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From the LaRouche in 2004 Committee...

You are cordially invited to attend a webcast hosted by LaRouche in 2004 on July 15, 2004. The subject of the discussion, which will be keynoted by Democratic Presidential pre-candidate Lyndon LaRouche, is encapsulated in the [following statement](#), issued by LaRouche on June 20.

The webcast will begin at 1:00 p.m. Eastern Daylight Time, and will be accessible through the campaign website, www.larouchein2004.com. Those wishing to attend the event, which will occur in the Washington, D.C. area, must pre-register. Please call **1-800-929-7566** for more information.

This Week You Need To Know

LAROUCHE ADDRESSES MONTREAL AND NEW JERSEY CADRE SCHOOLS — AMERICA GIVES CHENEY A BRONX CHEER

Here are Lyndon LaRouche's opening remarks via teleconference to simultaneous cadre schools in Montreal and New Jersey on July 1, 2004.

Now this is a very interesting period of life, you know. We have people, some two years ago, thought that when I was going after Cheney, that that was a fool's errand and that I could never, possibly get Cheney thrown out of power. But, we have a couple of incidents—he made a sexual offer to his members of the Senate, which got all over the place. And he went up to the sports event in New York, in the Bronx Stadium, where the Yankees are playing baseball, and his picture was flashed on one of these large screens, and the whole stadium broke out in bo-o-o-s! against Cheney.

Mr. Cheney is, in a sense, politically dead, in one way or the other. And we, in a sense, did it. We didn't do the whole job, but if we hadn't done what I did, he wouldn't be out, as he's going out now. And so, that's a sign of the times.

We're now going into an interesting period. Toward the end of July, we have a Democratic Convention in Boston, Massachusetts, in which I will be a factor. What kind of a factor? Nobody knows. I don't know. They don't know. But, something is going to happen. And we're going to be fully mobilized around that, knowing that Bush is a disaster; Cheney will probably be out, somewhere in this process—all things are possible, but probably out; that Kerry is impossible at the present time: He's not qualified to be President of the United States. He couldn't handle the situation which exists, and that's shown pretty clearly. He also has a chief adviser, a fellow called Shrum, who's famous for having lost an assured victory—Ann Richards—in Texas, the governor, the election by her, against George W. Bush. And George W. Bush became governor, because *Shrum really threw the election* for his candidate. Shrum was also a factor in Gore's loss of the Presidency, his attempt there. And, the way it's going now, Shrum is going to assure that Kerry—whatever happens to Bush—will somehow either lose the Presidency, or, if we elect him, we'll lose the nation!

So, these are the kinds of times we live in.

In the meantime, the determining factor, apart from the war factor, which Cheney typifies—war and fascism, to put it bluntly—is the economic crisis, the financial-monetary crisis: The system is coming down. Some people have bragged, that they think they can keep the crash of the system from happening, until after the November elections. I don't know if that's possible. It's possible in some theoretical senses, but I doubt that it's going to actually happen. This thing is likely to come down before then. And if it doesn't come down before then, that's worse, than if it comes down later—because if it comes down later, the political system will be unprepared to deal with it.

So, we're in an interesting situation. We're on top.

We just had—we will have had, tomorrow morning, the concluding session of a youth session in Germany, which I've been having reports from Helga and a few others on. It seems to be quite successful, and you'll probably hear much more from channels available to you, like Elodie and so forth in Paris.

We are on the move.

We're going into Boston, with a full commitment to do whatever we have to do. Whether I'm going to be on the convention floor, or not, I don't know. I don't think anybody knows. Some people would like to have me there. But we will be in the vicinity. We will be all over the place. We will be around it. And our presence there, is going to be a significant factor, in shaping the way politics goes in the United States, in the coming months.

The System Is Disintegrating

Now, our situation is as follows: As you know, we have an international monetary system, which is in the process of disintegrating. It's in a hyperinflationary mode—don't believe all the stories that it's not hyperinflationary. You just have to look at the prices of things over the past couple of years, and see how ordinary articles which are bought—cost of housing, things like that. Look at the price, as measured against the family income: What percentile of family income do you have to pay to have a place of residence? What percentile of family income do you have to pay to buy the essential groceries, and so forth, and so on? It's a crash.

There is no solution for this crash, in the terms of the present system. No way it can be saved. The only thing that can be done, is put the whole blasted shebang into bankruptcy reorganization by governments, by concert of governments, and return to a system of international monetary order, fixed-exchange-rate system, gold-reserve-based, like that we had bequeathed to us by Franklin Roosevelt, for the first, approximately 20 years of the postwar period.

Something like that is the model for what would work. But the present system, the present international financial system, can not be saved in its present form. What they're trying to do to Argentina, for example, the vulture funds, trying to collect Argentina's debts: *That will not work*, except to cause chaos, to cause a new dark age for humanity. The bankers, the creditors, the financial creditors, are going to have to eat most of their debt. It's uncollectible. Nobody should try to collect it, especially that portion that's tied to financial derivatives debt.

That's where we stand.

The key problem here, as you know from reading, now I think, three of the "Beast-Man" series of reports we put out in pamphlet form, during the past couple years of the campaign: What has happened to our civilization is the following: You

go back to the beginning of the 20th Century, and His Majesty, the Imperial Edward VII, had planned a war in Europe, and his two nephews were the chief victims of this plan—the Czar of Russia, Nicholas II, and the German Kaiser. Others were involved. But the plan was an old one, by the British East India Company tradition, the liberal imperialist tradition, it's called, the Fabian society tradition, to deal with a challenge to the British Empire, by causing the nations of Europe to get at each others' throats, and thus prevent any challenge to the British Empire. The British themselves paid a big expense in this thing, in terms of life. But, apparently, some of them didn't care.

But, at the end of this process, there was a Versailles Treaty. Now, even though Edward VII, who had died in 1910, was actually the key author of World War I, the Versailles conference voted up the resolution that Germany was the sole guilty party in causing World War I—which is a damned lie! But, in any case, what they did with that, is they decided they were going to support the bankrupt nations of France and Britain, which had been bankrupted by the war, by having Germany pledge to war-reparations debt. Now, the debt of France and England was largely to the United States, to Wall Street, which had financed much of the war by France and by England. As Keynes said, this could never work, because the rate of war reparations needed to support France and Britain, to prevent them from going bankrupt, and to be able to pay their debts to the United States' bankers, was such that Germany could not sustain this. Which meant that, sooner or later, France and the United Kingdom were going to go bankrupt. And the United States, which was the chief creditor of France and the United Kingdom, was also going to go into a crisis.

The Synarchist Bankers Behind Versailles

This was the Versailles monetary system. And the intention was, *never* to have the system work! The system was *not* supposed to work. The bankers who were behind the system, intended—they were called the Synarchist International—they intended the system would not work. And they were determined to use the failure of the system, the breakdown of the system, to set up a fascist empire, or what we call fascism, today. That's what it was all about. In 1922, Mussolini was put into power in Italy, by Volpi di Misurata, one of the biggest bankers in Europe. Similarly, Hitler was put into power. Dolphus was put into power, and so forth. So that, between 1922 and 1945, the continent of Europe, on the western side of the Soviet Union, was one big mass of fascist tyranny.

Now, at the end of the war, Franklin Roosevelt had determined to end the system, that is, to end the British imperial system, and he so told Winston Churchill. He said, "Winston, you're going to have a problem with me. Because we're determined to eliminate all colonial status, and to build a nation, based on economic progress, shared among sovereign nation-states, where in many cases, colonial entities exist today."

The hour that Roosevelt died, his successor, Truman, moved in the direction of Churchill—and did more than that. He brought into the Western system, the hard core of the Nazi SS, which became, in due course, an essential part of the security functions of NATO. It was this SS element, which created the structure of terrorism, which you're familiar with from the late 1960s, especially the 1970s. It's still functioning today. It's still there today.

We had a period, in the immediate postwar period, where under Truman—Truman was committed to preventive nuclear warfare. We didn't have the weapons to throw at the time, but he was committed to the policy. This policy led to a crisis, under which Truman was thrown out of office, then he was told not to run again, and Eisenhower was put in. And the plans for preventive nuclear warfare of the Truman Administration, were put on hold. But, when Eisenhower left office in 1961, he warned of something he called a "military-industrial complex." That so-called military-industrial complex was, at core, this Nazi SS system, which had been brought into the Western system by people like Allen Dulles and so forth, especially during the Truman period.

That was the right wing, the utopian right wing, which was unleashed with such effects as 1962, the Missile Crisis, the assassination of Kennedy, the attempted assassinations of Charles de Gaulle in France, and so forth and so on. Since that

time, since the assassination of Kennedy, and the launching of the Indo-China War by the United States, the world has been moving in two directions: One, we've been moving in the direction of a *post-industrial society*. That is, up until 1963-64, the United States, Western Europe, the United Kingdom, and so forth, were committed to a producer society. The United States was the world's leading producer society, in agriculture, in industry, and technology.

In 1964-66, we changed: We began moving toward a post-industrial utopia. In 1971-72, we destroyed the Bretton Woods system, which had given us stability in international economy and in economic growth. We then began to change over the course of the 1970s, away from being a producer society, to being a parasite, like the Roman Empire, sucking the blood of nations we exploited, and closing down our industries and our farms, in order to enjoy the benefits of cheap labor, by looting the product, agriculture, industrial product, of the poorer nations of the world and the poorer populations of the world.

We've now come to the point, that system has come to an end. The system under which the United States, and some people, international bankers, are able to keep a system alive, by continuing to loot the poorer populations of the world, to produce our food and the things we wear, and use, is ended. It can not be perpetuated.

At this time, once again, the tradition of the Nazi SS, the tradition of the fascist movements of 1922-45, that tradition is represented and typified by Tony Blair and his crowd in London, and by people such as Dick Cheney, the Vice President of the United States, *in* the United States. This is what we face.

The Congress of Cultural Freedom

So, we have two problems. Problem #1: The threat of perpetual nuclear-armed warfare, which is what Cheney merely typifies, and which Blair represents. The other side, an attempt to impose a fascist, globalized system, in which the nation-state as an institution no longer exists, and which most people don't have homes—they wander, as cheap labor, with no permanent place of residence, no health care, etc., etc. That's the crisis we face.

So, we've now come to the point, that we have choose. The problem is, that the generation which came into adulthood, after 1962-63, this generation was conditioned by the policies of the Congress for Cultural Freedom: They *don't know* what a productive society is! They are wedded to this system; they think it works; they think it's fine. They're dissatisfied, when it doesn't please them, but they think *that* is the system they have to support. And for the same reason, at the same time, we're facing a threat, of perpetual, nuclear-armed warfare, and things like Afghanistan and Iraq, in many parts of the world.

So, we've come to the point, this year, a turning-point, in which the outcome of the U.S. election—not merely in who is elected as President, but what happens to the United States *policy-making process, in the process of going through this election year*. Out of this election year, we will know whether civilization is going to survive for coming generations or not. If we don't make the right change, this civilization will not survive. The planet as a whole will go into a new dark age. And maybe a couple of generations later, after the habits of the present generation, of so-called Baby-Boomers—after those habits are weeded out of us, over two generations of a new dark age—perhaps then, humanity will begin to put civilization back together again.

My view is, that young people, who are young adults, typified by those between the ages of 18 and 25, who are *thinking* young adults, do not wish this to happen. If you are in that age-group, you have 50 to 60 years of life expected before you: How do you want to spend it, if at all? You have to care. Your parents' generation can hope, that somehow, the catastrophe won't hit until after they're dead, and they won't feel the pain. You know, that *you* will feel the pain: Therefore, you are a factor of leadership in society, which can kick the butt of your parents' generation, and bring them back to their senses, and get them to join us in doing the things which are fairly elementary, if we look at the record of what Roosevelt did—that

kind of thing.

Do that, and we can survive. It will be hard work, but we can make it. And those of *your* generation, will see a better future for mankind.

That's what we're up against.

Latest From LaRouche

LaRouche Interviewed in *Pole Star* on U.S. Elections

The Russian Internet publication *Polyarnaya Zvezda* (The Pole Star), in late June, posted Lyndon LaRouche's replies to a set of questions about the U.S. elections. The publication is posting the replies of various experts, including, so far, one from the New York Council on Foreign Relations. LaRouche was identified as candidate for the Democratic Party Presidential nomination. The Yekaterinburg-based *Polyarnaya Zvezda* project is known for its focus on Eurasian matters and is relatively widely read in Russia.

The following is the English version of the questions, together with LaRouche's original replies, dated May 17, 2004.

Question 1. Describe the mood of the American society on the eve of Presidential election. How polarized is the American nation in political context? Do third parties have any chance to influence the outcome of the election? Which of these third parties elicit maximum support from the American public?

LaRouche: The principal underlying, determining factors in the U.S.A.'s policy-shaping, will be, increasingly, the interrelationship between the continuing escalation of asymmetric warfare in Southwest Asia, and the impact on the U.S.A. itself of the presently inevitable, onrushing breakdown-crisis of the present world monetary-financial system. The shifts in mood within the U.S.A. are currently kaleidoscopic, rather than linear statistical trends, on both accounts. The fate of the U.S.A., and also the world at large, will be largely determined by U.S. response to these two factors, including the impact of the war on the efforts to deal with the presently accelerating crisis of the monetary-financial system. Unless the U.S. is free of its presently, ruinous policies in Southwest Asia, there is no possibility of U.S.-proposed solution for the monetary-financial crisis presently in sight. Even were the U.S. to pull out of the war, unless the current economic doctrines of all leading U.S. parties, major or minor, are overturned, the worst monetary-financial-economic collapse in modern history is virtually inevitable for the planet at large. If Sen. John Kerry continues to be the intellectual-political failure he has shown himself to be since the aftermath of his initial electoral-primary victory in the Federal state of New Hampshire, and in light of the pathetic conduct of President George W. Bush, two things must be said about the November 2004 Presidential election: that Kerry's performance, so far, has been so pathetically impotent, that only his continuation of his present pattern of behavior might re-elect an otherwise pitiful Bush. Under such conditions, a vote in the order of 5% for "spoiler" candidate Ralph Nader, could contribute to Kerry's defeat, as Gore was defeated in Florida, in 2000.

Question 2. What are the main achievements of the Bush administration? Has the current president been more successful in foreign or domestic policy? Will this help him in his reelection effort?

LaRouche: Except for the sympathy he attracted, during a relatively short time after the events of Sept. 11, 2001, President George W. Bush has had no notable political successes so far. Since that time he has been visibly a mere puppet of his ventriloquist, Vice President Dick Cheney, and, therefore, of Cheney's pack of maddened chicken-hawk warriors. The Iraq war and the onrushing collapse of the U.S. economy will probably continue to hang around his neck as long as he continues to tolerate Cheney as both his personal ventriloquist and Vice President.

Question 3: a.) What mistakes in foreign and domestic policy were made during George W. Bush's first term? b.) Will the administration take these failures into consideration during the second term if president Bush wins reelection in November? c.) What is the current trend US-EU relations in light of recent loss of America's allies in the Iraq war (Spain, for example)?

LaRouche: a.) In fact, Bush has made nothing but mistakes in all crucial issues, especially since the aftermath of Sept. 11, 2001. b.) If Bush were to conduct a thorough purge of Cheney and the neo-conservative pack from his administration, he might revert, then, to the political style of his preceding Texas Governorship, and accept more guidance from the senior circles associated with his father, President George H.W. Bush. Unfortunately, that change might come too late for him, under the present strategic trends. b.) If he remains under the control of Cheney et al., the U.S. will follow a re-election of Bush with an unleashing of the Cheney doctrine of "preventive nuclear warfare" to targets such as Syria, Iran, North Korea, and others. c.) The Cheney-Blair policy remains one of Anglo-American one-world, nuclear power over an increasingly terrorized, and globalized planet.

Question 4. If George W. Bush receives steady support from representatives of big business and the elite of the military-industrial complex, then which forces provide support for the Democratic Party and its Presidential nominee?

LaRouche: The term "military-industrial complex," as employed by President Dwight Eisenhower, refers, still today, as then, to the financier-directed Synarchist International which established each and all of the fascist regimes installed throughout continental Europe during the 1922-1945 interval. At the close of that war, Allen Dulles and others, together with the same pro-Synarchist financier circles which had backed London's Montagu Norman and his assets Hjalmar Schacht and Averill Harriman, in putting Hitler into power on Jan. 30, 1933, brought a core of the Nazi-SS-SD apparatus into what became the post-war NATO apparatus, an apparatus based on the original, Truman version of the "preventive nuclear warfare" doctrine introduced by Bertrand Russell. For example, immediately following the death of U.S. President Franklin Roosevelt, Dulles and his aide James J. Angleton moved into control of the occupation of Italy, incorporating such Nazi elements and assets of the Nazi occupation of Italy as SS General Wolf's crowd: a key part of the present generation of international Synarchist terrorism run from within Italy, France, and Spain, into South and Central America today. It would be a mistake to introduce the category "big business," as implying large industrial interests, to the situation in the post-industrial culture of the U.S. and western Europe today. Behind the apparatus whose policy is the doctrine of "universal fascism" (as of Michael Ledeen, et al.), is the same genre of international financier-cartel interests which were the power behind the Synarchist International of 1922-1945.

Question 5. Will U.S. foreign policy undergo changes in the event of the election of Democratic challenger John Kerry to the White House? Will the U.S. attitude towards Russia and the European Union change if Kerry wins the November elections?

LaRouche: So far, Senator Kerry's candidacy has been a disaster. He is floundering, without any clear policy-direction, on all important issues of national policy. He evidently lacks any of the qualities of leadership required of the U.S. President under today's accelerating onrush of conditions of general global monetary-financial collapse, conditions under which the U.S. must play a crucial kind of leading constructive role.

Question 6. Will the war on terrorism intensify if the Democrats take the White House in November or will John Kerry prefer to focus on domestic problems? Will he attempt to strengthen NATO as the only global military organization capable of mounting rapid reaction operations? Will the expansion of NATO eastward continue?

LaRouche: Unless Kerry accepted my direction, he would flounder hopelessly as President, on all fronts. Otherwise, it is clearly the present direction of intent of the controlling interests presently behind the NATO-dominated European Union, to transform the former Comecon region of Europe into the looted equivalent, for Europe, of what the U.S. has been doing,

since 1982, to transform these the formerly sovereign nations of Central and South America into the virtual slave-labor markets and raw-material-looting zone for the otherwise currently bankrupt core of NATO states.

Links to articles from *Executive Intelligence Review**

[*Requires Adobe Reader®.](#)

Political Economy:

Hans Koschnick Poses A Question Which the July Democrats Must Also Answer

This release was issued on June 30 by the LaRouche in 2004 Presidential campaign committee.

The June 23rd edition of Germany's prominent conservative daily, *Die Welt*, featured a June 17th interview with a former Vice-President of that nation's Social-Democratic Party (SPD), Hans Koschnick, in which he delivered a challenge to his SPD which must also be taken very much to heart by the U.S. Democratic Party's coming July, Boston convention.

- What Koschnick Said

Hans Koschnick's lengthy interview with in the leading German daily *Die Welt* appeared on June 23. Koschnick, 75, is a former deputy chairman of the German Social Democratic Party (SPD), a former mayor of the city of Bremen, and one of the 'grand old men' of the SPD. During the 1990s, Koschnick was European Union Administrator for the city of Mostar, in Bosnia-Herzegovina.

Feature:

The Nazi-Instigated National Synarchist Union of Mexico

Part 1, by William F. Wertz, Jr

When in July 2003, the leaders of the Ibero-American Solidarity Movement (MSIA)—founded in 1992 as a Trojan horse within the LaRouche movement—resigned from association with LaRouche over the issue of synarchism. Lyndon LaRouche warned that the MSIA's controllers centered around Spain's leading Francoist, Blas Piñar, represent an Hispanic terrorist threat against the United States in behalf of the circles of Vice President Dick Cheney.

Science and Technology:

Unlocking the Secrets Of Mysterious Saturn

When the Voyager spacecraft flew by Saturn in the early 1980s, they revealed a complex of rings and moons that scientists could not explain. **Marsha Freeman** reports on the Cassini mission now observing the ringed planet.

Economics:

LaRouche: Build Up the U.S. Army Corps of Engineers

by Marcia Merry Baker

American Presidential candidate Lyndon LaRouche, in a recent conversation with a commander of the U.S. Army Corps of Engineers, said that among the first actions LaRouche would take as President, would be to build up the Corps, as part of the re-institution of national military service, to carry out the founding mission of the Corps for infrastructure construction.

- **Modernize Navigation on The Upper Mississippi**

EIR submitted testimony to the June 24 hearing of the Sub-Committee on Water Resources and Environment of the House Committee on Transportation and Infrastructure, on the Upper Mississippi and Illinois Rivers. The Subcommittee's hearing was on recommendations for navigation improvements and ecosystem restoration.

- **Interview: Jeffrey L. Stamper**

'Lean Times' Harm Water Infrastructure

Jeff Stamper, P.E., is a structural engineer with the St. Louis District of the U.S. Army Corps of Engineers. He was interviewed on June 17 by Marcia Merry Baker, at the Corps public briefing in Washington, D.C., on the newly proposed Corps plan for the 'Integrated River Management for the Upper Mississippi River-Illinois Waterway System.'

- **The Lesson of the 1993 Flood: Restore the Army Corps Tradition**

by Richard Freeman

This article highlighting the neglected infrastructure of the Upper Mississippi region and its relation to the devastating 1993 flood, was first published in 21st Century Science and Technology, Winter 1993-94.

International:

The Friends of Blas Piñar Send the Andes Up in Flames

by Luis Vásquez Medina

See hordes of unemployed, primarily former soldiers, beaten down by a horrific economic crisis, wearing black shirts in imitation of a military uniform, boasting on the street that if they get to power, 'there won't be enough bullets for all the corrupt ones,' threatening retaliation against a neighboring country for a war that occurred more than a century ago, and speaking of the superior race that will rule the country. Although the similarities are great, we are not talking about Weimar Germany, or of the nascent Nazi Party in the early 1930s; this is Peru today.

Bolivia Is Targetted To Redraw S. America Map

by Gretchen Small

The arrogant neo-conservatives at the American Enterprise Institute (AEI) have taken upon themselves to trumpet the imminent extinction of Bolivia, the nation which lies in the heart of the South American continent.

Bush Sets Up New Government in Iraq

by Muriel Mirak-Weissbach

June 30, the long-awaited date for the transfer of power from the US-led occupying forces to an Iraqi interim government, had become a symbol, at

least in U.S. political iconography, for the restoration of sovereignty to Iraq and the advent of an era of peace, democracy, and freedom. But the harsh reality of a widening asymmetric guerrilla war against the occupation forced even the publicity-hungry Paul Bremer, outgoing head of the Coalition Provisional Authority, to abruptly alter plans, and effect the handover almost in secret, two days earlier than scheduled.

National:

Dick Cheney's Imminent Political Crash Landing

by Jeffrey Steinberg

Dick Cheney's 'Go f**k yourself' flip-out at Senate Judiciary Committee ranking Democrat Patrick Leahy (D-Vt.) in June 22 on the floor of the U.S. Senate, was but the most public display of the Vice President's mounting hysteria over accelerating pressure for his ouster from the 2004 Republican ticket.

- **High Court Jams Cheney, Bush Imperial Presidency**

by Edward Spannaus

In rulings which took many, including the Defense and Justice Departments, by surprise, the U.S. Supreme Court on June 28 rejected the Bush Administration's claim—most forcefully advocated by Vice President Dick Cheney—that it has unlimited war-time powers, against which the Federal courts can say or do nothing.

U.S. Economic/Financial News

Mayors' Report Decline in Wages, Health Benefits

The U.S. Conference of Mayors, during its annual meeting in Boston June 28, released a new Metro Economies and Jobs report analyzing the employment wage gap, as well as the impact of job gains and losses on health benefits. The study, conducted by Global Insight, estimated that all new jobs it assumed will be created between 2004-06 will have an average wage of 12% less than jobs lost between 2000-03. In addition, new jobs created in the top 10 job-creation sectors of the U.S. economy, will have a 15% lower wage compared to the 10 sectors that lost the most jobs during the previous four years.

Moreover, there is a 14.5% "health benefits gap" for new jobs, meaning that 14.5% fewer people with new jobs will have health-care coverage, compared to those who lost their jobs between 2000-03. The report attributed the health-care-benefits gap to a structural shift in the types of jobs, from good-paying (and physically productive) manufacturing jobs with strong health benefits, to jobs predominantly in the service sector, many of which are lower-paying with no health benefits.

Detroit Mayor Kwame M. Kilpatrick warned, "lower-wage jobs with no health benefits severely impact the overall economic and physical health of our nation."

Yet, the mayors failed to support the only solution, LaRouche's FDR-style economic recovery propelled by Federal government-directed credit for massive infrastructure projects. Instead, Mayor James A. Garner, USCM president, called on mayors and business CEOs to "work together to find solutions."

Millions of Jobless Now Without Any Benefits

A record 2 million jobless workers will have exhausted their unemployment benefits, and will have no further Federal aid, since last December when the Federal program providing a 13-week extension of state-funded jobless benefits ended, through June 30, according to the latest study by the Center on Budget and Policy Priorities (CBPP). Very large numbers of jobless workers have run out of unemployment benefits even during recent months of purported significant growth in "new jobs" touted by the Cheney-led Bush Administration. In March, the number of workers exhausting their regular 26-week state benefits and not qualifying for further Federal aid, CBPP found, was higher than in *any* other month on record, despite Bush's April Fool's jobs hoax. In May, a staggering 293,000 unemployed workers fell into the same predicament, the highest level for the month of May.

A whopping 2,031,000 unemployed workers will be suffering the same dire situation from late December through June 30, CBPP estimates—a level higher than the number of such "exhaustees" in any other six-month period on record, going back to the early 1970s. The next few months are also likely to see record numbers of exhaustees, CBPP projects, highlighting the urgent need not merely for extending unemployment benefits, but for LaRouche's Super-TVA policy to create jobs rebuilding the physical economy.

Steel Price Hikes Threaten Auto-Parts Suppliers

Steel price inflation could force "multiple" bankruptcies of auto-parts suppliers "within the next 90 days," warn industry experts, according to the *Detroit News* June 29. Surging steel prices are taking a mammoth financial toll on auto-parts makers, and could soon push some small- and medium-size suppliers into bankruptcy, as well as disrupt production at some auto assembly plants, according to a study released in June by accounting and management consulting firm Plante Moran. The price of rolled steel, for example, has jumped 57% to \$617 per ton this month, from \$350 per ton in January. Suppliers, already losing profits and forced to cut jobs, are now under pressure from automakers to provide parts at lower prices, thereby putting them on the verge of extinction.

"We will see multiple bankruptcies of suppliers within the next 90 days," warned Craig Fitzgerald, a partner with Plante Moran.

Industry executives also painted a bleak picture. "How do we cooperate, or somebody is going to die in this thing," lamented John Knappenberger, a vice president at Dura Automotive Systems. Auto-parts makers are slashing capital spending, raising parts prices, and cutting other operating costs to offset the rising steel costs. "It's been hell," declared Jim Zawacki, owner of an automotive stamping business in Grand Rapids, Mich., who has had to cut jobs as steel prices have doubled since December.

The spot price of hot-rolled steel, one of the most common types of steel used in auto production, has shot up 120% this month from a year ago, according to trade publication *Purchasing*, while cold-rolled steel is up 74%, and steel scrap is up 90%.

Suspension-system maker Tower Automotive, was slammed by \$1 million in extra steel costs during the first quarter, and expects to see a greater hit in the second and third quarters, cautioned chief executive Kathleen Ligocki. "The worst is going to be here in the third quarter," agreed David Andrea, head of business development for the Original Equipment Suppliers Association, which represents 60% of North American auto suppliers.

"A supplier with (annual revenues) in the \$25 million to \$75 million range is very much at risk," said Jim Gillette, an analyst with automotive consultancy CSM Worldwide.

Fed Raises Short-Term Rate by Quarter-Point

Alan Greenspan's Federal Reserve Bank raised short-term interest rates by a quarter point, to 1.25%, and said further increases can be made at a "measured" pace, based on "economic prospects." The Federal Open Market Committee unanimously voted to hike the Federal funds rate, for the first time since May 2000, raising the overnight interest rate that banks are charged by the Federal Reserve from their lowest level since 1958.

"With underlying inflation still expected to be relatively low, the Committee believes that policy accommodation can be removed at a pace that is likely to be measured," members of the rate-setting FOMC said in a statement following their two-day meeting in Washington. "Nonetheless, the committee will respond to changes in economic prospects as needed to fulfill its obligation to maintain price stability."

Top Banker: U.S. Housing Bubble About To Burst

Ian Morris, chief economist at HSBC (formerly Hong Kong Shanghai Bank) Securities USA released a report June 25 entitled, "The U.S. Housing Bubble—The case for a home-brewed hangover." Morris presents the case that the U.S. has a housing bubble that will burst in mid-2005. However, given the acceleration of the onrushing financial disintegration, the crash's timing could be moved up.

Morris's report demonstrates that U.S. home prices are at or near record highs relative to income, relative to rent, relative to replacement cost, and relative to home equity. Home price increases are going through their longest stretch of quarterly gains on record. Since the first quarter of 2000, home prices have shot up by the following percentages: Washington, D.C., 70%; California, 60%; New York, Massachusetts, and Florida, 50%. Morris warns that, "expectations of future home price appreciation are spectacularly, and unrealistically high.... We think the party stops in mid-2005. A series of rate hikes will cause a reassessment of likely future house price rises and its associated [mortgage] debt, thereby triggering housing's fall." He adds, "Prices are too high and can overshoot on the way down," most likely deflating over several years.

Earlier last week, the Federal Reserve Bank of New York issued a fantasy-land report entitled, "Are Home Prices the Next 'Bubble'?" which argue there is no national U.S. housing bubble (it used the "hedonic index" to adjust home prices downward), and pleading the case that a "soft landing" will occur. Morris's HSBC report demonstrates that there will be a hard landing.

California Housing Bubble Set To Blow

The June 27 *Los Angeles Times* carries a lengthy article, detailing the expansion of the housing bubble in California, where the housing market is white hot. The article also reviews the bursting of the much smaller housing bubble during the early 1990s:

"The median price for a Southern California home fell by 16.7% from a peak of \$189,000 in June 1991 to the low point in the market, January 1996, when the median was \$157,000. Los Angeles took an even harder hit. The median price for homes in the county peaked in May 1989 at \$203,000 and then bottomed out in February 1995 at \$158,000, a 22.2% decline."

By the end of 1996, the number of foreclosures in Southern California reached a staggering 109,123 homes. Were that process to repeat today—and it likely will be much deeper—when the median price of a home in Orange County, is \$572,000, then home prices would fall by more \$125,000 and hundreds of thousands would occur.

Freddie Mac Reports Huge Profit Plunge Based on Derivatives Losses

Freddie Mac reports its 2003 profits plunged by 52%, due to losses in derivatives, which it uses to "hedge" against interest-rate swings, and warned of more drops in the future, Reuters reported June 30. The government-sponsored mortgage-finance giant said it earned \$4.9 billion last year, down from \$10.1 billion in 2002.

In addition, Freddie said it will still not be able to report 2004 results on an annual or quarterly basis, until the end of March 2005. Company officials also could not say when it will make timely financial statements each quarter, or fulfill a pledge to file financial reports with the Securities and Exchange Commission.

Derivatives Could Trigger 'Global Financial Crisis'

Exponential growth in derivatives could trigger a "full-fledged global financial crisis, warned CBS Marketwatch commentary editor Tom Bemis June 29. "A huge portion of these financial transactions exist in a netherworld of little or no regulation.... Yet their use grows by an estimated 30 percent a year from already stunning levels," Bemis warns.

The over-the-counter derivatives market has "grown so exponentially over the past 15 years," to \$140 trillion today, from just \$3 trillion in 1993.

Randall Dodd, executive director of the Financial Policy Forum thinktank worries that one of the major banks or broker-dealers at the heart of the derivatives trade could run into a problem that cascades into a full-fledged global financial crisis.

World Economic News

Bank of England Warns of Systemic Risks

In its semi-annual "Financial Stability Review," the Bank of England (BOE) points to "considerable challenges" for maintaining "financial stability," in particular, in "an environment of rising global interest rates and, for many borrowers, historically high levels of debt." These "high debt levels, notably in the UK household sector but also still for many corporate borrowers at home and abroad, mean that the impact of any increases in interest rates will be the greater." And while corporate debt levels are "high by historical standards," corporations are in addition now suffering "significant pressures" from higher oil and other commodity prices.

"Some credit risks merit especially close monitoring because of the size or the concentration of exposures. For UK banks, secured lending to UK households is substantial. The relative importance of domestic mortgages has increased in recent years, and they now account for around 20% of the on-balance-sheet assets of the large U.K.-owned banking sector." Lenders, in general believe, says the BOE, that default rates will not go up sharply once interest rates rise. However, "given the size of the exposures, stress testing for the implications of various low-probability but high-impact scenarios—for example, sharp house price falls coinciding with a significant deterioration in the employment outlook—remains important."

Another risk factor the BOE highlighted, is the "search for yield," which is being reflected by various kinds of "carry trades" and the overall growth of hedge fund operations. Some "carry traders" were suffering problems recently as bond prices started to fall. "Further price changes could trigger other sharp asset price movements or market liquidity problems were investors simultaneously to try to unwind common positions, leading to 'one-way' trading.... Those risks may have been exacerbated by the rapid growth and proliferation of hedge funds over the past year, possibly bringing in less experienced fund managers. There have also been some reports of increased use of leverage amongst hedge funds," even if leverage appears to be lower than in 1998.

In conclusion, there are a number of "downside risks" that need careful evaluation: "As well as the possibility of house price falls and weaker income growth, there may be larger-than-usual interest rate and other market risks; increased liquidity and concentration risks in the markets used to manage market risk and raise wholesale funding; and possible weaknesses, in changing macroeconomic circumstances, of increasingly complex credit and market risk models based on limited historical experience. Some of these risks may be linked."

BIS Warns Against Banks' Risky Loans, Investments

The Bank for International Settlements (BIS) released its 74th Annual Report June 28 focussing on the fact that banks in Europe and U.S. have been taking on "tenuous" risks on loans and trading. As well, it warns about the U.S. current account deficit, and the capital flows needed to finance it.

In a review of the financial sector, the BIS states, "Some institutions may have undertaken investments premised on tenuous assumptions regarding the outlook for growth and the level of interest rates." Among the problems that the BIS finds are, that based on alleged increased economic growth, lowered interest rates/increased liquidity, and greater bank "capitalization," banks have been encouraged to undertake "greater risk-taking." For example: Investment banks have come to rely increasingly on proprietary trading—buying and selling securities using the banks' own money—which increases these banks' "value-at-risk." The "value-at-risk" is simultaneously a measure of how much a bank can lose in a single day. These banks' "value-at-risk" had jumped 20% by end of 2003 over the year before. The BIS reported: "Large losses on these activities could affect a number of players if market liquidity were to dry up," or interest rates to shift.

The report also warns about the escalating of home mortgage debt: "If [home] prices were to fall, this would be likely to trigger mortgage defaults and financial stress."

However, while recognizing real problems, what the BIS recommends, would intensify the problem. The BIS reports that German banks' distressed loans are a very high 9.5% of total loans, but praises them for "restructuring the loans," which often involves the risky process of securitizing them. The report continues, "Moreover, the restructuring of problem loans, destined eventually to be sold to international investors, provided a boost to capital adequacy." The BIS also said, "Trading in mortgage-backed securities was an additional important source of revenue." It praised banks for laying off workers, and the mergers and acquisitions in the world banking sector—i.e., banks producing mega-banks—and said, "The resilience of the financial sector to the recent economic downturn represents in part the fruit of these efforts."

Finally, the BIS praised to the skies its new report from June 26, entitled, "International Convergence of Capital Management and Capital Standards: A Revised Framework," which argues that if only banks put aside higher levels of Tier 1 bank capital, the banks would be stable, in a dying global banking-financial system penetrated by \$400 trillion in speculative derivatives and other obligations.

United States News Digest

Clinton on the Political Debate

Talk-show host Charlie Rose, during a June 28 interview, allowed former President Bill Clinton to expand on how the world has changed since he was President. Rose referred to him at one point as the key figure in the Democratic Party. He also asked him if he would like to serve as Sen. John Kerry's Vice President or Secretary of State. Clinton replied that Kerry has to pick someone he feels good with. Clinton said he had talked with Kerry several times. "He asked me about several people," Clinton said.

For his own part, he said that as former President "you acquire a big responsibility to help your country" and that if a President Kerry asked him to serve in some capacity, he would seriously consider it. Rose asked what he thought would be the Great Debate of 2004, Clinton replied. "It'll be 'What is the role of America in the 21st Century world?' and what should our country look like within our own borders?"

Clinton continued, "After 9/11 everyone was for us. When President Bush asked the UN to resume inspections in Iraq, everyone was for us. But then we didn't let Hans Blix continue his inspections and instead went to war. And then a combination of factors served to change that. It became clear that weapons of mass destruction were not the reasons we went to war, but that there were other reasons.

"We also changed our nuclear doctrine which was very troubling, and we ripped up the ABM Treaty and refused to ratify Kyoto [the greenhouse protocols]. The world then reacted negatively.

"The Bush Administration is following the lead of Robert Kaplan's *Warrior Politics*. We now have an image of doing what we want when we want and cooperating only when we have to, whereas my administration tried to cooperate on all issues, while maintaining the right to act alone if we had to. It's a different attitude entirely. The American people in the next election have to decide if they want to follow Kerry's approach or Bush's approach." Clinton said.

House Votes To Make Enron Documents Public

The House passed by voice vote an amendment offered by Rep. Ann Ashoo (D-Calif) to the appropriations bill that funds FERC, to bar the Commission from denying to the public the evidence related to its investigation of market manipulation by the energy pirates. Consideration of her stronger amendment to force FERC to order refunds to the Western states during the 2000-2001 energy crisis, which FERC has refused to consider, was stonewalled by the Rules Committee, and defeated 209-182 on the House floor.

During the debate on the amendments, Rep. Peter DeFazio (D-Ore), countered charges from the GOP that Democrats were just aiming for a witchhunt against the Bush Administration due to its ties to Enron, stating, "We have crimes, but what we don't have is restitution," adding that Enron executives have gone to jail for manipulating the market, yet, three years later, no payments have been ordered by FERC. DeFazio stated, "We are still paying more for our electricity, day in and day out" thanks to actions from both "Enron Corp., based in Texas," and from FERC, "led by Pat Wood of Texas.... This stinks."

Speaking on the House floor, Minority Leader Nancy Pelosi scored the Rules Committee's action to quash debate, saying "Enron lied, cheated, and stole; it is long past time they paid back consumers and the states."

Senate Panel Approves Mississippi River Improvements

On June 23, the Senate Environment and Public Works Committee approved, without debate, an amendment sponsored by Sen. Kit Bond (R-Mo) that would authorize \$1.46 billion for seven new locks on the Upper Mississippi and Illinois River systems. In doing so, the committee bucked opposition from at least half a dozen environmentalist groups, who claim that the improvements are "blatantly unjustified," and would create the most expensive waterway boondoggle in the nation's history. Bond replied, "Modernizing our lock and dam system will produce economic benefits now, including providing 48 million man-hours of construction work. This project will make U.S. producers more efficient and more competitive, while protecting jobs here at home."

Novak: 'Republican Holy (Civil) War,' Looms

Columnist Robert Novak warned in a June 28 *New York Post* column, that the "cunning parliamentarian, House Ways and Means Committee Chairman [Bill] Thomas ... fired an early shot in a destructive civil war looming for Republicans."

The immediate issue is a proposed bill, twice defeated through Thomas's leadership, that would have lifted the restriction on churches (which are tax exempt) acting as political/electoral agencies. The restriction stems from a 1954 law passed on the initiative of then-Senate Majority Leader Lyndon Johnson. Acting on behalf of the theocratic movement, "devout Catholic" Rep. Walter Jones (R-NC) introduced a bill in 2001 to repeal the restriction. But the Jones bill had impediments thrown in its way by 13-term Congressman Thomas (R-Calif), "party boss of Bakersfield." Novak complains that Thomas "represents old-line Republicans who resent Christian conservatives entering their party in 1980."

When Jones and the religious right (under Majority Leader Tom DeLay and Speaker Dennis Hastert) finally got their bill onto the floor for a vote in October 2002, Thomas and some 44 other Republicans joined Democrats in voting it down. Recently, when the Jones bill got attached to unrelated tax legislation, Thomas managed to out-maneuver the Hastert-DeLay leadership and kill the bill. Novak rails that those who voted against the Jones bill "represent a bloc of Republicans, from the corporate boardroom to the country club, who despise the religious right.... Bill Thomas is a secularist. He is entitled to his own views, but today's GOP relies on support not from secular Americans, but from church-goers."

Buckley Blasts Iraq War Policy

On his way out the door to retirement as editor of the ultra-rightwing *National Review* magazine that he founded in the 1950s, William F. Buckley, Jr. stated, "With the benefit of hindsight, Saddam Hussein was not the kind of extra-territorial menace that was assumed by the administration one year ago. If I knew then what I know now, ... I would have opposed the war." Buckley is thus joining the ranks of the former Cheney cheerleaders, who are now turning against "the neo-cons."

Extremely ironic, since National Review Online, is one of the regular journals for the neo-cons' most ardent Iraqi liars and warmongers: Michael Ledeen, Michael Rubin, Frank Gaffney (on occasion), Richard Perle, and others. Buckley will continue his column.

New Study on Stress in Soldiers Serving in Iraq

A new study by a group of Army and Navy researchers, published in the current issue of the *New England Journal of Medicine*, concludes that soldiers and Marines who have experienced combat are more likely to report symptoms of post-traumatic stress disorder, depression, and alcohol abuse. The study notes that 11-17% of soldiers may be at risk for mental-health disorders, three to four months after returning from combat duty in Iraq, as compared with 9% before. The study was based on surveys of several groups of soldiers and Marines, comprising nearly 6,000 people both prior to and returning from deployments in Iraq and Afghanistan, a significantly larger sample than that used for the official Army Surgeon General's mental-health team study released last March. The authors of the NEJM study note that because certain groups were left out of their study, including those severely wounded in combat and those removed from their units for other reasons, including misconduct, "our estimates of the prevalence of mental disorders are conservative, reflecting the prevalence among working, non-disabled combat personnel."

The report found a direct correlation between combat experiences and the likelihood of a soldier or Marine reporting PTSD symptoms. The more intense the soldier's combat experience, e.g., the number of firefights during deployment, number of times shot at, handling dead bodies, knowing someone who was killed, etc., the greater the likelihood of PTSD.

Significantly, the study also notes that the magnitude of differences between the before and after deployment groups were also significant given that the before deployment group (a brigade of the 82nd Airborne Division before leaving for a year-long deployment to Iraq in January of 2003) was already experiencing levels of stress that were higher than normal.

Broder on Bush and Blair: 'United They Fall?'

Writing from London on July 1, *Washington Post* columnist David Broder notes that, although the effort to dump British Prime Minister Tony Blair has stalled, and that he is likely to lead the Labour Party in the election next year, it is still the case that "Bush is scorned here." Among Blair's allies, "every time Dick Cheney or Don Rumsfeld opens his mouth, Blair's people wince." The problem, according to one senior adviser to Blair, is that "Blair feels that he is on all fours with Bush."

Conservatives Call for Draft; Rumsfeld Says No

Noel Koch, who served in the Nixon and Reagan Administrations, wrote a *Washington Post* op-ed July 1 titled, "Why we need the draft back." He says the draft "shattered class distinctions.... Class lines blurred, and so did racial lines. The military did more to advance the cause of equality in the U.S. than any other law, institution or movement. Not for nothing did 'Bro' come into common use in the Vietnam era: 'Who sheds blood with me shall be my brother.'" Koch does not take the next step, as Lyndon LaRouche and others have, to point out that the population will not so easily acquiesce to war if their sons are engaged, rather than a professional army.

Sen. Chuck Hagel (R-Neb) has also called for revival of the draft, mainly because the Army is so badly overstretched today.

Asked about the proposal to reinstitute the draft, in an interview with Newsradio 600 KOGO, Secretary of Defense Donald Rumsfeld said, "Well, I can't imagine it. I just can't imagine it. There are people who argue that a draft is a good thing because it gives everybody a chance to serve and understand national service. But it was unfair, too many exemptions. But in terms of the need of the services, goodness no, we're perfectly capable of increasing the incentives and the inducements to attract people into the armed services."

Ibero-American News Digest

Mad-Dog Vultures: Get Rid of Argentina's Kirchner

The synarchists' Atlas Foundation, representing the worst of the Mont Pelerinite looters, joined with the Friedrich Neumann Foundation to sponsor a conference June 23-24 in Buenos Aires, dedicated entirely to attacking President Nestor Kirchner's "populism." The conference demanded Kirchner's ouster, while extolling the virtues of the free market and insisting that the debt be paid. The Atlas conference follows one held June 16, by the co-thinker Cato Institute in Buenos Aires, which put out the same line.

The conference, which attracted a 1,000-person audience for each of the two days, accused Kirchner of organizing "street militias"—a reference to the so-called *piqueteros* Jacobin movement, which has mobilized the unemployed in shutting down highways, seizing buildings, etc.—of imposing state control over previously privatized companies and services, and ruining relations with the United States. Former Presidential candidate Ricardo Lopez Murphy, from the University of Chicago-backed FIEL foundation, was one of the most vitriolic speakers, implying that Kirchner was behind the "piquetero" takeovers of several McDonald's branches and a Sheraton Hotel hall a week earlier. Julio Ramos, director of the neoliberal financial daily *Ambito Financiero*, which has slandered Lyndon LaRouche, warned listeners to "watch out," because Kirchner has his militias in the streets, and is threatening democracy.

Former Argentine Ambassador to Washington Diego Guelar yearned for the days of "carnal relations" with the United States—the phrase used by Guido di Tella, former President Carlos Menem's Ambassador in Washington, to describe Argentina's very warm and close alliance with the United States.

Neo-Con State Department Official Targets Kirchner

In an "off-the-record" briefing given to two Argentine newspapers on June 28, the neo-con Assistant Secretary of State for Western Hemisphere Affairs, Roger Noriega, hinted that the neo-conservatives in the Bush-Cheney Administration are considering going after Argentine President Nestor Kirchner as a new "Hugo Chavez," that is, as an anti-American leftist. Noriega he declared that "there are still doubts" as to the political direction of the Kirchner government, and told *Clarín* and *La Nación* June 29, that "we're very worried" about Argentina's domestic violence. He went on to fume about the fact that Kirchner hasn't used his popularity to take "the tough measures" needed to resolve the economic crisis. He referred specifically to the debt restructuring, charging that the government "hasn't yet moved to resolve any of these problems." In contrast to Kirchner, he praised the behavior of Brazilian President Lula da Silva.

Argentine Foreign Minister Rafael Bielsa blasted Noriega, and was so angry that Secretary of State Colin Powell had to call him up to try to calm the situation down. From China, Bielsa charged that Noriega had a "loose" mouth. "His opinion is inappropriate, provocative, and out of place, and shows no respect for the self-determination of peoples. It's not the first time he's spoken this way," Bielsa said. Frankly, he added, "I'm fed up with that gentleman's declarations." Bielsa said it is striking that Noriega "always uses informal settings to launch attacks on our government's functioning, which, notably, always are aligned with attacks of the same tone from the Argentine opposition."

Cabinet Chief of Staff Alberto Fernandez added that Noriega's remarks were outrageous, but said that since this wasn't the first time that Noriega had done this, "we have to consider the source" from which such remarks come, in evaluating them. That is, Noriega is a known entity.

National Banking Discussed in Argentina

A discussion of national banking is emerging in Argentina, looking at the example of Brazil's BNDES, as well as the country's own tradition of national banking. Hector Massuh, an officer of the Argentine Industrial Union (UIA), writes in an op-ed published in the June 18 daily *La Nación*, that Argentina needs a bank like the National Development Bank (BANADE) that existed between 1967 and 1973, whose origins actually go back to the founding of the Industrial Credit Bank established in 1944. Massuh also points to the role that Brazil's Economic and Social Development Bank (BNDES) is playing in that country, financing infrastructure and other development projects, crucial to Brazil's future.

Most interesting, is Massuh's report that two months prior to the May 2003 election of Nestor Kirchner as Argentina's President, Kirchner met with the UIA's executive committee to discuss the issue of strategic planning for development. A particular focus of the discussion was on how to ensure that sufficient funds were made available to finance development projects, for which, Kirchner said, it would be necessary to create a development bank.

Argentina had a development bank, Massuh said, which financed thousands of projects built by small, medium, and large companies, in sectors such as petrochemical, steel, cellulose, paper, energy, cement, and aluminium, to name a few. Eventually, corruption and abuses crept into its functioning. But instead of correcting those mistakes, the bank was shut down. That, he said, was "an historic error." It would be like "abolishing medicine because of the malpractice of a few doctors ... or shutting down the Senate because there were bribes."

In Brazil, the scale of financing now being offered by BNDES is "astonishing," Massuh says. "There is not a productive project in Brazil that hasn't been financed to some degree by BNDES.... And, our great nation, large, rich in natural resources and overflowing with opportunities for progress, requires an energy similar to that which BNDES provides for Brazil's development."

Massuh said that the tone of the UIA's conversation held with Kirchner, reminded him of the remarks made by former President Arturo Frondizi (1958-1962) many years ago: "Either we continue tired and impoverished, or we stand up and defend what is ours," Frondizi had said. "We have to wage a battle against backwardness, stagnation, ... and desperation. We must root out ignorance, misery, disease and fear of the future. We have to build bridges, dams, roads, pipelines, energy plants, and factories throughout the Republic.... Argentina's wings will fly in all the heavens, and the Nation's flag will wave above all the seas, as a messenger of progress."

Bankers Attempt To Sink Brazil Development Bank Flops

Brazil's National Economic and Social Development Bank (BNDES) announced on June 3, that the bank had decided to return to a policy of "strategic planning," and would immediately initiate a six-month project to map out which areas of the economy required government support, in order to maximize the national development which the "invisible hand" of the market had so royally failed to achieve. Public reaction to this decisive move against the "Zeitgeist" was almost nil—until last week. Wall Street used the occasion of President Lula da Silva's June 23-24 visit to Wall Street to woo investments, to attempt to force Lula to dump the head of BNDES, Carlos Lessa.

While Lula was in New York City, accompanied by eight cabinet ministers, including his Minister of Development, Industry and Foreign Trade, Luiz Fernando Furlan, Sao Paulo's right-wing establishment daily, *O Estado de Sao Paulo*, leaked a report that Development Minister Furlan had fired off an angry letter to Lessa, protesting that BNDES had not consulted with Furlan on the return to "strategic planning." BNDES formally functions under the Ministry of Development, Furlan reminded Lessa, and so he was required to consult. *O Estado's* top U.S. reporter then asked President Lula, in New York, if BNDES was not, indeed, subordinate to the Development Ministry. And, when Lula replied that indeed it is, officially, *O Estado* published a lengthy editorial calling for Lessa to resign.

Lula promised in New York he'd look into the reported fight between Furlan and Lessa, but said nary a word upon his return. A confident Lessa reported on June 28 that he had received no rebukes from anyone; his relationship with Furlan and the President were just fine; and "the press has resigned me more than 70 times," over the past year and a half.

In a June 29 article titled "A Lobby Against the Nationalists," Rio de Janeiro daily *Tribuna da Imprensa* charged that this latest attempt to oust Lessa was a move by the financiers, to knock out the nationalist faction from the government. *Tribuna* reports that the center of the anti-nationalist operation is the Brazilian Federation of Banks (Febraban), working with Central Bank head Henrique Meirelles [a former Fleet Boston bank executive], with Furlan merely used as their instrument. *Tribuna's* view, is that the neoliberal financier faction, which so has benefitted under the last nine and half years of "market" policies, fear that BNDES's strategic planning will build up national industry, at the expense of the multinationals and financiers.

Plans for 'Northern Bi-Oceanic Corridor' Move Forward

Plans are moving forward for creation of a "northern bi-oceanic corridor" in Ibero-America, under discussion by the governments of the Central-West South American Integration Zone (Zicosur), *El Tribuno* reported June 25. In the Argentine city of Resistencia, governors from northern Argentina, southern Brazil, Paraguay, and Bolivia, met June 24 at the "Integration and Development Bi-Oceanic Railroad Corridor" conference, and signed the "Resistencia Accord," which lays out plans for the physical integration of this mid-section of South America. Zicosur includes northwestern Argentina,

northern Chile, western and southern Bolivia, Paraguay, and western and southern Brazil.

The Zicosur is seeking financing from the Inter-American Development Bank, the Andean Development Corporation, and the Fonplata, for a number of infrastructural projects it has identified as vital to the region's development. The group is looking at the 4,300 km of transportation links existing between the Atlantic and Pacific Oceans, improvement and building of railroads, roads, highways, waterways, and energy projects, as among the priorities to be financed, if real physical integration is to occur. Zicosur Vice President Walter Wayar, noted that the group is committed to moving forward on "a regional project, which not only brings us closer to Asian markets, but will also allow for the internal development of the countries making up Zicosur."

The governors agreed they would present their proposals to the heads of state of the Mercosur countries (Brazil, Argentina, Paraguay, Uruguay, and associate members Bolivia and Chile), who will be meeting in the Argentine province of Misiones in July. A completed document of proposed projects will also be presented to the next Zicosur meeting in September, to be held in Tarija, Bolivia.

Western European News Digest

Italian Weekly Features LaRouche on 9/11 Comm'n and Cheney

The latest issue of *Rinascità*, the official weekly of the Party of Italian Communists (PdCI), devoted its entire three-page foreign news section to two articles by Paolo Raimondi, president of the LaRouche-associated Movimento Solidarietà, on the staff report from the 9/11 Commission. The main article, under the title "The Sept. 11 Commission, the Watergate of Cheney," reports the staff findings from the Commission, several *New York Times* articles, and Cheney's subsequent hysteria, and then identifies Lyndon LaRouche as the initiator of the anti-Cheney campaign, starting with the exposure of the role of Leo Strauss, student of Martin Heidegger and "Nazi Crown Jurist" Carl Schmitt, in creating the ideology of the neo-cons around Cheney and others.

The article also reports LaRouche's analysis, that the Bush-Cheney insistence that Iran and al-Qaeda had "contacts" may become dangerous for them, because it may put on the table the stories of past contacts between neo-con intelligence networks with Osama bin Laden, with Sheikh Rahman in Sudan, and of Donald Rumsfeld's role in the 1980-88 Iran-Iraq War, etc. The third page reports on the press conference given by the "Diplomats and Military Commanders for Change," opposing the war, with the *EIR's* questions and the relevant answers.

Blair's 'New Imperialism' Guru

Cambridge University Professor Corelli Barnett said in discussion with *EIR* June 29 that "Robert Cooper has very considerable influence over British Prime Minister Tony Blair, and represents a vast danger, with his idea of re-making the world, according to a 'new imperialism' blueprint."

"Cooper's influence is absolutely malign," Barnett stressed. "He's the guru who has inspired Blair. I have seen him on television, and he's one of these pompous, intellectually arrogant, and self-righteous types."

Barnett thought it likely, that the French would block Cooper's design, for "imperial expansion" of the European Union.

As for Blair, he said that Blair is "in considerable trouble, he's trying to put the issue of Iraq to bed, but he won't succeed. The problems faced by the neo-cons in the U.S., may only make things yet more difficult for Blair."

Barnet added: "The handover of power in Iraq is obviously phony, it's an effort to cover up for the fact that, in recent months, there has been a massive political and military defeat for Bush and the neo-cons," Barnett stressed. "Cheney's entire 2002-2003 policy, of avoiding the United Nations route, is being reversed. The United States has to turn back to the UN and 'old Europe,' in the form of NATO. But the French are ensuring that no real substance will be given to NATO's role in Iraq, so there is no resolution of transatlantic differences, and the deep suspicions remain."

Cheney Soon To Be Out of Work?

A well-informed continental European source raised the possibility of Vice President Dick Cheney's near-term departure, saying that there is a definite *fin de regne* (end of the kingdom) atmosphere in and around the Bush Administration, adding that he fully concurred, that a "Super-Watergate" process is now taking shape in the United States.

He affirmed: "Cheney has become too nervous, and too abusive, with what he did in the Senate last week. The Bush Administration is now, as I see it, in a *fin de regne* situation. In other words, it's end game. For the first time, I see a real possibility that we will soon see a new Number Two. It is now clear that Cheney has become counterproductive. There will likely be efforts to bring in a respectable Republican, to replace Cheney. The only question is, who would accept to serve under Bush?"

The source added, that a perception in Europe, that Bush is in deep trouble back home, was one factor, in ensuring that the past days' U.S.-European Union and NATO summits would achieve nothing of real content. "It all amounts to a softening of form, but nothing in terms of substance. There is an agreement to end the public bickering, but no movement occurred on substantial issues. The supposed role of NATO in Iraq amounts to nothing beyond training Iraqi troops, which is very nice, but does little to deal with the mess inside Iraq."

Blair-Brown Feud Exposed in New Biography

Ten Downing Street has tried to smooth over the row that broke out June 28, over the memoirs of Derek Scott, scheduled to be released in the fall, however, Scott has said that despite intense pressure, he refuses to edit out matters which Chancellor of the Exchequer Gordon Brown finds objectionable.

The book says that the "poison" from the big fights between Prime Minister Tony Blair and chancellor of the Exchequer Gordon Brown has "seeped into almost every office and corridor in Whitehall and Westminster and regularly blunted the progress made by the government." Blair is firing Brown supporters, and Brown is keeping secret key budget issues. Blair had considered kicking Brown out of the Treasury after the 2001 elections, but finally did not do so because of the "success" of Labour economic policy. As things get worse, with the Iraq disaster and the looming housing price bubble crisis, the infighting will get much worse.

UK Senior Clergy Condemn 'Enormity' of Prisoner Abuse

In a private letter, to Prime Minister Tony Blair, leaked to *The Times*, and reported on BBC June 30, the Archbishops of Canterbury and York, Dr. Rowan Williams and Dr. David Hope, warned Blair that, in the difficult times ahead in Iraq, "the credibility of coalition partners in advocating respect for the law and the peaceful resolution of disputes will, we fear, be undermined unless the necessary moral authority is clearly demonstrated at every level...."

The letter continued: "It is clear that the apparent breach of international law in relation to the treatment of Iraqi detainees has been deeply damaging. The appearance of double standards inevitably diminishes the credibility of Western governments with the people of Iraq and of the Islamic world more generally.

"More fundamentally still, there is a wider risk to our own integrity if we no longer experience a sense of moral shock at the enormity of what appears to have been inflicted on those who were in the custody of western security forces."

The letter was written after the annual meeting of the 114 bishops of the Church of England earlier in June, where Iraq and Israel-Palestine were discussed. The bishops wanted, the letter said, to "put on record" to Blair what they discussed.

Western nations must be "tenacious in our commitment to the Geneva Convention and other relevant international agreements," the letter said.

New Study Shows Poverty Worsening in Britain

A study by Sheffield University, using census data from 1991 and 2001, found a growing split between the south, which is basically "greater London," and the post-industrial north, the *Telegraph* reported June 30.

The reason for this national split is the wild expansion of the financial sector in London and the South over the past 10 years. Now, 1.7 million more people work in banking and finance than 10 years ago. But overall in Britain, more households became poorer over this decade, from 21% to 24%. Skilled trade workers, especially in the north, suffered the biggest decline in work of any sector: the loss of 500,000 jobs! Most northern big cities have lost population, from 3% in Birmingham to 10% in Manchester. Employment in energy, water, agriculture, mining, forestry and fishing have all fallen. "The UK no longer manufactures for the rest of the world, but is one of the world's key bankers and that sector is growing rapidly," says the report.

Report co-author Prof. Daniel Dorling said that Britain is being "split in half.... To the south is the metropolis of Greater London, to the north and west is the 'archipelago of the provinces'—city islands that appear to be slowly sinking demographically, socially and economically.... [The UK] is a kingdom united only by history, increasingly divided by its geography."

Despite its wealth, London also has extreme poverty, Dorling said, "probably the biggest concentration of the poorest in western Europe."

German Machine-Tool Output Shrinks; China Now Biggest Consumer

The German association of machine-tool producers, VDW issued June 29 its report for 2003, including key figures for the worldwide machine-tool sector. As German capital investments in general are shrinking, domestic consumption of machine tools plunged to 5.55 billion euro last year, a dramatic 22% decline from two years earlier. Due to relatively stable exports, the German machine tool production "only" fell by 14% within two years, reaching 8.83 billion euro in 2003.

One important aspect concerning the worldwide machine-tool sector, emphasized by the VDW, is the rapidly increasing role of China. For German machine-tool exporters, China has now, for the first time, become the leading trading partner. From January to April 2004, German machine-tool exports to China were again 70% higher than during the same period one year ago.

Domestic consumption of machine tools—a key measure for efforts to enhance industrial productivity—has slumped in the last two years in the entire G-7 world. In the U.S., machine-tool consumption between 2001 and 2003 crashed from 6.3

to 3.3 billion euros; in Japan from 6.3 to 4.5 billion euros; in Germany from 5.9 to 3.9 billion euros (all figures excluding parts and accessories). The Italian economy is now consuming almost as many machine tools per year (down to 2.9 from 3.4 billion euros) as the much larger U.S. economy. However at the same time, machine-tool demand is rising rapidly in China, to the effect that China has become the largest consumer of machine tools in the world (up from 5.3 to 5.8 billion euros).

Saxony's SPD Desperate To Boost Election Results

The Social Democratic Party of Saxony is desperately maneuvering to prevent dropping below 10% in September state elections. Saxony's Social Democrats are in a state of shock and despair after the disastrous June 13 European Parliament elections. The SPD there is uncertain it can keep the meagre 10% of the vote it got in the last elections.

The party faction around Thomas Jurk, chairman of the SPD state parliamentary group, staged a coup against state party chairwoman Constanze Krehl, at the SPD's convention on June 27, where she not only failed to get her candidates good spots on the SPD September election slate, but also failed to get more than 54% approval by the delegates. Krehl announced her resignation on June 28, and will most likely be replaced by Jurk, who got 84% approval for the post of vice chairman, at the Sunday convention.

But the reshuffle may be too late for a party that has failed to come up with a program and a message to voters, and which continues to refuse to come up with a program and a message: Opinion polls give the Saxony SPD 8%, even less, of the vote statewide, for the September elections.

Russia and the CIS News Digest

***Pole Star* Publishes LaRouche on U.S. Elections**

At the end of June, the Russian Internet publication *Polyarnaya Zvezda* (The Pole Star) posted Lyndon LaRouche's replies to its questions about the U.S. elections. The publication is posting the replies of various experts, including, so far, one from the New York Council on Foreign Relations. LaRouche was identified as candidate for the Democratic Party Presidential nomination. The Yekaterinburg-based *Polyarnaya Zvezda* project is known for its focus on Eurasian matters and is relatively widely read in Russia. See Latest from LaRouche for the interview.

Conference Marks Peaceful Nuclear Energy Anniversary

The International Atomic Energy Agency held an event in Russia to celebrate the 50th anniversary of the world's first nuclear power plant, completed June 27, 1954, in Obninsk, about 100 kilometers from Moscow. The event discussed new technologies, needed for economic growth. In a message to the June 27-July 2 conference, held in Moscow under the title "Fifty Years of Nuclear Power—the Next Fifty Years," Russian President Vladimir Putin stated: "The nuclear power industry now is a growing economic sector, actively promoting social and economic progress in many countries. Its future largely depends on fruitful international cooperation."

A spokesman for the Russian Federal Agency for Nuclear Energy, Nikolai Shingarev, told Tass that the first generation of electricity for the grid at the Obninsk power station 50 years ago, "gave mankind not only 'atomic' power, but also basic knowledge for peaceful uses of nuclear energy."

On the agenda of the conference, which came out of a proposal by Russia to the IAEA several years ago, were papers on

the future of nuclear power, particularly in Asia; the obstacles that must be overcome worldwide, including the negative portrayal of nuclear in the media; non-electric uses of nuclear energy, including nuclear desalination concepts, being presented by India, Brazil, and Russia; and the design and development of advanced nuclear systems. With some five hundred participants, the conference received papers from Brazil, Argentina, Armenia, Thailand, Lithuania, Turkey, Belarus, Serbia, Ukraine, India, Tajikistan, Indonesia, and South Korea, in addition to the major nuclear supplier states: France, the UK, Germany, Japan, China, and Russia. The minimal participation by the United States was notable.

Summarizing the history of nuclear technology, Russian wires quoted the scientist Vladimir Vernadsky, who said, as early as 1922: "The time is near when man will receive atomic energy, which will allow him to arrange his life the way he likes."

Go-Ahead to Russia for Spent Fuel Depository

Following a meeting in Moscow with Russian Foreign Minister Sergei Lavrov, IAEA General Director Mohamed ElBaradei announced that Russia is willing to build a "state-of-the-art" geological depository to store spent nuclear fuel, according to Radio Free Europe June 28. (This highly radioactive material is most often idiotically called nuclear "waste." In fact, the spent fuel should not be stored at all, but reprocessed, where 90% of the material could be recycled for reuse to fuel nuclear power reactors). ElBaradei said that more than 50 countries have spent fuel, but "not all countries have the right geology to store waste underground." This is a political problem, however, he indicated, since "most technological hurdles for spent fuel disposal or reprocessing have already been solved."

The importance of the Russian offer to "accept" foreign spent fuel, in addition to the fact that it would bring in revenue to keep its nuclear industry alive, is that, politically, it provides a counter to the U.S. proposals that would have the U.S. or the UN control the world's enriched uranium fuel and spent fuel resources. In that case, only countries that met U.S. nonproliferation standards would have access to the material.

ElBaradei also announced that next year Russia would host an international conference on disposing of spent nuclear fuel, again taking the initiative away from the promoters of technological apartheid.

IAEA Praises Russia's Nuclear Cooperation with Iran

In comments that will have Dick Cheney chewing the rug, IAEA General Director Mohamed ElBaradei stated June 29 in Moscow, where he was attending the international nuclear energy conference, that Russia's cooperation with Iran to build the Bushehr nuclear power plant is "no longer at the center of international concern," because it is a project to produce energy, and there is an agreement with Iran to return the spent fuel to Russia. Following a meeting with President Putin, ElBaradei said that, regarding the nuclear cooperation, and assurances that the nuclear material "is used at a high level of safety, and not misused for military purposes," the "Russian contribution has been extremely useful."

Russia to NATO: We Are 'Leading Nation in Eurasia'

On the eve of the NATO summit meeting in Turkey June 27, the Russian Foreign Ministry expressed concern about increased NATO activity in the Caucasus and Central Asia. "Russia, as the leading nation in Eurasia, is by no means indifferent as to what direction the Alliance's efforts are taking in regions that have strategic importance for our interests" spokesman A. Yakovenko said.

Russian President Vladimir Putin turned down an invitation to the meeting. At a press conference in Moscow on June 25, Deputy Foreign Ministry Chizhov explained Putin's declining, as related to Russian displeasure over delays in signing of

the Treaty on Conventional Forces in Europe (CFE) by Estonia, Latvia, and Lithuania. According to Chizhov, NATO is linking the new members' joining the CFE, to Russia's withdrawal of its forces stationed in Georgia and Moldova, which Moscow prefers to negotiate on a bilateral basis.

Russian Foreign Minister Sergei Lavrov did attend a session of the NATO-Russia Council on the sidelines of the Istanbul summit.

Russia Invited to November Mercosur Summit

While Argentine Foreign Minister Rafael Bielsa was in Moscow the week of June 21, he formally invited President Putin to attend the Mercosur summit scheduled to start Nov. 20. Mercosur (Common Market of the South) includes Argentina, Brazil, Paraguay, and Uruguay. The Russian news service Pravda.ru analyzed this development in terms of South America's desire for economic cooperation, outside the looting relations of "free trade" with the United States and the European Union. Pravda.ru wrote, "As talks on free trade negotiations with the U.S. and the European Union have been frozen for months, Mercosur countries, with Brazil and Argentina at the head, are speeding up contacts with what they think will be the superpowers of the future: China, India, and Russia."

China Seeks 'Big Projects' with Russia

"China and Russia have to expand economic cooperation with big projects," National Peoples' Congress head Wu Bangguo told visiting Khabarovsk Region governor Viktor Ishayev in Beijing June 30. "The two countries should figure out the big projects from the strategic height and long-term perspective, and the big enterprises should be involved," Wu Bangguo said. Wu had been in Russia in May, including in Khabarovsk Region, in Russia's Far East. Ishayev is leading a 27-member delegation from Russian oil, coal, and banking industries. Russia has 13%-15% of the world's oil, 35% of natural gas, almost 12% of coal. "China is a large and attractive market and Russia has rich energy resources," Ishayev said.

Primakov Hosts Russian-Arab Business Council

Ex-Prime Minister, Academician Yevgeni Primakov, current head of Russia's Chamber of Trade & Industry, opened the second meeting of the Russian-Arab Business Council, June 25. The Russian side was represented by major corporations and banks, including Sistema Corp., Alpha Group's SUAL Holding, United Energy Systems, Vneshtorgbank, Aeroflot, and others. The Arab delegation included heads of 22 trade and industry chambers of Arab countries.

Sistema Corp.'s general director, Vladimir Yevtushenkov, co-chairman of RABC from the Russian side, said at a press conference that new opportunities are opening up for Russian-Arab concerns in the oil and gas sectors, and for Arab investments in Russian banks, housing, services, and tourism. He confirmed that Sistema intends to invest in a number of projects in Arab countries. At the same time, he emphasized that "the advantage of Arab investments in Russia is a more important subject of the talks."

Tatyana Gvilava, RABC's Director, mentioned that during the five months since the Council's first meeting, the organization has taken part in the second annual exhibition "Days of Russia in Amman," as well as the Russian-Egyptian Business Forum held in Moscow, convened in late May during the official visit of Egypt's President Hosni Mubarak. On the eve of its second meeting, RABC facilitated the visit of representatives of Saudi Arabia's Ministry of Transport and Chief Railway Authority to Moscow. The meeting was followed by the First Russian-Arab Industrial Exhibition in Moscow, held on June 28-30.

During the event, Russian politicians and businessmen also discussed other issues of Eurasian economic cooperation. In particular, Vladimir Yevtushenkov confirmed the plans of Sistema Corporation to invest \$600 million in India, for telecommunications projects.

Kazakhstan To Upgrade Rail System

Kazakhstan plans to invest the equivalent of \$1.1 billion to modernize and expand its railroad system over the next three years. This will include \$900 million of Kazakh government funds, and \$201 million in foreign investment, Transport and Communications Minister Kazhymurat Nagmanov announced at a press conference in Astana. "According to experts, possible income from transit shipments through Kazakhstan is estimated at \$2 billion a year," UPI reported that Nagmanov said, but Kazakhstan does not expect to achieve that level until the decade ending 2030. The transport investment program is supported by the government transport departments of China, India, and Iran, which are all interested in Kazakhstan's role as a link between the Asia-Pacific region and key markets in Russia, Europe, and Southwest Asia.

Yukos Oil Raided Again

Tax inspectors and court officials raided the Moscow headquarters of Yukos Oil on July 1, implementing a court order requiring Yukos to pay \$3.4 billion in back taxes and penalties. The court had ruled in favor of instant recompensation, rebuffing a Yukos management offer to settle the tax bill over several years. Tax inspectors can now try to recover the entire \$3.4 billion, which implies the seizure and emergency sale of corporate assets. There has been discussion in the Russian press about the potential purchase of Yukos assets by other Russian oil companies. At the end of June, the criminal trial of ex-CEO Mikhail Khodorkovsky and his deputy Platon Lebedev was postponed until July 12.

Although President Putin has stated that Russia has nothing to gain from Yukos' bankruptcy, the tax authorities' move brings it closer to that condition. Alexander Rahr, Russia specialist at the German Foreign Policy Association, believes Yukos may survive as a firm that, like the other big oil firms Lukoil and Rosneft, is "no longer state-owned, but kept under such tight control that they do not act against the state and government." Former Russian central bank governor Victor Gerashchenko, an independent figure but one having close contacts with the Kremlin, who was appointed to the Yukos board earlier this year, was confirmed as chairman of the board on June 24.

Southwest Asia News Digest

LaRouche Featured in Iran University Forum

Lyndon LaRouche is prominently referenced on the Bi Onvan ("Untitled") website, which is associated with the Center for Political Studies of the top-ranked Sharif University in Tehran. Bi Onvan is the only student website in Iran which is updated on a daily basis.

The website's "Articles" section, covers a speech delivered in late March by Dr. Abbasi, at Shahid Abbaspour University (which has a hot political environment).

A major portion of Dr. Abbasi's speech, entitled "Psychology of America's Behavior After the 9/11 Events," is devoted to Lyndon LaRouche, with the subtitle "Interview with Lyndon LaRouche, the American Analyst." Abbasi points to LaRouche's forecasts on the economic crisis before Bush's election; his radio interview on Sept. 11, 2001 with Jack Stockwell; and his interview with Iran radio (IRNA) earlier this year.

Abbasi quotes from LaRouche that some organizations, in the U.S. such as [the] Mellon [family foundations], intend to launch a "clash of civilizations" ideology. "LaRouche says that they are imitating the same policies of Nazis in World War II, and are planning to create a world government," Abbasi reports.

"In the 1990s, when the Soviet Union was collapsing, those people in the military of America who wanted to create a world government similar to the Roman Empire, started to destroy other nations by ideologies such as globalization and free trade, and were trying to create a sort of religion that would be controlled by only a few people."

"LaRouche thinks that the threat of Bush to Iran, Iraq, and North Korea, is coming from this same 'clash of civilizations' ideology."

Bush-Cheney Iraq Crimes 'Far More Serious' Than Watergate

In an article titled, "Embedded Patriots," in the upcoming July 12 issue of the *Nation*, William Greider, a veteran investigative journalist and historian, who first wrote in 1976 about the Carter Administration's links to the Trilateral Commission (picking up on *EIR's* story at the time) says that the actions of the Bush-Cheney Administration are illegal, and "as momentous as Watergate, but more serious." And—the professional U.S. government establishment is fighting back. Greider says:

"The most intriguing story in Washington these days is a subterranean conflict that reporters cannot cover because some of them are involved. A potent guerrilla insurgency has formed in and around the Bush Presidency—a revolt of the old pros in government who strike from the shadows with devastating effect. They tell the truth. They explode big lies. They provide documentary evidence that undermines popular confidence in the Commander in Chief. They prod the media and the political community to ask penetrating questions of the Bush regime. Doubtless these anonymous sources act from a mixture of motives, some noble, some self-interested—but in present circumstances one might think of them as 'embedded patriots.' "

"Leaks are an everyday thing in Washington.... But what has occurred during the past several months is not the normal commerce. A series of explosive leaks—closely held documents and well-informed tips—have altered the course of politics and might very well influence the outcome of this year's presidential election. Yet, we don't know whom to thank...."

"My own surmise—corroborated in conversations with several long-experienced Washington reporters is that we are probably talking about career military officers and senior civil servants at the Pentagon, Justice Department lawyers and professionals at the CIA or State Department...."

"Whatever their intentions, the leakers have now raised the stakes for the country—posing grave implications that cannot be easily brushed aside.... Thus, an ominous warning light is now flashing for the Republic: the potential for criminal charges running far up the military command, and for the lodging of impeachment charges against this President and for an international tribunal to examine American war crimes. The connecting facts are not yet visible to support these accusations, but a plausible outline for how they may be connected is well-exposed. These matters in other words, could lead to a constitutional crisis as momentous as Watergate, maybe more serious because the offenses are far more fundamental...."

Kerry Mimics Bush-Cheney in Backing Fascist Sharon

The Presidential campaign of John Kerry is circulating a policy paper on Israel that appears to be as pro-Ariel Sharon as

that of President George W. Bush. Entitled, "John Kerry: Strengthening Israel's Security and Bolstering the US-Israel Special Relationship," according to a July 2 report in *Ha'aretz* by U.S.-based reporter Nathan Guttman. The report was sent out to the American Jewish community in mid June.

On Sharon's Berlin Wall on the West Bank, the report stated, "The security fence is a legitimate act of self-defense erected in response to the wave of terror attacks against Israeli citizens." It goes on to support Bush's infamous April 14 letter to Sharon, including the permanent annexation of parts of the occupied territories, and eliminating the Palestinian "right to return" to lands from which they fled, or were driven out. The paper says, "In light of demographic realities, a number of settlement blocs will likely become a part of Israel."

The worst is Kerry's aping of Bush and Cheney on the question of Palestinian President Yasser Arafat. "Yasser Arafat is a failed leader and unfit partner for peace" and called for "his total isolation." Apparently, Kerry has not heard that several leading retired Israeli chiefs of the security and intelligence services have come forward exposing that the smears against President Arafat, were a political ruse, concocted by Likud cronies who wanted to kill the peace negotiations.

This last point on Arafat significantly contrasts with that of former President Bill Clinton, who in a recent interview with the British *Guardian*, stressed in no uncertain terms, that peace is not possible without Arafat's participation.

The paper also blasts Saudia Arabia, which it accuses of backing anti-Semitism, and Iran, declaring "a nuclear armed Iran is unacceptable."

International Leaders Emphasize Arafat's Central Role

In the aftermath of a concerted move by a faction in Israeli intelligence to counter the official slander line that Palestinian President Yasser Arafat did not want to pursue a peace agreement with Israel, there has been a pattern of international moves to bring Arafat back into the diplomatic picture.

French Foreign Minister Michel Barnier met with Arafat June 29, after which he called for the deployment of an international force in Gaza after any Israeli evacuation, and said that France was prepared to take part in it. He added, "The Palestinians have to put an end to acts of violence and punish those responsible," and "Israel also must take some measures such as to stop building the wall and to stop the acts of demolition."

After meeting Arafat's Prime Minister Ahmed Qorei June 30, Barnier told reporters, "During my two meetings yesterday with President Arafat, I was able to take a close measure of the fate that he has been subjected to. Considering what he represents, his situation is not dignified for him and is not dignified for the Palestinian people he represents. We consider that this situation cannot last as he is the elected and legitimate President of the Palestinian people." He also attacked Israel for its destruction of Palestinian infrastructure.

Also on June 30, speaking at the conference of the United Nations Committee on the Exercise of the Inalienable Rights of the Palestinian People, South African President Thabo Mbeki said: "No solution is going to be found without the participation of Yasser Arafat." (See Africa Digest.)

UN Blasts Israeli Blocking of Food Aid to Palestinians

The United Nations World Food Program has launched an effort to reach over 480,000 Palestinians, who are not refugees, but are being affected by the construction of the Ariel Sharon's Berlin Wall of the West Bank. The WFP has found that the wall has led to the seizure of a substantial amount of the best agricultural land. The number of Palestinians in need of food

aid has massively increased since prior to the Intifada, and represents a quarter of the Palestinians who are not refugees, both on the West Bank and Gaza.

The United Nations Relief and Works Agency, which is responsible for giving aid to refugees, is currently supplying food to another 1.5 million people, up from 80,000 prior to the Intifada. Thus over half of the entire Palestinian population relies on food aid.

A WFP report indicates that they are not reaching all the Palestinians in need. 38% of the non-refugee population, or 752,000 people, are designated "in immediate need of food assistance. Another 26% or 586,000 people are designated vulnerable or in near threat to food insecurity."

Captured al-Qaeda Member Recants

The information that al-Qaeda and Osama bin Laden's guerrillas could not get adequate chemical weapons from Afghanistan and the Taliban, and therefore turned to Iraq, has been a favorite reference point for Vice President Dick Cheney, and was used by Secretary of State Colin Powell in his February 2003 lying briefing to the UN Security Council. The source of the information was Ibn al-Shaykh al-Libi, "a one-time member of OBL's inner circle," writes *Newsweek* reporter Michael Isikoff in the magazine's July 5 issue, and al-Libi has apparently *recanted* the information. Al-Libi's recanting has "never been publicly acknowledged," but *Newsweek's* sources say that the information comes from U.S. interrogators who have been questioning him. Al-Libi was one of the first al-Qaeda leaders captured in the course of the Afghanistan war.

The big question is whether al-Libi was tortured. Isikoff writes that "Some officials now suspect that al-Libi, facing aggressive interrogation techniques, had previously said what U.S. officials wanted to hear." For the last several years, information from "captured al-Qaeda" members has been heralded by Bush many times. Cheney continued to use the al-Libi poison gas story, including in his recent attacks on the 9/11 Commission. But since Abu Ghraib, the question has been raised as to whether the information from these sources, including Khalid Sheikh Mohammed, cited in the 9/11 staff report, can be reliable if torture was involved.

U.S. Army Opens Investigations of Homicides

The U.S. Army is reopening cases of prisoner deaths in Iraq and Afghanistan that had been previously declared to be deaths from "natural causes." Prompted by evidence in the lawsuit against private contractors, CACI International and Titan, Inc., which was filed in San Diego on June 9, the U.S. Army Inspector General and Army Criminal Investigations Division are looking into some 15 deaths attributed to "natural causes," especially exposure to heat and cold. The suit was brought by the Center for Constitutional Rights (CCR), the New York City-based organization that began fighting civil rights cases in the 1960s, on behalf of Iraqi prisoners. *USAToday* wrote in a June 28 article that the sources for their story were three military officials with direct knowledge of the Army investigations, officials with the International Red Cross, and the attorneys for CCR. The story details how in January-February 2004 (long after the Abu Ghraib investigation had been done), there was a pattern of prisoner deaths in Iraq, from "cardiac arrest." An official with one of the anti-torture NGOs told *USAToday*, that such a "pattern" of deaths should definitely be investigated, because it is such patterns that sometimes point to incidents of torture.

Asia News Digest

HSBC Buying Up Financial Assets in China

HSBC (formerly Hong Kong Shanghai Banking Corp.) has reportedly agreed to buy up 20% stake in the Shanghai-based Bank of Communications, one of China's 10 largest banks. The stake would be worth an estimated \$1 billion, and would represent the largest foreign investment in a Chinese domestic bank. As well, HSBC owns a portion of Ping An, China's largest life insurance company, which according to BBC, has a market share of just under one-quarter of China's life insurance business.

Violence Escalates as NATO Pledges More Troops to Afghanistan

Sixteen Afghans who were registered to vote, two female electoral workers and two U.S. Marines, were killed by anti-Kabul, anti-U.S. militants over a two-day period (June 26-27). The escalation of violence has been attributed to the 26-nation NATO 17th Summit that began in Turkey on June 28. Prior to the summit, NATO Secretary General Jaap de Hoop Schaffer told newsmen that NATO would send 10,000 more troops during the Presidential and parliamentary elections in September, or early October. However, because of the French intervention, the number of troops NATO would send to help the Afghan elections were brought down to 3,000. As of now, about 5,500 troops are under NATO command, while almost 20,000 U.S. troops are under the U.S. command.

Pak Finance Minister To Become Prime Minister

Pakistan's Finance Minister Shaukat Aziz is slated to be the next Prime Minister of Pakistan. The stopgap Prime Minister, Choudhury Shujaat Hussein has been sworn in to replace Zafarullah Khan Jamali, who resigned on June 25. Shujaat Hussein will remain as Prime Minister for approximately two months.

Shaukat Aziz, a U.S. citizen, could not be named Prime Minister now because he is not an elected member in Pakistan's National Assembly (NA)—the Parliament. Shaukat Aziz is one of the vice presidents of Citicorp and he is on leave from his American employer, but Pakistani law demands that the Prime Minister must be an elected member of the NA. On June 30, two elected NA members—one from Sindh and another from Punjab—chose to step down to make room for Shaukat Aziz to contest from these seats. Shaukat Aziz is expected to contest both the seats.

By naming Shaukat Aziz, a foreign citizen, President Musharraf did not bend any rule. Earlier, in the 1990s, Moeen Qureshi, an IMF executive vice president and an American citizen, was flown in from Singapore to take charge of Pakistan as Prime Minister. Subsequently, Moeen Qureshi made some adjustments in Pakistan's fiscal policies that temporarily satisfied the IMF. But, he departed quickly within a year due to his failing health.

Besides being a handmaiden of the Wall Street crowd, Shaukat Aziz is also close to the Saudis, and is an urbane anti-fundamentalist.

China Promotes 'Panchsheel'-Style National Sovereignty

China is using the 50th anniversary of Panchsheel for a big diplomatic initiative to emphasize this state-centered worldview, and as part of a "systematic effort ... to rebut the theory of the 'China threat'," wrote leading Indian foreign policy analyst C. Raja Mohan in *The Hindu* on June 28. The commemoration is "an occasion to underline China's new approach to international relations," Mohan wrote.

"The Panchsheel, in essence, is a state-centric view of the world, and India continues to share this Chinese emphasis on state sovereignty," Raja Mohan wrote. China now recognizes "that it must end its silence in the current vigorous international debate between Europe and America on how to structure the post-Cold War global order. Emphasizing an independent foreign policy, China has until now largely kept itself out of this debate on unilateralism versus

multilateralism.... While it opposes the unilateralism of the Bush administration, China is not enamoured with the European view on multilateralism. China has no desire to degrade the notion of sovereignty and accept European calls for a supranational and interventionist UN."

Beijing also wants to "debunk" the theory that China's rise to power will destabilize Asia and the rest of the world, its leaders are emphasizing that the "peaceful rise of China" will benefit all in Asia. While China and India must finalize their boundary dispute, their words "will have no meaning if they cannot expand their own cooperation. To be credible on Panchsheel, India and China need to open up the Trans-Himalayan regions to each other to create shared prosperity. To get there they should rework the trade, cultural, and consular provisions of the 1954 Agreement on Tibet to suit the new political and economic circumstances."

EU Offers Surprising Concession to ASEAN on Myanmar

The past two ASEM (Asia-Europe Meeting) conferences were cancelled when the EU refused to allow Myanmar to attend, and ASEAN refused to allow the new EU members to join without also accepting all the ASEAN members, including Myanmar, according to an article posted in the Singapore *Straits Times* on June 29. European Union External Relations Minister Chris Patten dropped a bombshell by stating that the continuing problems with human rights in Myanmar "should not prevent our Asian partners from benefitting from regular dialogue through ASEM with all 25 countries of the now enlarged EU, and it must not be allowed to dampen our relationship with the whole region. We are ready to negotiate deeper bilateral relations with any state that so wishes."

The offer to work toward relations with Myanmar is heralded across the region, as the Asian Regional Forum (ARF—a security forum attended by Asians, Europeans and Americans) begins a meeting in Indonesia. If the EU carries through, and Myanmar is receptive, the U.S. will be isolated in its total rejection of dealings with Myanmar. Both the House and the Senate have voted to renew sanctions on Myanmar in recent weeks.

China Still Opposes India, Pakistan Nuclear Status

China remains unfavorable to granting India and Pakistan status as nuclear powers, Assistant Foreign Minister Shen Guofeng said in Beijing on June 29 to Indian press visiting China. "The international community should stick to the spirit and principles enshrined in the Nuclear Non-Proliferation Treaty (NPT)," he said. Shen responded similarly when asked about the Chinese reaction to the recent proposal of Indian External Affairs Minister K. Natwar Singh, that India, Pakistan, and China should have a "common nuclear doctrine."

"On principle, we oppose the proliferation of nuclear weapons. Our consistent position is for a comprehensive ban and thorough destruction of nuclear weapons. The NPT and as well as the UNSC resolution 1172 should be our guiding principle," Shen said.

However, Shen also said that China and India "can help promote a stable and consistent development in other areas," even if there is delay in finding a mutually acceptable solution to the still-contested Chinese-Indian border. "Even if our border issues are not completely settled, we are still enjoying development in our bilateral relations," Shen said.

U.S. Delivers 30 Helicopters to Thailand

The U.S. delivered 30 helicopters to Thailand, for use in its efforts to end the conflict in southern Thailand and to fight drug trafficking. U.S. Ambassador Darryl N. Johnson announced delivery of the helicopters at the Royal Thai Army Aviation Center in Iopburi province June 29. The helicopters, plus spare parts and training are part of a \$30 million deal

signed in 2001.

Thailand Backs UN Lead on Myanmar

Thai Foreign Minister Surakiart Sathirathai has proposed that Myanmar should get "firm but discrete" support from ASEAN, to ensure that ASEAN retains its credibility. Surakiart has played a key role in bilateral talks with Myanmar, and has dismissed calls by regional civic groups for the suspension or expulsion of Myanmar from ASEAN.

Thailand had proposed an additional paragraph to be included in the ASEAN communique at the end of June 30 meeting of foreign ministers, stating that the role of the UN Secretary General's special envoy, Razali Ismail, and the Bangkok Process should be supported.

Subsequently, the UN Special Envoy conveyed to Thailand that the second Bangkok Process should try to attract more participants who could provide incentives for Myanmar to move toward economic and political development. he also said the second Bangkok Process should go ahead despite the possible absence of Myanmar.

A Season of Danger for Pakistani Politicians

Unidentified gunmen sprayed bullets at the car of Pir Binyamin Rizvi, a former provincial governor and of the Pakistan Muslim League (Nawaz), killing him and two others in Lahore in the province of Punjab on June 26. The previous week, Munnawar Suhrawardy of the Pakistan People's Party, and a close associate of former Prime Minister Benazir Bhutto, was killed in a similar style in Karachi. Rizvi was coming out of his party office when gunmen, armed with AK47s, fired on his car.

The killing of these politicians may not have any serious impact on the Musharraf government. But killing of politicians, when adopted as a policy to eliminate potential political rivals, is a very serious matter. It is evident that the Musharraf government is not too keen to find out who was behind these political assassinations.

Nonetheless, there are three suspects. First, the Islamic radicals who have little love for these "worthless" mainstream politicians. Second, the Pakistani Army and supporters of President Musharraf's rule. One of the easiest ways to extend military rule is to eliminate some politicians and spread the fear of death among the living ones. The third suspect is the sectarian Shi'a-Sunni-Ahmediya killers.

UN Demands Access to Afghan Detainees in U.S. Custody

Noting serious alarm raised about the detention conditions of Afghan prisoners, on June 25, three dozen UN officials called for UN access to those people who have been "arrested, detained, or tried on grounds of alleged terrorism or other violations in Iraq, Afghanistan, the Guantanamo [Cuba] military base, and elsewhere." In Afghanistan, the Pentagon has only recently admitted that there exist 19 more detention centers, beyond the Bagram Air base near Kabul. The International Committee for Red Cross (ICRC) has an access to the Bagram Air base, but in no other detention center in Afghanistan. A number of human rights groups have recently issued a document about the "American Gulag" in Afghanistan.

Gloria Arroyo's Frantic Inauguration

For the first time in the Philippines' history, the President was sworn in, not in the nation's capital Manila, but in the central Visayas, specifically in Cebu City, whose citizens delivered her 1.2 million votes in the hotly contested elections. Supreme

Court Justice Hilario Davide, himself a Cebuano, was ecstatic to swear in Gloria Arroyo-Macapagal.

While President Arroyo was being inaugurated in the Cebu City, Manila remained under a security regime. The Armed Forces of the Philippines (AFP) have deployed tanks and heavy artillery in Metro Manila indefinitely. Military spokesman Lt. Col. Daniel Lucero announced on June 30 that this state of red alert will remain even after Arroyo's inauguration, as a "precaution." The only incident reported during the day was the firing of one rifle-propelled grenade into a car dealer's showroom in Quezon City.

Africa News Digest

Sudan Welcomes Powell and Annan to Darfur

Sudan's Foreign Minister Mostafa Osman Ismail told reporters June 29 that Sudan welcomes the visits of U.S. Secretary of State Colin Powell and UN Secretary General Kofi Annan, and is prepared to work with the international community to find a solution to the conflict in Darfur province. He said he hoped that, during Powell's visit, they could agree on how to disarm the Jinjaweed militias. He added that he hoped these visits would be helpful to the people of Darfur, and not simply be used to put pressure on the government, AFP reported from Khartoum June 29.

On arrival, Powell went straight into a meeting with President Omar Hassan al-Bashir. In a speech in Khartoum shortly before Powell arrived, Bashir said his government would redouble its efforts to secure access to the needy for relief agencies. Bashir has appointed Interior Minister Abdel Rahim Mohamed Hussein as his special representative in Darfur. His work began June 24, with a visit to the region. Hussein told reporters that his mission was to ensure the safety of the citizens from all forms of violence, the delivery of humanitarian assistance, and the security of the villages to allow the displaced to return before the rainy season begins.

During his plane trip from Turkey to Sudan, Powell told reporters that "We need to see action promptly.... People are dying and the death rate is going to go up significantly.... We see indicators and elements that would start to move you toward a genocidal conclusion, but we're not there yet." In saying so, he was responding to a combination of U.S. lobbies that is up to its usual business of Saddam-izing Bashir's government. The Executive Director of Africa Action in Washington, Salih Booker, in a press release June 29, called Powell's trip "dangerously naive," "rejected attempts at 'constructive engagement,'" and said Powell should call it "genocide." Booker is calling for U.S. troops to be sent in from Djibouti.

Powell, at a press conference with Foreign Minister Ismail, said, "Unless we see more movement soon ... it may be necessary for the international community to begin considering other actions, to include Security Council action."

Kofi Annan arrives in Khartoum June 30 for a three-day visit.

African Infrastructure Takes Small, But Important Steps Forward

The following infrastructure developments are reported from DR Congo, Egypt, and Sudan, as posted on Albawaba.com June 20:

* **Democratic Republic of Congo.** Rail traffic along a 1,500 km stretch in eastern Congo from Lubumbashi (Katanga province) to Kindu (Maniema), and possibly beyond, resumed June 26 after a six-year interruption because of war damage to the line (1998-2003). A spokesman in the U.S. Embassy in Kinshasa said the reopening would have a major impact on

the region in terms of food security, since it connects food producing regions with urban centers. Repairs were mainly financed by the U.S. Agency for International Development (\$1.3 million). AFP does not say whether the line would also serve to bring copper, cobalt, cotton, or other riches to market.

Egypt-Sudan. Egypt and Sudan have agreed to set up a joint company to develop the Nile River navigation course, said Egyptian Minister of Water Resources, Dr. Mahmoud Abu Zeid, according to MENA (Middle East and North Africa) Report June 20.

Work on a road linking Port Sudan on the Red Sea with Aswan on the Nile in Egypt will be completed in 22 months, Sudanese Roads Minister Mohamed Tahir Ailla said June 18, according to the same edition of MENA Report. The two governments are sharing the \$18 million cost for the 144-km line.

Goma Fears Attack by Rwanda's General Nkunda

Rumors are flying in Goma of an imminent attack by Gen. Laurent Nkunda on behalf of Rwanda. Goma, the capital of North Kivu province, Congo, with a population of 300-400,000, is also on the border with Rwanda. Heritiers de la Justice, a Congolese NGO active in the area, reports that the population is in a state of "psychosis," according to *Le Phare* June 29. "In spite of repeated appeals to remain calm by the commandant of the 8th Military District, Gen. Obed Rwibasira, over Radio Okapi, dozens of residents have fled to Bukavu or the island of Ihusi in Lake Kivu. The provincial council for security had to remain in urgent session over the past weekend," according to *Le Phare*.

The Kinshasa opposition daily continues with a number of reports of Rwandan troops arriving at Nkunda's camp at Minova, other troop movements, recruitment of Tutsi youth across the province, the departure of disloyal officials in South Kivu for Goma, and an alleged clash between Nkunda's troops and the regular army at Nyabyondo (100 km west of Goma) about June 27.

The purpose of such an attack would be to secure Rwandan control over a city that is already under dual control, with the balance tilted in Rwanda's favor.

Earlier, on June 26, the independent Congolese biweekly *Numerica* claimed that a general Tutsi insurrection in Congo is planned for July 11. The article, by Andre Theophile Masudi, claims that according to concurring sources, Nkunda and Col. Jules Mutebusi will lead a grand offensive for "the definitive reconquest [sic] of North and South Kivu" on behalf of International Tutsi Power (ITP), Rwanda, and certain Western powers, commencing July 11. ITP is apparently an expression for the Tutsi diaspora.

Masudi writes, "Our sources report, in fact, the discreet presence of Condoleezza Rice at the Kigali [Rwanda] airport June 17. For five hours, the National Security Advisor to President Bush held talks with delegates of RCD-Goma, North and South Kivu reps of UDPS [U.S. puppet party in Congo], and two unidentified citizens of Uganda." The sources are convinced that the talks concerned the ways and means of bringing into being an African Republic of the Great Lakes—that is, a secession of the Kivus from the Democratic Republic of Congo. *EIR* has been able to ascertain that Rice was not, in fact, in East Africa on June 17, but has not yet ruled out her presence in the surrounding days.

Masudi continues that about 4,000 men, recruited from among the Banyamulenge (Congolese Tutsi), are said to be in training in Rwanda in the villages of Ruhwesera, Kingatare, Kihundwe, and Bugarama, among others. Meanwhile, Rwandan and Banyamulenge civilians in the Congolese cities of Goma, Bukavu, and Uvira are being evacuated to protect them from the massacres that would be perpetrated in a forced occupation of the Kivus, Masudi writes. There have been other reports of Banyamulenge being trained in Rwanda since Nkunda's seizure of Bukavu June 2.

Kabila-Kagame Summit Evades Central Problem

Congo's Laurent Kabila and Rwanda's Paul Kagame, under strong Anglo-American pressure, held a summit June 25 in Abuja, Nigeria, at which they agreed on a mechanism to guarantee that Rwandan troops are not in Congo, and that Rwandan Hutu refugees in Congo, hostile to the Kagame government, are disarmed. Congolese Foreign Minister Ghonda told AFP June 26, "If, for example, there is information on the presence of Rwandan soldiers in a Congolese locale, a mixed patrol will be formed immediately, consisting of Rwandan and Congolese soldiers and observers from the UN Mission and/or the African Union to go there and verify the facts." The mechanism is to be in place by July 3.

Even if the mechanism were able to function, it leaves unresolved the central problem of a Congolese-Tutsi leadership, the Congolese Rally for Democracy, and its army, which is committed to treason and secession, and can count on Washington, London, and Rwanda for support.

Museveni: Nkunda Will Be Arrested if He Enters Uganda

Ugandan President Yoweri Museveni told Western diplomats in Kampala June 24 that Gen. Laurent Nkunda will be arrested if he dares to enter Uganda, Museveni's spokesman Onapito Ekomoloit told AFP June 26. It is not clear why the question came up. Ekomoloit said that Museveni told the diplomats that Nkunda was in violation of accords to end the war in Congo of 1998-2003. AFP adds that Kampala has recently improved its relations with Kinshasa. Italian Ambassador to Uganda, Maurizio Teucci, who attended the June 26 meeting, said that Museveni reaffirmed his support for the transitional government in Kinshasa on that occasion, according to AFP.

Meanwhile, "Highly placed sources at the State Department have told the *Monitor* [a Kampala daily] that the U.S. Embassy in Kampala 'raised concerns' with President Museveni 'over recent reports that Uganda wants to procure tanks and aircraft in former Soviet Bloc countries,'" according to the *Monitor* June 25. The embassy has advised Washington against giving military aid to Uganda. Ugandan army spokesman Maj. Shaban Bantariza told the *Monitor*, "They are giving an impression that Uganda buys and other will follow cue. No one is reporting what Rwanda and others are buying...." He said Uganda needs military equipment to fight the Lord's Resistance Army in northern Uganda, and that "we do not consider Rwanda our security threat and we are not buying arms on the basis of Rwanda."

Nigeria To Sell Refineries to U.S. Firm

There are moves afoot in Nigeria to sell its four oil refineries to a U.S.-based firm, Commerce Petrol. Obasanjo is said to be favorably disposed to the sale. Oil workers are very critical of the move. The refineries are located in Warri, Port Harcourt (two), and Kaduna.

The U.S. firm (not identifiable through an Internet search) is not among the 37 companies that initially expressed interest in the refineries, earlier slated for privatization.

The deal between the firm and the Bureau of Public Enterprises (BPE) may have been brokered by the Nigeria Investment Promotion Council (NIPC), which introduced the company.

The planned sale of the refineries does not go down well with the workers whose unions, National Union of Petroleum and Natural Gas Workers (NUPENG) and Petroleum and Natural Gas Senior Staff Association of Nigeria (PENGASSAN) described the move as a breach of the agreement they have with BPE.

The president of PENGASSAN, Louis Ogbeifun, and his NUPENG counterpart, Peter Akpatason, said they were told by BPE that Commerce Petrol "would buy, operate for some years and later divest 45 percent of shares to Nigerians."

"This oil is the mainstay of our economy; we are talking about oil and gas. Labour should be part of it, the host communities have to be involved, these are strategic national assets that ought to be handled with utmost care. They can't dispose of the refineries the way other companies are sold," the two labor leaders told the Daily Champion (Lagos) June 28.

Mbeki: No Mideast Peace Without Arafat

Speaking at the conference of the United Nations Committee on the Exercise of the Inalienable Rights of the Palestinian People, South African President Thabo Mbeki said: "Nobody should decide for the Palestinian people who their leaders should be.... No solution is going to be found without the participation of Yasser Arafat."

Mbeki said that Israel should stop targetting Arafat and allow him to carry out the role for which the Palestinian people elected him. He said he would bring up the Palestinian issue at the upcoming African Union summit, and added, "None of us can feel completely free when we are faced with the situation the Palestinians face. None of us can feel secure when we see so many people dying all the time."

In a taped presentation, Arafat said the Palestinian people are ready to discuss peace, but when the government of Israeli Prime Minister Ariel Sharon builds a wall on the West Bank, he is obviously not interested. "It will tear apart tens of cities, villages, and agricultural land. It will turn those areas into ghettos and isolated prisons. It even threatens our water supplies.... Israel wants to change the demographic balance and create a new apartheid system, after it was destroyed by your long liberation struggle in South Africa."

This Week in History

July 5-11, 1755

Braddock's Defeat

The Battle of the Monongahela Results in Defeat for Britain but Future Possibilities for America

On July 9, 1755, Gen. Edward Braddock and his British and American troops were decisively defeated by a small force of French soldiers and Indians in the forests of Western Pennsylvania. The events leading up to the battle, and those that resulted from it, were crucial to the future independence of the United States. And a very large number of the participants in the conflict also played important roles in the American Revolution which was to follow two decades later.

From the early period of American colonization, England had worked through a faction of ideological co-thinkers in France, to use the French as a surrogate power to keep the colonists in check. French control of Canada and the upper and lower Mississippi River meant that they could hurl their Indian allies at the Americans whenever they tried to expand across the Appalachian Mountains. England was afraid that American expansion would strengthen the colonists' republican tendencies, and end England's policy of looting the colonies for cheap raw materials. Thus, the British government opposed any effort by the Americans to end French rule in North America. Time and time again, when England was at war with France on the European continent, any English expedition against French Canada, despite all-out

support efforts by the Americans, would fail for lack of soldiers and supplies, or through "mistakes" by its British leaders.

But, beginning in the late 1740s, the iron-making Washington family and its allies founded the Ohio Company, whose goal was the settlement of families in Western Pennsylvania and the Ohio Country, and the provision of infrastructure such as grain mills and iron foundries and forges. When the French started building a string of forts down from Lake Erie toward the strategic crossroads of the forks of the Ohio River, the Governor of Virginia, whose colonial land charter extended west to the Mississippi River, sent 21-year-old George Washington on a perilous mission to warn the French to stop their incursions on American territory. Washington completed his mission through hundreds of miles of wilderness, in the winter of 1753-54, and reported to Governor Dinwiddie that the French had no intention of pulling back their forces.

The Ohio Company redoubled its efforts to build a settlement in western Pennsylvania, the Colony of Virginia began building a fort at the forks of the Ohio, and Washington led a small military force to widen an old buffalo and Indian trail that led to the west and would eventually become the National Road. The French sent out a detachment to determine what the Americans were doing, and its commander carried double orders—one presenting the group as negotiators, and the other admitting their military reconnaissance purpose. Friendly Indians warned Washington of their presence, and he surprised them at Jumonville Glen, where some of them, spotting the Americans, ran for their guns and a short engagement began. When the French received the news that some of their soldiers had been killed or captured, they sent a detachment which destroyed the American fort at the forks of the Ohio, and pulled down the settlement and the supply depot of the Ohio Company. Washington and his small force made a stand inside a hastily built stockade at Great Meadows, but they were no match for the larger and well-equipped French and Indian force. After a grueling siege in a pounding rainstorm, the French offered terms of surrender. Since England and France were not at war, Washington and his officers signed the surrender document by candlelight, their translator of the rain-soaked document unable to see that they were admitting to having "assassinated" the supposed French envoys at Jumonville Glen. Washington and his men marched out of the stockade on July 4, 1754, and returned east to unexpected opprobrium.

While Washington and his soldiers had been facing the French in the wilderness, Benjamin Franklin had been organizing for an unexpected outcome to a colonial meeting with the Iroquois Indians in Albany, New York. The delegates from seven American colonies were presented with Franklin's Albany Plan of Union, which proposed that the several colonies should select delegates to a general council, which would be headed by a president-general who would be appointed by the British Crown. The council, working with the president-general, would direct matters relating to Indian affairs and colonial defense. The Albany delegates ratified the proposal, but both the King and the various colonial legislatures rejected it as infringing too much on their prerogatives. When the French started using Washington's capitulation agreement as propaganda against British so-called "assassination" of their soldiers, the British reacted by calling George Washington a French agent who was trying to get them into a war. They applied the same label to Benjamin Franklin, who had recruited an effective militia company in Philadelphia to counter the French and Indian threat. Nevertheless, stung by the defeat in western Pennsylvania, the British dispatched a large force of British Regulars under Gen. Edward Braddock to displace the French from their newly-built Fort Duquesne (Pittsburgh) at the forks of the Ohio.

Both George Washington and Benjamin Franklin met with General Braddock at Frederick, Maryland to try to ensure the success of the expedition. Franklin recruited large farm wagons and their drivers from Pennsylvania, which included Daniel Boone and future Revolutionary War General Daniel Morgan. Washington signed on as volunteer aide to Braddock and advised him, when the going became painfully slow over the Alleghenies, to leave his heaviest baggage and supplies behind and move forward with light infantry. This Braddock did, but when he was only a few miles from Fort Duquesne, disaster struck.

The officer at the head of the column was Thomas Gage, who would later be named military governor of Massachusetts and dispatch the fateful British expedition to Lexington and Concord in 1775. Gage had not sent out enough scouts ahead to know what he faced. A small party of French and Indians had sallied forth, with no expectation of victory, merely to harass and delay the British, while the main French force prepared to abandon Fort Duquesne. But Gage's men, at the first

shots, fell back in panic, while Braddock, further back in the column, urged his men forward to the sound of battle. The soldiers piled up on one another, while the French and Indians divided in the woods along each side of the column, pouring in a deadly fire. Braddock was mortally wounded, Washington, who acted as Braddock's courier to different parts of the column, survived with only bullet holes through his clothing. An Indian warrior later said that the Indians could see what function Washington was carrying out, and directed their fire against him whenever he rode by, but they could never succeed in hitting him.

Washington rallied the surviving soldiers and led them back along the road they had carved through the forest. Once Braddock had been cared for, Washington, who never gave up even under the most difficult circumstances, took a few scouts and travelled day and night to rally the rest of the army, which was still toiling along the road. This part of the British Army was still the largest military force in North America, but when the officers heard the news of the massacre from stragglers, they burned their wagons and fled to the coast, where they went into "winter quarters" in August. It would be another year before the French and British would officially be at war in Europe, where it was called the Seven Years War, and in America, where it was named the French and Indian War. Although the British were ultimately victorious, and claimed France's looting rights in India, they tried to give Canada back to France in exchange for the tiny Caribbean Island of Guadeloupe. Franklin had to mount an intensive campaign, through his writings and the influence of his networks, to compel the British to accept Canada.

At that point, in 1763, every government in Europe knew that the Americans were going to try for independence. The ministers of France and Spain discussed it frequently, and the First Minister of France, the Comte de Choiseul, sent a series of informants, including Baron de Kalb, to America to determine how strong the American resistance would be and what they would require to succeed. The British knew it too, and so they brought the boundary of Canada south all the way to the Ohio River, and forbade Americans to cross the mountains. But cross they did, and when the Continental Congress in 1777 adopted the Articles of Confederation, they were based on Benjamin Franklin's Albany Plan of Union.

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