S. Special Forces troops landed in the southern port city of Zamboanga on Jan. 18 for a 10-month training program aimed at improving combat capabilities against "Islamic extremists"—including the Abu Sayyaf gang.

Five special forces teams of between 200 and 300 U.S. troops are expected to arrive in two weeks to work with 16 Philippine light infantry companies. These are the first in a series of joint exercises that will continue through December 2003.

Arriving U.S. troops were met with "credible threats" from Abu Sayyaf—which, during similar exercises last year, was blamed for a string of bomb attacks in which one U.S. soldier and two Filipinos were killed.

U.S. Opposes Election of Libya as Head of UN Human Rights Commission

The United States opposed—unsuccessfully—the election of Libya to the post of chairman of the UN Human Rights Commission last week. For the first time in its history, the Commission was forced to vote on the position by the U.S., which said the Commission could not "reward Libya's terrible conduct" in regard to human rights. But the secret ballot turned out with 33 supporting Libya, three opposed (including the U.S.), and 17 abstaining (including the European Union). Libya will thus chair the March 17-April 25 session of the Commission. A Libyan Foreign Ministry spokesman said, "It is a shining victory which gives back their rights to the oppressed peoples."

Ignatius Echoes *EIR* Warning Against Rumsfeld Hit Teams

Establishment pundit David Ignatius, writing in an op-ed column in the Jan. 21 *Washington Post*, echoed *EIR*'s Jan. 17 warning against Defense Secretary Donald Rumsfeld's hit teams.

An unnamed official worried to Ignatius that the Pentagon may be seeking to develop "offensive propaganda" operations, such as covertly organizing pro-war parades in Europe, but without being subject to the usual process of Presidential "findings" that limit CIA covert action. The classified Pentagon "National Military Strategic Plan for the War on Terrorism," some aspects of which were leaked to the *New York Times* Jan. 17, showed that the Pentagon is seeking wider authority to attack terrorist entities.

What is the purpose of the Army's plan to train 1,000 Iraqi exiles in southern Hungary? (See [EUROPE NEWS DIGEST](#) for a report on this.)

Writes Ignatius, "Some officials speak of a potential function as 'military police' to maintain order in postwar Iraq. But some wonder if the Hungary training effort marks the latest step in the Pentagon's efforts to develop what amounts to a covert-action capability—in this case involving Iraqi opposition groups that the CIA has made clear it regards with suspicion....

"It's not clear what role, if any, secret U.S. military forces may be playing in the Bush Administration's efforts, disclosed last month, to target two dozen or so terrorists on a 'high-value target list.' That effort is largely under the CIA's control. But one former Pentagon official says he worries about the danger of plainclothes military operatives roaming the globe with what amounts to a 'license to kill' terrorists....

"CIA Director George Tenet is said to dismiss worries about Pentagon poaching on his territory.... But out in the field, Defense Department and CIA officers are said to be increasingly concerned that their traditional roles may be blurring. This anxiety stems in part, from a fear that as secret anti-terrorist programs proliferate, neither the military nor the CIA may know what the other is doing abroad.

"A similar kind of Washington turf war took place during the early 1960s.... The CIA had its legendary field operatives [in Vietnam], but an ambitious Secretary of Defense named Robert McNamara created his own version, through the dashing Gen. Maxwell Taylor and his Green Berets.

"Personally," Ignatius concludes, "I've never believed in the plots you see in spy movies, where murder-for-hire operatives for super-secret Defense or CIA cells, karate-chop their way around the world. The real world has too many lawyers for that kind of thing to happen, I thought.

"But the lawyers are in retreat. And these new turf wars aren't like the Customs Service fighting the Immigration and Naturalization Service. This stuff is dangerous."

Armitage Abandons Search for 'Smoking Gun' in Iraq, Says It Doesn't Matter

Deputy Secretary of State Richard Armitage has evidently abandoned the search for a "smoking gun" in Iraq, and conveyed that it really doesn't matter what the weapons inspectors do or don't find. Following the script laid out by former UN chief arms inspector David Kay in the Jan. 19 *Washington Post*—he wrote that the search for a "smoking gun" was a "fool's errand," and that the focus should be on the omissions in Iraq's recent weapons declaration—Armitage announced the Administration's new line Jan. 21 at a speech at the misnamed United States Institute of Peace.

Armitage said that the discovery two weeks ago of 16 chemical warheads and new documents about nuclear and missile programs was an important development. "But finding these 16 warheads just raises a basic question: Where are the other 29,984? Because that's how many empty chemical warheads the UN Special Commission estimated [Saddam] had, and he's never accounted for.

"Where are the 550 artillery shells that are filled with mustard gas; and the 400 biological weapons-capable aerial bombs; and the 26,000 liters of anthrax, the botulinum, the VX, the sarin gas that the UN says he has? We don't know because Saddam Hussein has never accounted for any of it....

"Now, there are those who still call for some kind of smoking gun," Armitage continued. "But there are thousands and thousands of weapons, tons of materials and precursors, and hundreds of key documents, including a credible list of Iraqi scientists that remain unaccounted for.

"Some people may say there is no smoking gun; but there is nothing but smoke...."

To emphasize the point, White House spokesman Ari Fleischer recited a similar list, of anthrax, botulinum, VX, and sarin, at the White House press briefing a short while later.

This list appears to be taken from the list of chemical and biological agents given to Iraq by the United States in the 1980s, during the Iran-Iraq war.

Deputy Defense Secretary Paul Wolfowitz made similar points two days later during a speech to the New York Council on Foreign Relations. Wolfowitz also listed the bio and chemical weapons that, he charged, Iraq has not accounted for (such as "two tons of anthrax growth media"); he accused Saddam of trying to recruit UN inspectors as informants, and of using "cyber intrusion to steal inspectors' methods."

The ultimate point: "We cannot expect that the UN inspectors have the capacity to disarm an uncooperative Iraq, even with the full support of American intelligence and the intelligence of other nations."

Texas Congresswoman Introduces Legislation To Repeal Congressional Resolution on Iraq

Congresswoman Sheila Jackson-Lee (D-Texas) and four co-sponsors have introduced a resolution to repeal the resolution voted up last October by Congress, giving President Bush powers to make war on Iraq whenever he deems necessary.

In a press release issued Jan. 21, the Texas Congresswoman called for the nation to "exercise caution in any military buildup in Iraq" and pressed for Congress to "re-examine the threat posed by Iraq," as the reasons she introduced legislation to repeal Public Law 107-243, the "Use of Force Against Iraq Resolution." Joining Jackson-Lee in filing the legislation were Congressmen Lee, Kucinich, Dan Davis, and Watson.

FBI Recruiting Campus Police into Anti-Terrorism Operations

Feeding fears that 1960s-style FBI Cointelpro spying and dirty tricks will be revived, the FBI has begun working closely with hundreds of campus police departments, in part to gain access and information on students from the Middle East. In at least a dozen cases, the *Washington Post* reported Jan. 25, the FBI has brought campus police officers into the local Joint Terrorism Task Force. In some cases, campus cops have been given security clearances, with the result that they are working on cases about which their superiors in campus police departments are not allowed to know.

In some areas, the FBI has asked universities and colleges for detailed lists of foreign students and faculty, drawing protests from academic groups and several U.S. Senators.

The *Post* recalled that in the 1950s and '60s, the FBI infiltrated student groups, stole membership lists, compiled dossiers on student leaders, and even produced bogus student newspapers to spread dissension among student groups.

Simultaneously, according to the *New York Post* of Jan. 25, the FBI has launched a massive operation to interview Iraqis living in the U.S., in what is described as the biggest intelligence sweep since World War II. It is estimated that over the next few months, 50,000 of the 300,000 Iraqis in the U.S. will be interviewed. The FBI claims to be looking for potential Iraqi spies and terrorists, but is also looking for anyone who could provide information that could be used to help overthrow Saddam Hussein. The interviews, which began about six weeks ago, have caused some Iraqis to fear that they may be deported.

Ibero-American News Digest

'Friends of Venezuela' Attempt To Save the Disintegrating Nation

During the Jan. 15 inauguration of Ecuador's new President Lucio Gutierrez, a "Friends of Venezuela" group was patched together on the sidelines, by Brazil, the United States, Mexico, Chile, Portugal, and Spain. (The U.S. was the only country that didn't send its head of state or high-level official to the inauguration—a fact which irritated many of the attendees. Because of this, its representative, a low-level White House official, couldn't participate with the other heads of state who met to set up the group.) The group was formed at the initiative of the Brazilian government and then backed by the United States, with the intent of assisting arrival at a peaceful resolution to Venezuela's internal crisis.

Venezuelan President Hugo Chavez immediately protested that the group was not broad enough, and demanded that Russia, China, France, Trinidad, and possibly Cuba be invited to join. But in a quick Jan. 17-18 trip to Brasilia, where he met with President Inacio Lula da Silva and Foreign Minister Celso Amorim, Chavez agreed, "for now," to accept the group's current membership. He objected to the presence of the U.S. and Spain, as both governments back early elections, but told his supporters upon returning to Venezuela that "we will give Lula and his government our vote of confidence to form this group to help Venezuela."

The foreign ministers of the six countries held their first meeting, behind closed doors, at the Organization of American States headquarters in Washington on Jan. 24.

Chavez-Dominated Supreme Court Votes Down Referendum on Venezuelan Presidency

A Venezuelan Supreme Court conveniently reduced to its members who are supporters of embattled President Hugo Chavez, voted Jan. 22 to block a Feb. 2 referendum on Chavez's Presidency. That referendum has been the focus of much

of the anti-Chavez opposition's organizing, since 2 million signatures on a petition demanding such a referendum were delivered to the National Electoral Commission last November. The Supreme Court ruling specifically orders the Electoral Commission to "freeze" the holding of the referendum, and forbids it to organize any other elections. Chavez told a *Newsweek* interviewer on Jan. 16 that in any case, he would not resign, even if he lost a referendum.

Possibly in anticipation of the reaction to the Supreme Court ruling, pro-Chavez forces were bused into Caracas from around the country on Jan. 23 for a demonstration in support of the government. A half-million people participated (not an extraordinary number to be out on the streets these days in Venezuela). According to the international wire services, prominent throughout the march were the Chavez emblem of the red beret, and signs bearing Marxist guerrilla Che Guevara's face, and praising Castro's Cuba as the model for the "new Venezuela" under Chavez. One of the demands heard was for a nationwide boycott of Coca-Cola, whose visible CEO in Venezuela is the hated billionaire Gustavo Cisneros, whom Chavez is holding up as the "enemy image" who controls the opposition.

Only a week before, Chavez ordered the National Guard to raid a Coca-Cola subsidiary, alleging that the company was hoarding soft drinks. The way the raid was carried out as a major publicity stunt against Cisneros, was a transparent move to rev up Chavez's supporters. (Cisneros was key in putting Chavez in power originally, but now has thrown his power and influence behind the opposition.)

Before the Supreme Court ruling, former U.S. President Jimmy Carter was in Venezuela to do some last-minute "mediating." First he went on a fishing trip with oligarch Gustavo Cisneros, and afterwards, he met with Chavez. Although his latest peace proposal hasn't been fully publicized, it appears to offer shorter rule for Chavez in exchange for a postponement on the opposition's referendum until Aug. 19, which has been Chavez's position all along and something to which the Supreme Court ruling lends itself.

Ecuador's New President Imposes 'War Economy' To Please IMF

Ecuador's new President Lucio Gutierrez imposed a "war economy" as his first act in office, to seal a standby loan with the IMF. In a nationally broadcast speech Jan. 19, Gutierrez charged that his predecessor Gutavo Noboa had left him an economy "in chaos," which now required the imposition of severe austerity to deal with a fiscal deficit in the range of \$2.2 billion. At Gutierrez's side was Finance Minister Mauricio Pozo, who explained that the government has decided to sign a standby agreement with the IMF, supposedly to get "up to" \$500 million in financing. The "war economy" immediately entails an increase of more than 35% in the price of gasoline, and a freezing of public-sector wages for the rest of this year. Gutierrez had manically announced Jan. 17 that "the IMF believes in this government," and predicted that toward the end of the month, there might be "good news" that Ecuador had reached an agreement with the Fund.

The previous government had negotiated with the IMF for months for a \$240-million IMF standby loan, but no agreement was reached due to internal resistance to austerity conditionalities. Now Gutierrez, an ally of Venezuela's Hugo Chavez, with the same Jacobin profile, raves that the IMF "trusts" him, as he embarks on a policy path that will guarantee mass upheaval.

Bolivia Descends into Chaos with Coca Growers' Uprising

At least 11 people, and possibly as many as 18, were killed in the first five days of the coca growers' uprising in Bolivia, which began Jan. 13, and continues with no sign of let-up. The Army and police have succeeded in clearing all blockades off the main inter-city highways at various points, but few dare use them, for fear of being attacked by the *cocaleros*, who were reported to be caucusing about other methods to close the highways (such as nails on the roads, etc.). The blockades have left more than 100,000 people in the Chapare region without gasoline, bread, and vegetables, just as an outbreak of dengue fever has hit.

Protests are becoming generalized, as people take to the streets against the Free Trade Accord of the Americas, and against the Sanchez de Losada government's economic policies generally. Barricades of garbage cans and burning tires thrown up by protesters closed streets in the city of Cochabamba; retired pensioners held a dramatic march to the capital; and on Jan. 23, indigenist terrorist Felipe Quispe announced that his peasant base would be joining the protest.

Bolivian military sources emphasize that the situation is very difficult and highly charged—but it was entirely predictable. The first 100 days of the Sanchez de Losada government are over, and so is the truce. When the Bush Administration refused to permit the government to prolong a pause in coca eradication, that gave the *cocaleros* the excuse they wanted to go into action. The sources emphasize that the underlying cause of the conflict is economic. The situation is now radicalized, and it is difficult to foresee how the conflict could be damped down, under the current free-trade privatization policies.

Western European News Digest

Polish President Takes Position Opposite to Pope on Question of War and Peace

Polish President Aleksandr Kwasniewski has taken a stance totally opposite to that of Pope John Paul II (who is a great hero in Poland), on the fundamental questions of war and peace. The Pope recently came out with a statement against any war on Iraq—a statement then echoed by key figures in the Vatican Secretariat on Foreign Affairs, including Cardinal Angelo Sodano; former UN Ambassador Archbishop Renato Martino, currently president of *Justitia et Pax*; Cardinal Tauran; and Cardinal Roger Etchegarray.

However, after President Kwasniewski's Jan. 14-15 visit to the U.S., where he met with President Bush, it seems that Poland has been selected as a lever in the attempt to split the resistance among continental European governments to a possible U.S. war against Iraq.

The Bush Administration, which considers Poland "its most loyal ally" in Europe, seems to be trying to use President Kwasniewski—who is mooted as a potential successor to NATO Secretary General Lord George Robertson—as an Anglo-American Trojan Horse in Europe. In January, the Bush Administration sold 48 F-16C fighter jets to Poland, providing exceptionally favorable financing conditions. Earlier the U.S. had donated an Oliver Hazard Perry-class frigate to the Polish Navy.

During Kwasniewski's visit to Washington, the Bush Administration signalled that it sees Poland as a key ally against Saddam Hussein, and as a "counterbalance" to European allies who mostly oppose a war against Iraq. President Bush called Kwasniewski "his best friend" in Europe. In turn, the Polish President spoke about a "new chapter" in U.S.-Polish relations, and promised that Poland would contribute troops in a possible war with Iraq.

Similarly, the government of Hungary is helping the U.S. in preparations for conflict. According to the Jan. 15 issue of the German paper *Handelsblatt*, the U.S. Army is using the military base Taszar, south of Budapest, as a training ground. At the end of January, 3,000 Iraqi exiles are to arrive there, to be trained by 1,500 U.S. Special Forces—so that these exiles can be used in Iraq in the "post-Saddam era" in administrative jobs and as liaison officers with the U.S. military. For seven years the U.S. military has been using this military base, from which U.S. peace-keeping forces were deployed during the Balkan Wars.

On Dec. 20, the Hungarian government gave permission for the U.S. to use the base in Taszar as a training ground. Originally, the U.S. had considered using one of its bases in Stuttgart, Germany.

But since the Hungarian agreement, U.S. military equipment has been delivered and the U.S. Army has hired 500 Hungarians to help set up. Some of the residents, *Handelsblatt* writes, fear terrorist revenge attacks, if war should start.

On Jan. 17, Hungarian Defense Minister Ferenc Juhasz told a news conference that his government is ready to make its airspace available to the United States, in case of war.

British Circles Want To Discredit Schroeder, Undermine French-German Relations

"There are high-level British interests who are determined to discredit [German Chancellor Gerhard] Schroeder, because they are very concerned, about the recent upgrading and improvement of Franco-German relations," a well-informed City of London source told *EIR* Jan. 20. He was commenting on the fact that the *Mail on Sunday* tabloid had published a new round of "scandal revelations" against the German Chancellor on Jan. 19, after having defied a court ruling that it could not continue printing its anti-Schroeder "revelations."

The City of London source said: "Schroeder has been becoming much more friendly with the French. There is a great deal of concern in London at the last Franco-German moves to reform the European Union institutions, and to set up a two-Presidency structure for the EU. And then, this week, there are the big Franco-German meetings, for the 40th anniversary of the Adenauer-de Gaulle agreements of 1963. There is much sensitivity to this in London." (For coverage of the Franco-German Treaty, see INDEPTH.)

"Relevant to this, is that Tony Blair's own office announced this weekend that the British referendum on the euro would be delayed. This also shows a cooling toward the EU. Frankly, the British establishment was much happier with Schroeder, when he put himself forward as the continental counterpart to Tony Blair. But this pro-French orientation irritates them."

The source also said that Iraq is "a background factor" in the whole mood in London, given the reluctance of the "euro-zone" countries about the war, in contrast to Blair's gung-ho support for the war, but the Franco-German moves, in and of themselves, strike a more immediate and deeper chord.

Britain Running Biggest Propaganda Campaign Since Suez in 1956

"We are currently in the midst of the largest propaganda campaign waged by any British government since the attack on Suez in 1956," charged Mike Berry, head of the University of Glasgow Media Group, in the lead letter to the London *Guardian* Jan. 22, published under the title, "Scare Tactics over Iraq."

Berry wrote: "The Blair government has tried the Iraq weapons dossier—rubbished by defence analysts and the Iraq human rights dossier—condemned as cynical and opportunistic by Amnesty International. Now it appears to have embarked upon a massive propaganda effort, to link Iraq to terrorism, and has started fabricating stories about imminent terrorist threats to Britain. These have been done by having the security services leak unattributable stories to various media organs."

He then enumerated the recent barrage of stories, as well as the high-profile arrests in London of alleged al-Qaeda members found with supplies of the highly toxic ricin. In this and similar cases, Berry charged, the suspects are usually released without charges being brought, "but by then, the operations have already served their purpose, in helping to generate a climate of pervasive fear across the country. The purpose of this, is to scare the population into believing that an attack on Iraq will somehow improve their security, by removing a potential terrorist sponsor."

Berry asserted: "In the days and weeks leading to the Anglo-U.S. attack on Iraq, no doubt more lurid threats will be

'uncovered.' Recently in Glasgow, there have been reports that terrorists are planning to poison the water supply. No proof or evidence of any kind offered, just rumour. I hope that the *Guardian* will treat such stories, which fit so closely with the government's agenda, with a healthy dose of skepticism."

Blair is signalling precisely what Berry warned about. The *Guardian* reported on Blair's fanatically pro-war statements to a British Parliament group, and then wrote: "He also bluntly warned that an attempted attack on Britain by terrorists was inevitable, despite the arrest of 3,000 terrorists worldwide since Sept. 11." The *Guardian* quoted Blair: "Do we really doubt that, if these terrorists could get hold of these weapons of mass destruction, that they would not use them? The most frightening thing, is the coming together of fanaticism and the technology capable of delivering mass destruction and mass death."

Manufacturing Hit Hard in Britain, Germany

The British industry association CBI has put out a new report, noting that the number of UK manufacturing companies operating below capacity has climbed to a 20-year high. The leader of Britain's biggest private-sector trade union warned that manufacturing in the United Kingdom could be dead with 20 years.

Meanwhile, according to the *Financial Times* Jan. 24, European machine-tool production plunged by 14% last year, due to rapidly falling demand worldwide. CECIMO, the European machine-tool association which covers the 15 largest European producers, including those from Switzerland, Turkey, and the Czech Republic, reports that output last year fell to just 17.1 billion euros, compared to 19.8 billion in the year before. It was the first annual decline in output since 1993. The producers associated with CECIMO account for about one-half of the global machine-tool production. European demand for machine tools fell by 17% last year, while sales to U.S. manufacturing plunged sharply as well. Output in France and Italy fell by 5%, in Spain by 8%, in Germany by 17%, in Switzerland by 20%, and in Britain by 29%.

Police Conduct Raids on Islamist Cells in Germany

Six hundred policemen were deployed in raids on Islamist cells in Germany Jan. 24. In what comes as a German move in the context of a European-wide police operation, police searched offices, flats, meeting sites, and cars, as well as computers, of altogether more than 1,000 members of groups with suspected links to the al-Qaeda network. Three arrests were made in Lower Saxony, which was the main focus in the police operation in Germany.

Threats of new al-Qaeda terrorist acts were also pointed at by German Interior Security Minister Otto Schily, after talks with U.S. Attorney General John Ashcroft. Schily did not specify the nature of the threats, but said that security measures would be upgraded to counter the threats.

Also Jan. 24, the Bundeswehr began deploying almost 3,000 troops for 24-hour protection of 95 U.S. military and military-related installations throughout Germany. This is being done under a decree of the German Ministry of Defense, in response to an official U.S. request.

France Breaks with Britain, U.S. on Zimbabwe

France is breaking with Britain and the U.S. on Zimbabwe, and has invited President Robert Mugabe to a Franco-African summit. The invitation to Mugabe to attend the summit in Paris on Feb. 20-21, signed by French President Jacques Chirac, has produced "fury" in the British and U.S. governments, and among British and European parliamentarians, according to the *Zimbabwe Independent* Jan. 24.

Foreign ministers of the European Union (EU) are to "discuss at their general affairs council meeting [Jan. 27] what MPs on both sides of the English Channel are calling the most serious breach of the sanctions regime yet," says the *Independent*. The U.S. State Department said the French decision was "regrettable" and urged the application of EU sanctions in a "consistent and effective manner," according to *Voice of America News* Jan. 25. France, however, cites the exception in the sanctions regime for meetings promoting democracy and human rights in Zimbabwe.

British Prime Minister Tony Blair is now supposed to have reached agreement with the French government, according to which he will drop objections to Mugabe's attendance in exchange for a commitment from France to back the renewal of EU sanctions, which expire Feb. 18. Sources told the *Independent* that Blair had to accept the deal "after it emerged that some EU countries including Italy, Portugal and Greece, were unwilling to support the resumption of sanctions, claiming they were not working." Renewal requires the unanimous vote of all 15 EU members.

Russia and Central Asia News Digest

Franco-German Position Against War Endorsed by Russia and China

Russian Foreign Minister Igor Ivanov, meeting his Greek counterpart in Athens Jan. 23, stated his agreement with the leaders of France and Germany that "there is still political and diplomatic leeway to resolve the Iraq issue." Ivanov added that "Russia deems that there is no evidence that would justify a war in Iraq.... We hope that no country will take unilateral action outside of UN resolutions.... If that happens, Russia will do all that is necessary to return the process to the path of diplomacy. The efforts of the international community must be directed now at helping international inspectors perform their mission. This is the direction which we intend to pursue along with, among others, the European Union."

German Chancellor Gerhard Schroeder and Russian President Vladimir Putin conferred by telephone Jan. 24, sharing the view that everything must be done to give the inspections the time and help they need, without resort to military methods.

Also on Jan. 23, the Foreign Ministry of China announced that China's position on Iraq is "extremely close to that of France," and that Beijing is looking forward to working with Paris to prevent a war and to consolidate the inspections.

Gulf States Call for Stepped-Up Russian Role To Prevent Iraq War

The English-language Saudi paper *Arab News* reported Jan. 22 that member-states of the Gulf Cooperation Council have called on Russia to step up diplomatic efforts to prevent a threatened U.S. war against Iraq, and to resolve the crisis peacefully. "We call on Russian diplomacy to be more active at this delicate stage and to carry out diplomatic efforts aimed at finding a political and peaceful solution to the Iraqi crisis and prevent war which we all reject," GCC Secretary-General Abdul Rahman Atiyya said.

Opening the inaugural meeting of a business forum between the GCC states and Russia, Atiyya said the six-member bloc was concerned about war affecting the people of Iraq, and the country's stability, unity, and territorial integrity. In his speech, delivered on his behalf by Dr. Anwar Al-Abdullah, director of energy and economic affairs at the GCC Secretariat, Atiyya also warned of the impact another war would have on the stability of the whole Gulf region.

The Russian delegation was headed by former Russian Prime Minister Yevgeni Primakov, now chairman of the Russian Chamber of Commerce and Industry, who has decades of experience as a Mideast specialist. He was quoted by *Arab News* as warning that a U.S. war against Iraq could split the world along religious lines, as well as leading to internal conflicts in many states.

Primakov met in Riyadh with Saudi Crown Prince Abdullah, deputy premier and commander of the National Guard, the *Saudi Press Agency* reported.

Gulf Cooperation Council Seeks Expanded Trade with Russia

The GCC-Russia business conference, held in Jeddah, aims at promoting Gulf investments in the Russian Federation, especially the energy sector. Moscow estimates that total investments from Gulf states in Russia stand at just \$100 million. "This conference will serve as a launching pad for a comprehensive economic partnership between the GCC states and Russia with a long-term perspective," GCC Secretary-General Atiyya said.

The forum called for joint investments in basic industries such as petrochemicals, oil refining, energy services, the natural gas industry, minerals, food, medicine, electricity, and water. It also demanded an increase in trade exchange and transfer of technology.

Georgi Petrov, vice chairman of the Federation of Russian Chambers of Commerce and Industry, described the forum as an important step toward opening more business areas for cooperation. "These areas will not be limited to energy, but will cover various other economic and commercial areas," he said, and underscored the growing economic and commercial ties between the Arab world and his country. Mohammed Al-Manie, chairman of the Federation of GCC Chambers of Commerce and Industry, said there is more scope for cooperation between the two sides. He hoped that the forum would remove the obstacles facing the growth of bilateral ties.

Ibrahim Al-Jomaih, a member of the Jeddah chamber's board, expressed the Saudi Kingdom's desire to strengthen cooperation with Russia. Al-Jomaih called for a joint trade agreement to set out strategies for industrial and commercial cooperation. He stressed the importance of holding trade exhibitions and exchanging visits by business delegations. This conference comes as a follow-up to the Saudi-Russian initiative for expansion of economic and strategic ties, launched late last year with the visit of former Saudi intelligence director Prince Turki al-Faisal. That initiative was intercepted, but not stopped, by the Moscow theater hostage-taking terrorist operation on Oct. 23, 2002.

Saudi Daily Highlights Russian Economic Interest, Diplomatic Mediation in Persian Gulf

A Jan. 21 editorial in the Saudi daily *Arab News*, titled "Russia and Iraq," presented this analysis: "Washington certainly will not have been pleased, but this week's deal between Iraq and Russian oil and gas companies may be as politically significant as it is commercially." It described the previous week's deals between Iraq and Russian oil companies as a triumph for Russia. "The oil field development deals for Russian firms Stroytransgaz and Soyuzneftgaz, and the return of Lukoil to the West Qurna oil field, from which it had been thrown out last year for failing to start contracted work, is something of a business triumph. Russian oil companies already have a direct interest in a third of Iraqi oil and gas production," *Arab News* stated, adding, however, that these assets could become worthless in the event of a U.S. attack on Iraq.

Arab News further argued: "Russian activity in Iraq should not, however, be seen in isolation. It is part of a wider interest in the Middle East, which is prompted this time not by geopolitical rivalry but by commercial considerations. The Russians can be expected to make better use this time of their relations with the region, than they did during the Cold War. From the moment they eased the Americans out of the Aswan Dam project in 1956 to the day Anwar Sadat threw them out of Egypt in 1972, Moscow's men made a series of errors in their attempts to win hearts and minds in the Middle East."

The editorial concluded with an unprecedented call for Russia to come to the region and counterbalance the U.S. presence. "Even though modern Russia is most unlikely to offer any regional military engagement, it is probable that its growing

commercial interests in the Middle East will act as an important counterbalance to a United States ever more willing to throw its weight around. At present its influence is unlikely to be decisive with the White House, but Russia's deals in Iraq should nevertheless give President Bush and his team pause for thought."

Glazyev Speaks at Zayed Centre

Dr. Sergei Glazyev was hosted Jan. 19 in Abu Dhabi at the Zayed Centre for Coordination and Follow-up, to speak on "The Economic Policy in Russia in the Context of Globalization." Former Minister of Foreign Economic Ties and former chairman of State Duma's Committee on Economic Policy and Business, Glazyev is a member of the State Duma and of the Russian Academy of Sciences. He also holds a post at the Russian Chamber of Commerce and Industry, now headed by Yevgeni Primakov. During his visit to the United Arab Emirates, Glazyev also took part in the first business forum, held between Russia and the Gulf Cooperation Council nations.

According to a summary provided by the Zayed Centre, Glazyev reported on the process of looting of the Russian economy over the last decade, particularly the targetting of the oil, electricity, and aerospace sectors for foreign takeover. The U.S. circles involved in these operations, he said, were not just after profits, but sought to control Russian policy-making.

Glazyev presented his views on threatened Iraq war, on Russian trade relations with Europe, NATO expansion, the territorial question in Russian-Japanese relations, and the "artificially created" crisis around North Korea. According to the Zayed Centre summary, "he suggested that some people in the U.S. Administration wanted to assume the role of world giants to be at the head of a new Roman Empire. He was critical of the influence of Brzezinski and the like's writings on the minds of Bush's aides in foreign policy, which might lead to a permanent world war.... He added that in the face of the new American designs and escalation of tension, it was imperative to intensify international cooperation and solidarity to counter the philosophy of the new world empire."

Glazyev strongly defended Russia's nuclear energy cooperation with Iran.

On the conflict in Chechnya, "The Russian expert said that it was not a war between Muslims and Christians or between Chechens and Russians. It was a war that was being waged by some criminal organizations that were trying to internationalize it for the sake of reaping huge profits. He termed it an economic war against Russia, instead of being a cultural or political war. He hoped through negotiations, Russian and Chechen leaders would succeed in establish peace in Chechnya."

In conclusion, Glazyev urged Arabs to invest in Russia, as offering the greatest growth prospects in the world.

Russian Envoy in Intense North Korea Meetings

Russian Deputy Foreign Minister Aleksandr Losyukov met for six hours with North Korean leader Kim Jong-il on Jan. 20, this being the main event during a visit to Pyongyang by Losyukov and a group of Foreign Ministry colleagues, as emissaries of President Putin in an attempt to cool the North Korea crisis of recent weeks. Losyukov stopped for consultations in Beijing, on his way to Pyongyang and while returning.

At a press conference given Jan. 24 in Moscow, Losyukov called the mission "productive and useful," expressing "some optimism" about the possibility for a peaceful solution. He said there were grounds for eliminating the international community's concerns about possible North Korean development of nuclear weapons, while the United States could eliminate North Korea's fears of U.S. attack. Losyukov emphasized the need for direct U.S.-North Korean contacts,

warning that a push to take the matter to the United Nations Security Council (as U.S. Undersecretary of State John Bolton and others have proposed) "will be viewed by the North Korean side as an attempt to exert even more pressure," after the cut-off of fuel oil.

Losyukov reported that President Putin briefed President Bush Jan. 23, on the outcome of the Russian diplomatic visit, and that he personally had reviewed its details with Deputy Secretary of State Richard Armitage, visiting Moscow that day.

India's Defense Minister in Moscow

On Jan. 17, India's Defense Minister George Fernandes arrived in Moscow and met with his Russian counterpart, Sergei Ivanov. The two sides signed an agreement on military technological cooperation. Fernandes said, according to *Kommersant*, that the agreement included joint construction of a fifth-generation fighter aircraft. The document also provides for the creation of joint-stock companies in the defense industry, which Fernandes said would provide a solution for certain problems which existed in this sphere before.

Finnish Analyst: 'Eurasian Railway—Key to the Korean Deadlock?'

Markku Heiskanen's article under this title has been published on the *nautilus.org web site*, specializing in Asia-Pacific security matters. Heiskanen, now at the Nordic Institute of Asian Studies, was instrumental when at the Finnish Foreign Ministry, in arranging an April 2002 Eurasian Railway conference in Helsinki with top-level Russian and Chinese participation.

"What is under way now," Heiskanen writes, "could mark the beginning of 'a new logistical world order,' probably constituting new large-scale conceptions in international relations, not least by introducing a new (yet ancient) region of continental peaceful cooperation in Eurasia." Heiskanen relates this directly to the present increased tension on the Korean Peninsula. "The reconnection of the trans-Korean railway would be of the utmost importance as a confidence- and security-building measure on the Korean Peninsula," he writes. "The further connection of the trans-Korean railway with the Eurasian railways networks through Korea's gigantic neighbors China and Russia opens up prospects for the Eurasian railways to become an important multilateral confidence and security resource, not only on the Korean Peninsula but in the whole of Northeast Asia."

Heiskanen gives the Eurasian Land-Bridge a particular Northern twist, noting that the line through Korea and the Trans-Siberian Railroad to Moscow, St. Petersburg, Helsinki, and further north to the Norwegian port of Narvik, could also reinvigorate the traditional sea trade from Narvik to the east coast of the Americas. This was, for obvious reasons, an important focus of the Helsinki symposium last year, although Heiskanen is well aware that it is only one "link" of such a land-bridge. Heiskanen reports that the Chinese Ministry of Railways and the International Union of Railways (IUC) had also organized a symposium in Beijing last December to study the recently complete IUC's "Northern East-West Corridor" project to open a freight corridor from China to the eastern coast of the United States, via the Eurasian railways and the deep-water ice-free port of Narvik. U.S. Department of Commerce representatives attended the Beijing conference.

Reflecting the concepts promoted by *EIR* worldwide during the past decade, Heiskanen expresses an understanding of the strategic significance of the Land-Bridge. "The increasing transfer of freight transportation from the sea routes via the Suez Canal, and eventually even the Panama Canal, to other alternative routings, and an eventual increase in passenger train traffic between Europe and Northeast Asia, would reflect positively on the economies of the whole region, Japan's included, and not least the Russian Far East, with its abundance of natural resources."

Russian Petroleum Transport Infrastructure To Stay in State Hands

Russian Prime Minister Mikhail Kasyanov told oil businessmen on Jan. 10, that all new oil and gas pipelines constructed in Russia will be state-owned. Most of the fuel oligarchs had plans to construct privately owned pipelines: Yukos anticipated owning 51% of the planned Angarsk-Daqing pipeline, running from East Siberia's Irkutsk region to China, as well as a quarter of the stock in a new West Siberia-Murmansk export pipeline, to be built through a consortium with Lukoil, TNR, and Sibneft. Russia-Petroleum, which is co-owned by British Petroleum, TNR, and Interros, intended to have full ownership of a natural gas pipeline connecting the Kovykta gas fields with China.

"We are quite disappointed," Sibneft vice president Alexander Korsik told Mikhail Kasyanov, according to *Vedomosti* of Jan. 13. By contrast, Sergei Grigoryev, vice president of the state-owned pipeline construction monopoly, Transneft, was pleased with Kasyanov's announcement. He said the state would seek loans for pipeline construction, and that the private companies would be able to economize on their own investments. Grigoryev emphasized that the government will make the decision on which pipelines get top priority. He does not exclude the possibility that the first project for action will be the pipeline connecting Irkutsk with Nakhodka Port in Russia's Far East, which was just discussed between President Vladimir Putin and Japanese Prime Minister Junichiro Koizumi.

The conflict between the private companies and Transneft heated up right after the four major firms declared their intention to construct the West Siberia-Murmansk pipeline, and upgrade the Port of Murmansk, expressly to make it the major facility for exporting Russian oil to the United States. They want to raise the share of Russian oil in U.S. exports from 1% to 15%. This unprecedented accord among the four firms despite difficult relations between Lukoil and Yukos, Yukos and TNK, and TNK and Sibneft, emerged two days after the meeting of Presidents Bush and Putin near St. Petersburg in November 2002.

Baltic Shipping Paralyzed, Russian Infrastructure Damaged By Cold

As of mid-January, with unusual cold throughout Scandinavia and Northwestern Russia, the Baltic Sea had almost completely frozen at the Gulf of Finland. It became physically possible to walk across it safely, from St. Petersburg to Stockholm. Sea and rail transport was paralyzed. On Jan. 13, the St. Petersburg Marine Administration banned small ships without ice protection from entering the Port of St. Petersburg. The Oktyabrskaya Railroad suspended delivery of cargoes to the Vysotsky Port. Both ports are jammed with freighters, while importers and exporters lose millions of dollars. In addition, Russian companies will have to pay fines for delays in delivering coal and timber to Western Europe.

In St. Petersburg, 4,000 water line breaks were reported in the first week of the new year. The town of Tikhvin (population 22,000) in Leningrad Province lost all heat, as did half the town of Valday in Novgorov Province. Governor Valeri Serdyukov of Leningrad Province was besieged by the citizens of Tikhvin when he arrived in the frozen town to address local officials.

Also in St. Petersburg, personnel at the A.I. Ioffe Physical Technological Institute had to burn fires through the night to protect the Institute's experimental thermonuclear reactor, after the rupture of a hot water pipe. Academician Zhores Alfeyorov, the Nobel Laureate in physics who heads the Ioffe Institute, said that the reactor was saved by pensioners, retired scientists who continue to work there, because the Institute has lost its government subsidies and cannot hire younger staff. Neither the Ioffe Institute nor the St. Petersburg branch of the Russian Academy of Sciences has the funds to repair the heating system, according to press reports in St. Petersburg. The scientific center now expects to have to cancel a science conference planned for next summer, which was to have been an occasion to advertise its scientific work.

Russian Central Bank Will Reduce Dollar Dependency

The Bank of Russia announced Jan. 24 that it has "no less than 50%" of its \$48.1 billion reserves invested in dollar assets, *Prime-TASS* reported. But this state of affairs will be changed. The Russian Central Bank said it will reduce its dollar-

denominated assets in favor of euros, British pounds, or Swiss francs.

Russian Experts Criticize the IMF

The program of a "global system of bankruptcies" (of nations), made public by IMF's ghoulish vice president Anne Krueger on Jan. 8, will just create an additional bureaucratic body, not solve any problems, believes Alexander Ovchinnikov, chief of debt analysis at the Moscow-based Trust & Investment Bank (DIB Bank). "The new bankruptcy committee will just duplicate the functions of the already existing Association of Creditors in Developing Markets, London Club, and Paris Club," *Kommersant* quoted Ovchinnikov as saying on Jan 10. "The foundation of the committee will also not solve the problem of panic, which usually accelerates the crisis of a national financial system, the investors pulling out of the poor country—as the very fact of a country's appealing to the committee will cause panic."

Another Russian commercial banker, Yevgeni Gavrilencov of Troika-Dialog, said, "The IMF has been reiterating the same mistake for years. The standard package of conditionalities, applied to any country, did not consider the peculiar features of national economies and the needed reforms, imposing always the same—restriction of spending, and pegging the currency to the U.S. dollar."

Izvestia headlined its report on the Krueger plan, "IMF has Invented a New Method of Looting Countries." *Kommersant* ran her picture which the caption, "Mrs. Krueger dreams of a system when a bankrupt economy could be sold at auction." Neither newspaper, nor any of the banker sources they cite, is a habitual critic of the international financial organizations and their practices.

Mideast News Digest

Istanbul Meeting Had 'Only One Item on the Agenda: How to Help Iraq Avoid Military Strike'

These were the words of Egypt's Assistant Foreign Minister, Mahmoud Mubarak, according to a report in the Jan. 23 *Albawaba* news service. Mubarak was attending a meeting, convened by the Turkish government, of Foreign Ministry officials from all of the countries bordering on Iraq. According to *Albawaba* and *Associated Press* reports, Turkey proposed to the Foreign Ministers of Iran, Syria, Saudi Arabia, and Jordan that the meeting adopt a joint declaration, calling on Iraq to "demonstrate a more active approach" in providing information on weapons programs "in full conformity" with UN Security Council regulations, to "confirm its commitment under relevant UNSC resolutions regarding disarmament, embark on the policy that will unambiguously inspire confidence in Iraq's neighbors," to "respect internationally recognized boundaries," and to "take firm steps toward national reconciliation that would preserve the sovereignty and territorial integrity of Iraq."

Turkish Foreign Minister Yasar Yakis stated explicitly that the meeting had no inclination to call on Saddam Hussein to step down or to go into exile. "Such issues are not on our agenda. We do not consider it appropriate for a state to develop scenarios for another state."

The formal statement specifically declared: "We're fully determined to support the territorial integrity of Iraq."

Mitzna to Ha'aretz: 'We Have To Defend Ourselves From Ariel Sharon's Ideas'

In a Jan. 20 interview with the Israeli newspaper *Ha'aretz*, Labor Party chairman Amram Mitzna came out with one of his harshest attacks yet on Prime Minister Ariel Sharon, in the leadup to the Jan. 28 Israeli Knesset (Parliamentary) elections.

"Ariel Sharon is not ready to withdraw settlements, to separate from the Palestinians or to give up the illusion of Greater Israel. In the last two months Sharon is being accused of being responsible for so many decisions that corrupted the politics of Israel. Therefore the Labor Party should say loud and clear: If we succeed, we will bring change. If not, we will stay in the opposition and fight. There is no security, and the economy is collapsing," he declared.

He also raised the paradox that most Israelis support his policies, yet the polls show they support Sharon. "They agree to separation, they agree to a two-state solution, they agree to the evacuation of settlements, they agree to everything. But they don't trust that we will do it." He said that the current police investigations into Likud corruption were "just the tip of the iceberg. The corruption issues are not gone—they are under investigation. And I'm sure there will be many more."

Mitzna continues to be undermined by his own party. Another Israeli daily, *Ma'ariv*, released a poll claiming that if Shimon Peres were the lead candidate, the Labor Party would get 29 mandates (seats in the Knesset), whereas Mitzna seems to be getting only 20. This is presumably because Peres wants to crawl back into a unity government with Sharon. The poll sounds incredibly suspicious, since Peres is just not that popular. The effect of the poll was that one Labor Member of Knesset who was aligned with Sharon's unity government, former Defense Minister Binyamin Ben-Eliezer, called for dumping Mitzna. *EIR* has found that those pushing hardest for a unity government are actually outside Israel, and include the likes of Democratic Leadership Council leader Michael Steinhardt (Joe Lieberman's mentor) and Marc Rich of the Mega Group, who were recently in Israel with this message.

Mitzna Preparing for the Day After the Elections

A senior Israeli peace activist told *EIR* that Labor Party chairman Amram Mitzna is preparing for the day after the Israeli elections. He said the real task is to organize a social democratic-type movement combining the Labor Party and Meretz, in order to fight against the "fascist movement" developing on the right. He said he doesn't buy the poll result issued by *Ma'ariv* (see above) claiming that Shimon Peres would bring more votes to the Labor Party than Mitzna. He said that Mitzna's real task in this election is to build himself up as a national leader who will keep Labor outside any government led by Ariel Sharon. He also said that no one sees a Sharon-led rightwing government lasting very long, and that new elections could be held within a year.

He indicated that the Israeli population has to be brought through a process by which it abandons the idea that a unity government, or any government that includes Sharon and the extreme right, would be anything other than a disaster for Israel.

Jerusalem Report Charges Sharon Plans Arafat Expulsion

The Israeli magazine *Jerusalem Report* wrote in its Jan. 27 edition that aides to Prime Minister Ariel Sharon have disclosed that Sharon is delaying Yasser Arafat's expulsion from Palestine only until after an expected American attack on Iraq.

The report said Defense Minister Shaul Mofaz, Foreign Minister Benjamin Netanyahu, and Finance Minister Silvan Shalom demanded this action of Sharon, but Sharon is said to have deferred to U.S. pressure for Israel to keep a low profile during the prelude to war against Iraq. Sharon's aides purportedly say Sharon expects that, after an American offensive, "Washington will allow Israel far more leeway in responding to Palestinian terror, and that would be the time to expel Arafat."

Mofaz appeared Jan. 6 before the Knesset's Foreign Affairs and Defense Committee, saying that the day Arafat would be gone was "getting closer." The *Jerusalem Report* article says the Labor Party is opposed to Arafat's expulsion—even those Labor Party members who favor collaboration with Sharon.

Hamas Rejects One-Year Ceasefire Promoted by Egypt

Ariel Sharon's creation, Hamas, rejected the Cairo Declaration for a one-year ceasefire on both sides of the "Green Line" between Israel and the Palestinian territories. Cairo had hoped that if most of the 12 Palestinian groups agreed to this "hudna," as had Palestinian Authority President Yasser Arafat, then it would help hard-pressed Labor Party chairman Amram Mitzna, who wants to resuscitate peace talks. Instead, predictably, Hamas delivered the Cairo conference a *fait accompli*, by ambushing and killing three young Israeli soldiers the evening before, near the West Bank city of Hebron.

This provided Sharon and his Security Cabinet with a golden opportunity to show what a "tough guy" Sharon really is. Actions carried out beginning early on Jan. 24 included:

- *U.S.-made Israeli attack helicopters fired five rockets, destroying an alleged foundry in the Gaza Strip that produced weapons and Kassam rockets. The Israeli rockets also destroyed an Anglican church inside a hospital compound, injuring at least four.

- *The IDF also demolished bridges between Beit Hanoun, north of Gaza City, and the Gaza Strip, ostensibly to prevent Hamas from firing Kassam rockets at towns inside Israel. A 19-year-old was killed by Israeli gunfire and 15 residents of the al-Marazi camp located in central Gaza Strip were injured.

- *The IDF shot and killed two of four Palestinians alleged to be members of a Hamas terrorist cell who were on Har Ebal. One of the alleged terrorists, a woman, was killed in the first exchange of fire and another was shot during a chase. A third Palestinian was wounded and captured; the IDF later claimed he was carrying four grenades and a satchel bomb on him. The IDF said that it thought these were intended for an attack on the troops guarding a local settlement.

The targetting of the Anglican church was most likely deliberate: Lord Michael Livy, the personal Middle East envoy of Prime Minister Tony Blair, was in Ramallah, meeting Arafat and other Palestinian Authority officials at the time of the attack, but he had refused to meet with Israeli officials as well.

Sharon in New Temple Mount Provocation?

Ariel Sharon secretly discussed opening the Temple Mount to Jewish worshippers with rabbis from the Yesha Council of West Bank settlements several weeks ago, according to a report in *Ha'aretz* Jan. 24. Sharon set off the "Al Aqsa Intifada" on Sept. 28, 2000, when he went to the top of the Temple Mount/Al Haram Al Sharif, to Al Aqsa mosque, during Friday prayers, with a huge armed cohort as guards. The provocation was part of the effort to "reclaim" the site of Solomon's Temple.

The meeting lasted three hours and included Rabbis Elyakim Lebanon, Shlomo Aviner, Yigal Kaminsky, Daniel Shilo, and Mordechai Rabinovic. They told Sharon that he risks losing power if he does not act quickly to reopen the holy site to Jews. Sharon reportedly asked the rabbis to allow him to work behind the scenes toward this goal. Sharon also said he would be interested in joining the growing numbers of radical Jewish worshippers who have been holding demonstrations outside the gates of the Mount demanding that it be reopened.

Saudi Oil Minister Says There's Plenty of Oil

On Friday, Jan. 24, Saudi Oil Minister Ali Al-Naimi told a panel discussion at the Davos World Economic Forum that "There is no shortage [of oil] in the market and there should be no reason for prices [being] where they are today." He said "We checked. We called. I checked with individual customers, refineries and others. I ask them one question: Do you feel

you need more oil? And the answer is no." He blamed the recent price escalation on the war talk against Iraq, but nonetheless vowed that Saudi Arabia and OPEC would not only ensure that supplies would remain plentiful, but would also try to drive the price back down to \$25 per barrel. On Friday, oil closed at \$33.40 per barrel in the United States.

Asia News Digest

Chinese Space Official Discusses Inside View of China's Manned Space Program

In a recent (Jan. 17) interview with China's *People's Daily*, Huang Chumping, program head of the Long March-11F rocket, which is used to launch the Shenzhou spacecraft, revealed some more of the details of China's manned space program.

He explained that, unlike the United States and Russia, which launched dozens of flights before sending men into space, China is launching only the four Shenzhou missions that have already taken place, leading him to feel "enormous pressure." He said that "considering that no more tests will be conducted, our principle is taking the four tests as the standard. We are resolved not to change the technological state, where it is possible." The fifth (manned) launch, he said, will be done in an even more "strict, meticulous, prudent, and practical" style of work.

Huang said that two of the current 14 astronauts in training are instructors who were trained in the former Soviet Union. They are teaching the others because "we cannot afford to pay very high fees [for] all of them [to be] sent abroad for training." He said that although the Shenzhou is designed to accommodate three astronauts, the number on the first flight will be determined in light of the specific circumstances. Other Chinese press have reported that the first Chinese manned space mission will take place in October.

China's Space Program Spending Money on the Ground, Building Infrastructure

In his interview with *People's Daily*, Huang reported that the manned space program includes seven major systems: the astronauts, space technology applications, the spacecraft, the rocket, the launch site, monitoring of the mission, and retrieval of the spacecraft. Over 3,000 factories are involved, and tens of thousands of scientific research, manufacturing, and planning personnel. The project involves huge investment, he said.

As NASA took pains to point out during the buildup for America's lunar landing, Huang explained that the majority of the funds is used in ground construction, for factories, the launch site, and equipment. These are fixed assets that can be used in many fields of the nation's economy. "The money which was really used in space was actually not much," he said.

Regarding the overall level of China's space technology, Huang stated that although the first Chinese manned space launch will take place 42 years after Yuri Gagarin's, that does not mean that China's space technology is 40 years behind the U.S. and Russia. The Shenzhou spacecraft, he said, is larger and more advanced in onboard equipment than the Russian Soyuz, which is its heritage, and this means China has reached the space technology level of the 1990s.

Despite Western Hype of Crisis, North and South Korea Make Some Headway on Railroad

With Cabinet-level talks in Seoul, and infrastructure talks in Pyongyang, the two Koreas managed to sidestep the U.S. utopians enough to make an agreement to complete the stalled rail link by February, while leaving unresolved the issue of the U.S.-influenced United Nations Command (UNC), which has used its control over the Demilitarized Zone to hamper completion of the railroad. According to *Korea Times* and *Agence France Presse*, The North's acceptance of South Korea's

proposal to finish one of the two lines leaves the UNC, which insists on its jurisdiction over civilian border crossings, as the last hurdle. The South is reported to have asked the North to accept UNC jurisdiction for now.

The communiqué from the meeting in Seoul spelled out no agreements on the nuclear question, but stated that the two sides "sufficiently exchanged" positions (meant to satisfy the U.S. insistence that the South demand a concession), and "agreed to actively cooperate to resolve this issue peacefully." The North assured the South that there would be no war between Koreans ("no worst-case scenario") over this issue, according to Seoul's *Hankyoreh*.

The two sides agreed to hold ministerial meetings April 7-10 in Pyongyang, and economic talks in Seoul Feb. 11-14.

U.S. Effort To Push Korean Nuclear Issue in UN Security Council Not a Done Deal

According to reports in *Agence France Presse* Jan. 23, the U.S. effort to push the Korean nuclear crisis into the United Nations Security Council is not a foregone conclusion. Besides the scrambling in the State Department to answer how the U.S. can simultaneously denounce the UN as "impotent" and "irrelevant" regarding Iraq, while insisting on shoving North Korea before this impotent and irrelevant body, the effort by State's John Bolton to portray unanimity on going to the UN has fallen flat.

The International Atomic Energy Agency (IAEA), which must make the decision, has said there is no consensus, and the South Koreans say there is not even a consensus on when the IAEA will meet. The Russians, according to UN officials, want more time before considering UN involvement, while the South Koreans told the North in their conferences that they also oppose going to the UN.

Former Clinton Officials Admit U.S. Never Implemented 1994 Agreement with North Korea

In a Jan. 19 article reporting on a *Washington Post* discussion with Clinton Korea negotiator Robert Gallucci, the *Post* wrote: "The North regarded the pledges to end hostile relations and the normalization of diplomatic and economic ties to be the heart of the agreement," but "The Clinton Administration never seriously pursued normalization of relations, fearing criticism from the right, especially after North Korea test-fired a long-range missile over Japan in 1998." Of the three phases in the 1994 agreement, only phase one was implemented. The article argues that the Bush Administration is returning to the 1994 framework.

U.S. Accused of Using Food Weapon Against North Korea

Following the visit to North Korea of Maurice Strong—who represented the UN and who insists that the food problem in the North is serious and immediate—the Jan. 19 *Washington Post* reported that "analysts in Asia" say that the U.S. denial that it is using food as a weapon is "political cover."

They say that the U.S., which provided 250,000 of the 400,000 tons of food aid to North Korea in 2002, cut off supplies in December, claiming the cutoff had to do with transparency of delivery to the people who need the food, not the confrontation over nuclear development. President Bush, they report, said on Jan. 14 that his plan would involve "energy and food," which he later qualified to mean agricultural aid. The *Post* also reports that USAID chief Andrew Natsios has promised Congress that the food aid would require North Korea to permit monitors in parts of the country where they are now forbidden by the Pyongyang government.

World Bank Water Privatization in Indonesia Is Challenged

An editorial in the Jan. 21 *Jakarta Post* responded to a World Bank "conditionality" placed on the Bank's \$300-million loan offer for water development, demanding privatization. The *Post* writes: "What the proponents of water privatization do not put forward is the fact that a similar approach applied in many developing countries like Argentina, Bolivia, Panama, South Africa, and other countries has created a chain of disastrous results, especially among the poor, both in urban and rural areas. In those countries, most of the investments were actually made with government money, or at best with a government guarantee.... Meanwhile corporations owning or operating water systems across the globe are bringing in about US\$200 billion a year and growing by about 6% a year."

The *Post* is worried that the Parliament will pass the bill without deliberation, given the limited options of "accommodating the World Bank's wishes or losing access to sources of development funds." If this happens, the paper concludes, "The House will be held responsible for passing a catastrophic time bomb which will adversely affect the whole population for decades to come. To avoid that, the House should oppose privatizing water and turning it into an economic commodity. A water resources management should enshrine fresh water as an essential good to which all people have a right."

Political Temperature Rising in Philippines, Indonesia

According to reports in the *Philippines Inquirer* and *Jakarta Post* of Jan. 20, the political situation is heating up in both the Philippines and Indonesia.

**Manila:* Police turned water cannons on thousands of leftist militants at the EDSA shrine, which has served as the rallying point for mass action since the 1986 ouster of President Ferdinand Marcos. Today's action marks the second anniversary of President Gloria Macapagal-Arroyo's assumption of the Presidency on shaky legal grounds. Today's protest accused Macapagal-Arroyo of being subservient to the United States, and also charged her administration with graft and corruption.

**Jakarta:* Police in the Indonesian capital fired warning shots and beat hundreds of protesters with batons, as they staged protests against the meeting of Indonesia's leading financial donors group, the Consultative Group on Indonesia, at the Yogyakarta state palace.

Three groups, the People's Coalition for Anti-Globalization, the People's Front for Anti-Imperialism, and students from nearby Gadjah Mada University, demanded that foreign lenders erase (i.e., write off) Indonesia's debts, calling on the government to *reject* taking on new debts, to stop privatization of state-owned firms, and to nationalize foreign assets.

Record Cold in South Asia Claims Over 2,000 Lives

Temperatures in the Indian state of Bihar plummeted 2.4 degrees Celsius Jan. 20. Already, as of mid-December, an estimated 718 people had died of the cold in the state. Farmers are increasingly worried about crops, including mango and litchi crops, which were hit by frost and freezing before the trees had flowered. The state of Uttar Pradesh has reported 476 cold-related deaths; 21 are reported from north Punjab and Haryana states. Some 721 people have died of like causes in Bangladesh.

Africa News Digest

Peace Plan for Ivory Coast Is Under Consideration

A peace plan for Ivory Coast—or at least elements of one—are contained in document obtained by *Reuters* and reported on from Paris Jan. 23.

According to the British wire service, "A copy of the peace plan was obtained by *Reuters* and carried the signatures of representatives of all the Ivorian political parties and rebel groups around the table, including from President Laurent Gbagbo's ruling Ivorian Popular Front (FPI). It calls for a new government of national reconciliation to be led by a prime minister chosen by wide consensus."

The planned government would "set dates for 'credible and transparent' elections and to organize the disarmament of fighting forces.... All parties to the talks were to be included in the new government..., it said. Participants earlier said rebel chiefs and opposition parties ... made a proposal under which Gbagbo could remain in office if he agreed to a premier from outside his party. 'This government of national reconciliation will be led by a prime minister of consensus who will stay in place until the next presidential election, at which he will not be able to stand,' the plan said."

The government of President Gbagbo and its political base are reportedly not at all happy with the proceedings underway at the peace talks in Marcoussis. The President of the National Assembly, Mamadou Koulibaly, who is considered the Number Two man in the government, left the talks in anger Jan. 20 and flew back to Abidjan. He denounced the French coordinator of the talks, Pierre Mazeaud, saying "what the rebels did not succeed in doing militarily, he has done at Marcoussis." Koulibaly said Mazeaud was "too favorable to the rebels and to the RDR," the party of former Prime Minister (and former IMF official) Alassane Ouattara, which supports the rebels, and is promoted by Western interests. Koulibaly also said he felt "under attack as a representative of the state," and called the peace conference "a constitutional coup d'etat," according to the French publication *Liberation* Jan. 23.

Koulibaly's departure did not, however, constitute a departure of the government side from the peace talks, and was either a factional move or just symbolic. At the moment, the government is desperate for an increase in military support from France, and therefore has little room for maneuver. A spokesman for the Ivorian government in Paris, Toussaint Alain, told *Associated Press* Jan. 22, "We have no other choice but peace, so there will be an accord," even as he condemned Mazeaud for "refusing to describe the rebels as 'rebels.'"

Mazeaud was to have briefed French President Jacques Chirac Jan. 24, and Chirac was to have received President Gbagbo at the Elysée Palace later that day. *Reuters* added, "Delegates acknowledge the [peace] plan can only work if Gbagbo—who over the next three days can expect elbow-twisting from both his West African neighbors and France—sticks with it."

British Again Float Option for Invasion of Zimbabwe

The British are again floating the option of invasion of Zimbabwe, laundered—as before—through their roundtable organization, the South African Institute of International Affairs. The national director of the South African Institute of International Affairs (SAIIA), Greg Mills, has written that, in regard to Zimbabwean President Robert Mugabe and his adherents, "the 'Taliban option' should not be excluded." The Mills article, titled "Fly Now, Pay Later with Mugabe," was printed as an opinion column in the *Straits Times* (Singapore) on Jan. 21.

Almost as an afterthought, Mills noted that, in the event of an invasion of Zimbabwe, "There would be an incalculable fall-out, in terms of both regional and North-South relations, and it is likely that such an option could be considered only in a case of extreme humanitarian emergency." The last time the SAIIA floated the idea, in June 2002, it suggested that South Africa should be the one doing the invading, but South Africa is not mentioned in this latest version.

The proposal—or the psychological warfare, as the case may be—also emerged briefly last year from the U.S. State Department. Principal Deputy Assistant Secretary of State for Africa Mark Bellamy told a panel discussion at the Center for Strategic and International Studies (CSIS) in Washington last fall that "we may have to be prepared to take some very

intrusive, interventionist measures to ensure [food and related] aid delivery to Zimbabwe. The dilemmas in the next six months may bring us face to face with Zimbabwe's sovereignty." This played big in the Zimbabwean government-run *Herald* in Harare, as reflecting an American plan to invade. The only denial from the State Department was from someone speaking on background, saying "the concept of a U.S. invasion is nonsense."

Nigerian President Sends Foreign Minister to Zimbabwe

Nigerian President Olusegun Obasanjo has sent his Foreign Minister, Sule Lamido, to Zimbabwe, and will arrive there in person himself, in February. Lamido arrived in Harare, Zimbabwe on Jan. 20, to deliver a letter from President Obasanjo to President Mugabe. The visit follows a "botched retirement deal [for Mugabe] between leader of the opposition Morgan Tsvangirai and [leaders of the Zimbabwe ruling party] Zanu-PF," as reported in *This Day* of Lagos.

On arrival in Harare, Lamido said, "As a friend of Zimbabwe and a personal friend of President Mugabe, President Obasanjo is very much concerned about the situation in Zimbabwe," according to *Sapa-AFP*, which cited the *Ziana News Agency* in its Jan. 20 report.

After meeting with Mugabe, Lamido said there was a danger that the issue of Zimbabwe could divide the (British) Commonwealth along racial lines, with African countries aligning themselves with Zimbabwe. *Sapa-AFP* quoted him as saying, "If they want to make it an issue of kith and kin"—an apparent reference to what Zimbabweans regard as excessive Anglo-American concern over the property rights of white farmers in the country—"then we will also make it a kith and kin issue."

Lamido said that the land redistribution had been "successfully completed in Zimbabwe" and that he hoped Zimbabwe's suspension from the Commonwealth could now be lifted.

South African Labor Minister Membathisi Mdladlana also expressed his satisfaction with Zimbabwe's land reform Jan. 9, after visiting the country.

Zimbabwe Military Chief Calls for Task Force To Address Country's Economic Crisis

According to Britain's *Independent News* of Jan. 17, Gen. Vitalis Zvinavashe, who heads Zimbabwe's Army and Air Force, has "called for a national task force involving all branches of government, 'and not necessarily Cabinet ministers,' to be set up urgently to deal with what he called an emergency situation in Zimbabwe." *Independent News* was reporting on a Jan. 16 interview with the weekly *Business Tribune*, owned by prominent businessman Mutumwa Mawere, who has strong ties with Zimbabwean President Robert Mugabe and the Zanu-PF party. Zvinavashe has not publicly ventured beyond military affairs before.

Zvinavashe was quoted as saying: "First we must admit there is a crisis. Everyone can see that. So we must do something about it.... It is not right to keep quiet and let nature take its course." *Independent News* added that Gen. Zvinavashe "did not say whether the task force should include the opposition, but said it must have powers to make substantive decisions that would not be overturned by civil servants or Cabinet ministers. He said the task force should be supervised by the 79-year-old President" Mugabe.

Zvinavashe has denied press claims of his involvement in reported contacts between leading Zanu-PF figures and opposition leader Morgan Tsvangirai on the subject of removing Mugabe from power. Information Minister Jonathan Moyo said rumors about exile for Mugabe were "the sinister work of coup plotters," according to Zimbabwe state radio Jan. 16, the *Star* of Johannesburg reported Jan. 17.

President Mugabe returned about Jan. 12 from an 11-day vacation—but accompanied by a government entourage—to Thailand. He may have been accompanied by Foreign Minister Stan Mudenge. Differing press accounts say he also visited Malaysia or Vietnam or Singapore, or some combination of these.

This Week in History

January 27-February 2

This week it seems appropriate to review a historical event that occurred in January of 1943: specifically, the Casablanca Conference between U.S. President Franklin Delano Roosevelt and British Prime Minister Winston Churchill. This conference, which included a rotating cast of military and civilian visitors, lasted from Jan. 11 to Jan. 24. This was a fateful conference in more ways than one, particularly in that it resulted in the decision of the Allies to make their first invasion of the Nazi-held continent of Europe by opening up the Southern Front through Italy, rather than pursuing the cross-Channel assault, which was then delayed for more than a year (until D-Day). But our reason for dealing with it here, is a different one.

Already, by August 1941, it had become clear that Roosevelt and Churchill had different visions as to what the postwar world would look like. We rely here heavily on the small 1946 memoir, *As He Saw It*, by FDR's son Elliott Roosevelt, who attended some of the major pow-wows during the war with his father. According to Elliott, the meeting which framed the Atlantic Charter, a meeting held in Argentia, Newfoundland, featured a significant confrontation between the two world leaders over whether "18th-Century methods," the phrase FDR used to describe the imperial methods of the British Empire, would be permitted to continue after the war.

The same debate continued at Casablanca, according to Elliott. Today, as a gang of would-be imperialists counsel the President to follow down the road to an American Empire, we would do well to recall this discussion, and take lessons from what FDR had to say.

The Casablanca conference being FDR's only trip to Africa, a land colonized by a variety of European nations, FDR took the opportunity both to visit certain regions, and to speak with some of the local leadership. Two events are instructive. First, he told Elliott about a stop he made in Gambia, a small strip of land owned by the British Empire. FDR was appalled at the state of the "natives," their low wages, their very high mortality rate. "Life expectancy—you'd never guess what it is," he said to Elliott. "Twenty-six years. Those people are treated worse than the livestock. Their cattle live longer!" This observation, the President told his son, underscored his determination that such colonialism had to end.

This was not an isolated observation. A couple of days later, FDR was lunching with friends and began to expatiate on the kind of development which would be possible in Africa. He reminded Elliott and his guests that there were underground rivers in Africa. "Divert this water flow for irrigation purposes? It'd make Imperial Valley in California look like a cabbage patch! And the salt flats: They were below the level of the Mediterranean; you could dig a canal straight back to re-create that lake—one hundred and fifty miles long, sixty miles wide. The Sahara would bloom for hundreds of miles!"

"Wealth!," he cried. "Imperialists don't realize what they can do, what they can create! They've robbed this continent of billions, and all because they were too short-sighted to understand that their billions were pennies, compared to the possibilities! Possibilities that *must* include a better life for the people who inhabit this land...."

The second singular event was FDR's invitation to the Sultan of Morocco for dinner, an event to which Churchill was also invited. Elliott describes it this way:

"...[A]s the conversation proceeded, Churchill grew more and more disgruntled. What was the trouble? Father and the Sultan were animatedly chatting about the wealth of natural resources in French Morocco, and the rich possibilities for their development. They were having a delightful time, their French—not Mr. Churchill's strongest language—easily encompassing the question of the elevation of the living standards of the Moroccans and—the point—of how this would of necessity entail an important part of the country's wealth being retained within its own boundaries."

Eventually, FDR brought up the potential of oil deposits in French Morocco. The Sultan, while happy, deplored the country's lack of trained scientists and engineers, to which FDR responded that "Moroccan engineers and scientists could of course be educated and trained under some sort of reciprocal educational programs with, for instance, some of our leading universities in the United States." He went on to present the idea of the Moroccans using American firms, but maintaining considerable control of their resources, obtaining the major part of the income stream, and eventually taking them over.

Elliott notes that only Churchill appeared disgruntled, glowering and biting at his cigar.

Empire Means War

But, besides the positive vision that FDR was putting forward—one which was never realized, and is all the more poignant because of the genocide going on against Africa today—President Roosevelt had another point which he was consistently pressing in discussions with his son, and more or less directly with others. To put it simply, he was concentrated on the fact that "empires mean war."

Elliott Roosevelt quotes him as follows:

"The thing is, the colonial system means war. Exploit the resources of an India, a Burma, a Java; take all the wealth out of those countries, but never put anything back into them, things like education, decent standards of living, minimum health requirements—all you're doing is storing up the kind of trouble that leads to war. All you're doing is negating the value of any kind of organizational structure for peace before it begins."

Usefully, Elliott reports his own challenge to his father. Why should we interfere? he asks his father, with either the French or the British maintaining their empires. FDR responds sharply:

"I'm talking about another war, Elliott. I'm talking about what will happen to our world, if after *this* war we allow millions of people to slide back into the same semi-slavery!

"Don't think for a moment, Elliott, that Americans would be dying in the Pacific tonight, if it hadn't been for the shortsighted greed of the French and the British and the Dutch. Shall we allow them to do it all, all over again? *Your* son will be about the right age, fifteen or twenty years from now."

He concluded with his own commitment: "When we've won, I will work with all my might and main to see to it that the United States is not wheedled into the position of accepting any plan that will further France's imperialistic ambition, or that will aid or abet the British Empire in *its* imperial ambitions."

* * *

Following Roosevelt's death, of course, this commitment was broken—and both Britain and France maintained their

empires, to the detriment of the entire world. Today, as the intellectual heirs of Churchill sing the siren song of "empire" again, FDR's words should ring in our ears, and be taken to heart.

InDepth Section

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Feature: MOBILIZATION AGAINST IRAQ WAR

'War Over Iraq War' Hangs On Two State of Union Speeches

by Mark Burdman

The crucial dates, Jan. 27-28, arrive with two diametrically opposed mobilizations escalating over war with Iraq. The horror of what such a war would mean has unleashed tremendous opposition around the world, far broader and more determined than at the time of the September 2002 UN session.

German Moves Against Iraq War Intensify

by Rainer Apel

It comes late, but the vast majority of the German nation hopes it will not be too late: an unprecedented escalation of the Schröder government's diplomatic moves to stop a war on Iraq.

The Elysée Treaty Is A New Opportunity

This statement by Helga Zepp-LaRouche was circulated by her Civil Rights Movement Solidarity (BuSo) party in Germany, and the allied Solidarité et Progrès party in France, in observances of the 40th anniversary of the Franco-German Elysée Treaty.

Anglo-Americans Boast of 'New Empire' Drive

by Mark Burdman

As 2003 began, leading circles in both the American and British establishments were aggressively promoting a solution worse than the global economic disease: a 'new imperialism,' with an 'American Empire' taking over the role formerly played by Great Britain and other doomed empires of the past.

Pope John Paul: 'War Is Not Inevitable'

by Claudio Celani

True world leaders today state that war is not inevitable, as do Lyndon LaRouche and his collaborator Amelia Boynton Robinson. Such a true world leader is, of course, Pope John Paul II, who is seen worldwide as the highest moral authority opposing not only the war against Iraq, but also the very idea of a 'preventive war.'

- San Marino Salutes Pope, LaRouche

In their New Year's address, the Captains Regent of the Republic of San Marino greeted Pope John Paul II's message for World Peace Day, Jan. 1, and pointed to the November 2002 visit of Lyndon LaRouche to San Marino as an opportunity to deepen the economic and social aspects of the Pope's teachings.

Economics:

IMF Blinks in Argentina Showdown, All Eyes on Brazil

by Cynthia R. Rush

After almost a year of negotiations with Argentina, the International Monetary Fund announced on Jan. 16 that it had decided to grant a 'transitional' agreement to that government—not to include any fresh funds, but to simply roll over the \$6.6 billion it has coming due through August of this year (plus another \$5 billion already paid in 2002).

LaRouche Youth Are Changing the Rules As State Capitals Face Economic Crisis

by Paul Gallagher

The 50-year record budget catastrophes and cuts ravaging every American state's budget and economy, are now 'major media news' during the Winter legislative sessions of 2003.

California Reverses ElectricDeregulation!

by Marsha Freeman

California's Public Utilities Commission (PUC) voted 5-0 on Jan. 16 to close the book on the state's disastrous 'experiment' of deregulating its electric utility industry, which began in April 1994.

(See p.9: Put the Toothpaste Back in the Tube! What **Lyndon LaRouche** said in 2001 on the California electricity price crisis.)

AIDS PlagueWon't Reach Peak for 40 More Years

by Colin Lowry

The AIDS epidemic is still increasing worldwide, and in Africa it threatens to literally wipe out entire nations. In December 2002, UNAIDS released their epidemic update, which estimates, that globally there are now 42 million people infected with human immunodeficiency virus (HIV).

`Mass Murder by Complacency' A statement by UNAIDS envoy to Africa

Stephen Lewis

Discussing the Group of Seven countries' response to the AIDS pandemic, UNAIDS envoy to Africa Stephen Lewis insisted that 'those who watch the pandemic unfold with a kind of pathological equanimity must be held to account.

Botswana Case: AIDS CanWipe Out Nations

by Dr. Debra Hanania-Freeman

When statesman and economist Lyndon LaRouche, then seeking the Democratic Party Presidential nomination, first warned in 1985 that unless the U.S. government and the international health establishment acted swiftly, the AIDS epidemic carried the potential to threaten the human species' existence, almost no one agreed.

Debt, Deflation, and Depression

by John Hoefle

For years, many in the Establishment, and their poodles in the press, insisted, in response to the warnings of Lyndon LaRouche, that 'it can't happen here.' Their head-in-the-sand mindset echoed the wishful thinking of Yale economics professor Irving Fisher, who just days before the 1929 stockmarket crash, claimed that 'stock prices have reached what looks like a permanently high plateau.'

Southeast Asia Leaving IMF Restraints

by Michael Billington

Over the past weeks, several prominent Southeast Asian economists, business leaders, and government officials have expressed to EIR a newsense of optimism throughout the region. The Philippines, facing a severe social and economic crisis, is an exception.

`China's Emergence Brings Forth Optimism'

An interview with Dr. Sarasin Viraphol

Dr. Sarasin Viraphol is Executive Vice President of the CharoenPokphandGroupCo., Ltd., Bangkok, the largest agribusiness group in Thailand, and one of the largest foreign investors in China.

Poland: Slanders Aim At LaRouche's Influence

by Anna Kaczor

In its third issue of 2003, the Polish edition of *Newsweek* published a bizarre article about the work of the Schiller Institute in Poland. Igor Ryciak, who interviewed Lyndon LaRouche, said that his article was prompted by the growing influence of the Institute, and by the fact that many who are opponents of Poland joining the European Union under present conditions, quote Lyndon LaRouche's publications for their arguments.

Deep In Depression, Georgia Faces Elections

by Vladimir Kilasonia

Parliamentary elections are scheduled for Autumn 2003 in Georgia, the Caucasus Mountains country that figures prominently in military calculations about western Eurasia, as well as in energy geopolitics. Electioneering has already begun, against a backdrop of economic and social crisis.

International:

Will Sharon Become Israel's Ceausescu?

by Dean Andromidas

On the eve of Israel's Jan. 28 election, there were fears that a victory by Prime Minister Ariel Sharon's Likud party could lead to the collapse of the democratic state in Israel.

Are Dirty Mega-Bucks Behind Sharon's Bid To Steal Israeli Elections?

by Scott Thompson and Jeffrey Steinberg

A small group of American and Canadian mega-billionaires, tied to organized crime and right-wing Zionist causes, has joined in the effort to steal the Jan. 28 Israeli elections, on behalf of Prime Minister Ariel Sharon, who is committed to drowning any Israel-Palestine peace process in a sea of blood.

Cambodia:

A Sovereign Tribunal To Try War Crimes

by Gail G. Billington

A statement released by the Cambodian government on Jan. 13 draws out the vivid irony that the United Nations, together with the leading Western powers, provided recognition and overt protection for the genocidal Khmer Rouge regime, throughout the 1980s and much of the 1990s, but in recent years, self-righteously accuses the Cambodian government of stalling and obstructing the commencement of a tribunal for those Khmer Rouge leaders who are still alive.

LaRouche's Voice Heard in Dominican Republic

by Valerie Rush

Leading policymakers in the Caribbean island-nation of the Dominican Republic seized the opportunity to start their new year by welcoming the ideas and programmatic proposals of U.S. statesman and economist Lyndon LaRouche to their shores.

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[top of page](#)

[home page](#)