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This Week You Need To Know

SUBJECT: OPEN LETTER TO THE DNC

THE MOST IMPORTANT MOMENT IN YOUR LIVES TO DATE!

by Lyndon H. LaRouche, Jr.

February 8, 2004

It will be approximately two o'clock in the afternoon, U.S.A. Eastern Standard Time on Feb. 14, when many people from around the world will see, or hear a broadcast of my delivery of the most important political address to have been given anywhere in the world, by anyone, in more than a century to date. That debate will describe a presently oncoming turning-point in world history, a turning-point to be reached, in fact, between the period of the Democratic nominating convention, in Boston, Massachusetts this summer, and the election of the next President of the U.S.A. a few months later. The content and occasion of that address will prove to be, whether that audience now agrees, or not, the most important moment of the lives of every person living today.

I outlined the principal topic of that debate to a select group of leading figures of my association at a meeting held in this past Saturday. The background to the crucial features of that topic is outlined as follows.

A Ship of Fools

I preface that report with a relevant warning against the folly of certain leading Democrats.

During a recent turn among some leading circles of the U.S. Democratic Party and others, some degree of agreement was made in response to the same set of facts referenced in a published report by former U.S. Treasury Secretary Robert Rubin, on the economic situation of the U.S.A. in the period immediately ahead. Circles of the Democratic Party associated with Senator Edward Kennedy (D-Mass.) were prompted by this report to abandon their indifference to the outcome of the 2004 Presidential election, and to move for defeat of the incumbent President's re-election on the ground that that administration is incapable, morally and intellectually, of facing the reality of the onrushing general financial collapse of the present world monetary-financial system.

These facts about the internal deliberations within leading U.S. Democratic Party circles are, already, also well known in some leading, concerned circles in Europe. Attempted denial of my report of these facts by those leading Democratic Party circles, would therefore not succeed in deceiving anyone of relevance in leading circles outside the United States itself. The shame of those Democrats is naked for all the world to see.

Obviously, the facts of the situation, as indicated by Rubin, required that the Democratic Party's already ongoing, corrupt and immoral efforts to blacklist my candidacy, must be shoved aside by any sane leading Democrats.

However, at the strong urging of some such leaders, that proposal was rejected by some few, and the rejection supported more or less reluctantly, by other leading figures of that coalition. Whatever the motives or personal pettiness which may have contributed to the demand that I be excluded, the fact of the matter is that that exclusion could lead to, not only the party's loss of the 2004 general election, but the early disintegration of the U.S.A. caused by the lack of a Presidency qualified even to understand the nature of the onrushing crisis. It would not be the first time that the pettiness of a leading few individuals had brought a powerful nation to Classical tragic doom wrought by such a ship of fools.

Of such fools as those who blocked my active inclusion in the electoral process in that way, Shakespeare's Cassius spoke on the subject of plotter's opposition to Julius Caesar:

"Why, man, he doth bestride the narrow world

Like a Colossus; and we petty men

Walk under his huge legs, and peep about

To find ourselves dishonourable graves.

Men at some time are masters of their fates;

The fault, dear Brutus, is not in our stars,

But in ourselves, that we are underlings..."

Such was the contemptible pettiness of those who moved for my exclusion on those recent occasions.

However, whatever the personal pettiness involved in perpetrating that folly of my exclusion, the moral failure of those circles had a much deeper, historic root than any of the personal pettinesses expressed in that decision. The root of the matter is the interests associated with the presently doomed international banking system. This latter fact is already known in leading circles outside the United States, most notably leading circles in Europe itself. The petty motives for my exclusion bring contempt upon those responsible for that; the deeper motives, tied to the motives of the frantic, imperilled banking interests, evoke fear and trembling at the thought of the future of all mankind imperilled by aid of the Lilliputian pettiness of the personal gut-reaction against me.

Meanwhile, most of the ordinary citizens are dwelling in a nightmare, creating a spectacle like squirrels scampering among the sands of the Sahara, gathering nuts where they may. You think their behavior senseless? For them, a bad dream were better than the dreadful reality against which even bad recurring dreams seem a place of refuge.

A Cycle of Doom: 1763-2004

The world is now approaching the final collapse of a cycle of world-history, which began with that 1763 Treaty of Paris from which Lord Shelburne's British East India Company emerged as a world-empire in the image of ancient Rome, and which will end, soon, with the collapse of what had been the continued hegemony of an Anglo-Dutch Liberal form of

imperial financier hegemony, up to the imminent general collapse of that entire, centuries-old system.

Since 1763, the only significantly successful challenge to that Anglo-Dutch Liberal system of financier tyranny, has been that defense of the North American English colonies led by Benjamin Franklin, and supported by the leading Classical humanists from throughout Europe. The success of establishment of the U.S. Federal Constitution of 1789, has been the only durable threat to that Anglo-Dutch financier tyranny since that time, to the present date.

More recently, with the aftermath of that 1963 assassination of President John F. Kennedy which allowed Secretary of Defense McNamara to unleash the waiting U.S. War in Indo-China, the U.S.A. itself has undergone an accelerating degeneration from its earlier characteristic as the world's leading producer-nation, to a piece of contemptible, ruined, "post-industrial" wreckage, subsisting, ever more miserably, as a pleasure-seeking parasite, like ancient imperial Rome, upon the poorest nations of the world. The now inevitably immediate collapse of the U.S.-dominated financial-oligarchical system reigning over nations today, means that either the United States leads in overturning that rotted-out monetary-financial system, or U.S. power pitted in support of that rotted-out system will unleash a chain-reaction collapse of the world economy which would rapidly reduce the world's population-levels toward a point less than one billions persons.

To understand any issue of importance in any part of the world today, especially within the U.S.A., we must define all leading policy of the U.S.A. now in terms of that cycle, so described, from Feb. 10, 1763, to whenever the outcome of the election is officially determined, prior to January 2005. Only the U.S.A. could do this: If the U.S.A. fails to adopt that leading role which I, uniquely, represent, then the existence of the U.S.A. in any presently recognizable form were soon finished, and the world doomed to go down into the aftermath.

That is, therefore, the only subject worth debating within the context of the present U.S. election-campaign. Unfortunately, it is a subject on which most recent U.S. university graduates are pathetically ignorant. This is a job that will require a dedicated effort.

Latest From LaRouche

LaRouche: 'Super Bowl Tuesday's Results'

This statement by Presidential candidate Lyndon H. LaRouche, Jr. was released on Feb. 5 by the LaRouche in 2004 campaign committee.

Thumbs Up! Or, Thumbs Down! The Roman Empire, too, had its Super Bowl Sundays and Tuesdays. So, in the course of time, Rome's spectators died in their own arena. There was the Super Bowl on the day before Groundhog Day, Sunday. Then, there was the Super Fishbowl game on Election Day, Tuesday. On Tuesday, the citizens marched from where they had been sitting as spectators, to take their places as the gladiators dying in the bloody arena below...[link to complete statement](#)

Delaware News Journal Perspective: Act Fast To Fix War Doctrine, Fiscal Policy

The following op-ed by Lyndon LaRouche was published in the Delaware News-Journal on Feb. 1, and was posted to its website www.delawareonline.com.

There are, in fact, two leading issues on the agenda for the 2004 Presidential election: the issue of the war policy of the current Bush Administration, and the onrushing collapse of the world's floating-exchange-rate monetary system.

Regarding the first: Since Dick Cheney's conclusion of his term as Secretary of Defense under President George H.W. Bush, the current Vice President has been committed to a doctrine of preventive nuclear warfare. Although his policy was

rejected by the first Bush Administration at that time, Cheney has nursed that policy during the years since.

In the aftermath of the events of Sept. 11, 2001, Vice President Cheney has foisted that policy on the Administration of President George W. Bush, and has employed impeachable acts of fraud to bring about the invasion of Iraq as a step of implementation of his war policy.

Cheney's overreaching influence over the current Administration has led to a ruin of our republic's relations with Europe and other parts of the world. Cheney's Svengali-like influence over the President is therefore the leading threat to our national security today.

On the second matter: We are at the brink of a general world financial collapse worse than that of 1929-32. The principal cause of this has been a 40-year drift of U.S. policy away from the policies that defined us as the world's leading producer nation, into being a post-industrial ruin, a bread-and-circuses culture that subsists on the cheap labor of other nations that have replaced our own industries.

We could come out of this catastrophe if we would apply the precedent of the economic recovery under President Franklin D. Roosevelt, and combine those domestic reforms with appropriate cooperation with other nations. The greatest obstacle to national survival today is the reluctance of a large portion of our population to give up the habits associated with 40 years of cumulative deindustrialization.

We have now reached the point where there is a clear choice between returning to the legacy of a producer society or accepting the misery that clinging to recent decades' trends are bringing down upon us all.

Learn more online at www.larouchein2004.com.

LaRouche Interview, KRCJ-TV, Missouri: I'm the Only Qualified To Deal With This Kind of Crisis

On Feb. 2, Lyndon LaRouche was interviewed on KRCJ-TV, Channel 13, in Jefferson City, Missouri.

Q: What brings you here, to Missouri?

A: Well, I am running for the Democratic nomination for President. And, as of this point—I think very soon—you're going to find that all the other rivals, but Kerry and I, are going to disappear. At that point, we are not going to have a "Super Bowl election," as we've been having up to now. People are going to realize, the election is not about the candidate. *It's about them.* And the issue is war. And the issue is economy. And, I think, interplay between me and Kerry, and possibly a few other people getting in the act to get this discussion on the right level, and talking about *people* and their concern, not about which candidate is the most beautiful. Obviously Kerry would win that!

Q: As a personal statement, what makes you better than the other guys?

A: I know what I'm doing.

On the issue of economy, I'm the only one that's qualified to deal with this kind of crisis. In an ordinary situation, I wouldn't even bother going against Kerry, seriously. But, in this case, he's probably good on the war question. But, on the question of the economy, I don't think he's up to speed, yet.

Q: Now, as you're campaigning on the Democratic side, tell me, are you anxious? Or, are you for seeing early release of the information on the war in Iraq, in the non-smoking-gun issue? They say, after the election, this material should become available.

A: Well, what the issue is, it's going to come available earlier. I've been pushing this thing. I'm the one that started this riot, and I've got people working on it—and a lot of people—spilling over what I started: I've been moving for Cheney's indictment, or his resignation or impeachment, on the basis of crimes against the Constitution, on his using fraud to get us into a war which is illegal. Also, he's indictable by the United Nations, for war crimes, on the basis of his lies to bring on a war. So, I'm dead serious on that.

I think Kerry probably would tend to sympathize with me on that, so I won't take any flesh on his bones, on that one.

Q: All right. So, that's going to be part of your major platform, I guess? Or is there more to it?

A: Mostly, it's the economic question. If we get out of the war, we could get cooperation—I know it. I'm personally involved overseas. We could get cooperation from other countries: For example, if I were nominated as President, at that point, the policies of nations around the world would change, merely on that fact. Because my policies are known in Europe and elsewhere, and in many parts of the world, they like them.

Q: Tell me now, this is important for our part of the country: How do you stand on abortion?

A: I don't think the Federal government should be involved in that as an issue. That should be an issue of the states. And I'm also opposed to single issues. I don't think single issues in politics are legitimate.

Q: Very good! You hit just exactly where I was driving in this. These issues, should they be handled by state court systems, or state government?

A: No, there actually is a Supreme Court role in this thing, eventually. There is also, something the Congress may become involved in, in peripheral issues, health issues, and so forth. But, the President of the United States should not be involved in single issues, on ethics and morality. He has a function: He must stick to that function. He may have his own views, and he may express them privately. But, he should not use the Presidency of the United States to divert from other responsibilities he has, which are his. Let the states and the courts deal with what they should deal with.

Q: In your own words, in a real quick statement, what is the President of the United States to you?

A: The President of the United States is the head of a unique institution in the world. It's the best in the world, of its type: It's the Presidency. It's the responsibility for all of the Executive functions of government and our relations with other nations. And *that's* what the President must stick to.

Q: So, are you speaking highly of foreign policy, then?

A: Absolutely. I'm probably the best-qualified foreign policy expert in the United States, today.

Q: What makes you qualified for that?

A: I've been doing it for a long time.

Q: Give me a little background, real quick, so we can have some—.

A: Well, for example, I've been pushing for this reform. I was very upset, many years ago, by what happened to Kennedy, in the 1962 Missile Crisis, and the entering into this crazy Indo-China War: At that point, I began to get serious about politics. I began teaching on these issues, because I was serious about educating younger people. I became highly controversial. I became involved in Middle East peace, at a high level; I became involved, actually, with Reagan on the SDI—I was the one who initiated the proposal.

So, I've been involved with foreign policy, with relations with Russians; with nations in Europe, with leading circles there; and the Far East, for a long time; as well as South and Central America.

Q: So, lastly, what're you doing here today? Tell me what you're going to be discussing?

A: Well, today, I'm here, because this is Missouri. This is one of my states. And I have some responsibility, and I have some fine people here. And I'm working with them.

Q: Anything else you want to add?

A: Well, I'm looking forward to—. I am also interested in something, which I think is important: the education issue, the higher education in the state of Missouri. And I should state, because people are going to ask the question, my view is, the Federal government has to adopt two policies: One, we have to be committed to the development of higher education for all people; we need to do that because—we have to upgrade our whole population. Secondly, the role should be, the states should be responsible for education, but the Federal government must provide the means by which the states can deal with that charge.

Q: So, you're looking for more money for the state?

A: That's right.

Q: From the government? From the Feds?

A: That's right. It's a Federal responsibility—those things which fall between the cracks of the state and private industry, belong to the government, the Federal government. The Federal government must use those responsibilities.

Q: Very good, sir. Thank you. I appreciate your time, and your keen ability to do well on camera!

LaRouche's Feb. 2 Press Conference in Jefferson City, Missouri: 'Now It's Going To Get Serious...'

Lyndon LaRouche: The important thing is this, there is now a phase-change in the situation in the Presidential campaign. Until this point, the Presidential campaign is fairly characterized, as the voters looking at the candidates as if they were watching the Super Bowl. The voters are not thinking about themselves, in terms of their choice. They're simply choosing among their favorite teams and players.

Now, it's going to get serious. Most of the candidates are going to fall away, very soon. Some are already falling away. Lieberman is finished, in effect, as a Democrat. He should probably join the Republican Party—would clarify things a bit.

But, the situation now is, that Kerry is a leading candidate, which is going to finish off some of the others. I will be in as a candidate, all the way through.

Now, what's going to happen now? At present, we have two issues, before the voters—two crucial issues, which decide everything else: Number one: the war question. Not just Iraq, but the fact that Cheney has committed impeachable offenses, in pushing the United States, through fraud, into a war, which should not have happened. But, worse than that, that Cheney has a policy of extending this war policy to other nations [as] targets. That's the number-one, hot item on the press.

Number two, however, the real issue, is the economic crisis. The world is going into the worst depression—worse than we experienced during the 1929- 33 period, now. And this issue has to be faced. What is going to happen now, with the recycling of veterans returning from the war in Iraq, and reporting what they've gone through their families, and others, here; and with the economic crisis, the issue is not going to be, voting *for* a candidate, but voting for a candidate in a way which is relevant to their own interests. In other words, it is the voters, themselves, who are up before the camera, not the candidates. The question is, what are the problems that the people of the United States face, in this period? And how are the candidates *relevant*, to solutions to those problems?

So, the agenda's going to change. Where people are voting as spectators up to now—they're going to *stop* voting as spectators. They're going to have to begin to vote as people who are *in the arena*, themselves. And it's *their* problems, that have to be solved. Not the problems of which candidate has the best slogans.

So, that's what my primary mission is, at this point.

News-Tribune: What is your main reason why you are seeking to be President?

A: I'm the only one that's qualified. Kerry would probably be capable of dealing with the war question—that is, getting us out of Iraq, and probably stopping similar wars. That we probably have similar opinions. The problem issue, would become the issue of the economic issue.

Q: Okay.

A: I think that Kerry probably would tend to accept the ideas of Bob Rubin, the former Treasury Secretary, on the crisis. The problem is that, Rubin himself, so far, has not indicated that he's willing to consider a change in the system. I'm insisting that only a change in the system would work—that is, the Federal government *has* to put the present international monetary system, and the U.S. system, into bankruptcy reorganization, in order to start a recovery program.

Q: So, you are the only person qualified to be President?

A: For that reason. That reason, principally. I have many other qualifications, but the thing that's crucial in my role at this time, is this economic question.

Q: So, economically, you're the person that's qualified to be President.

A: Yep.

Q: Okay.

You know, you've run for office a number of times, and you haven't received as much support as a lot of people do. Why do you keep running?

A: Because I'm right. See, people have the wrong idea: They think of—like a star rating of Hollywood movies, or something like that—the Presidency. It is not. Running for the Presidency is very serious business. It's a long-haul business. I have been right, in all the times I've run. And those who oppose me have been wrong.

Now we have the crisis I warned against. I tried to prevent this—it's happened. Now, they have no choice. It's the last chance. If we don't deal effectively with this crisis, we may not have a United States.

Q: And you're speaking again, of the economic crisis.

A: That's right: The economic crisis is beyond belief. Internationally, as well as here.

Q: Okay.

How old are you?

A: Eighty-one.

Q: Okay. Some people might think that you're too old. What do you have to say to them?

A: Well, probably, I'm more mature. [laughing]

Q: Okay. And then—

A: I'm in good condition, fairly, too. Better condition than the President. Especially from the neck up!

Q: Some people think that you're a little off the wall. What do you say to that?

A: Well, I say that people aren't paying attention to business.

Q: Oh, okay. What do you think you'll do, if you're elected? What's your big priority?

A: Well, the first thing I'd do—. Well, even then, if I'm nominated, by the convention in July, in Boston, that will change world politics. Because that nomination will cause things to "click in" which I've been discussing with governments abroad, will immediately click in on *their* part. So therefore, my Presidency would begin, the moment I was nominated—not in terms of the powers of office, but in terms of influence in shaping the policy of the nation.

Q: Um-hmm, okay.

What do you think of the other candidates, like Kerry and Edwards, and— ?

A: Well, Kerry is interesting, because Kerry is a really, in general, a qualified candidate. In normal times, you would say, Kerry is the type of candidate you would just elect and say, "Okay, he's good enough." In this period, he's not, only because

I think, of the economic question. He has a slight Hamlet tendency, "go along to get along" tendency. But, apart from that, he has certain qualifications, and with the right team, and with my backing, he would be successful. Under normal conditions.

The issue now, is the economic issue—that's where he has a problem. And he has a problem, because of his advisors, his backers and so forth; the Kennedy family, and so forth. They are behind him. But, he has this problem, and they have this problem: They are not willing to bite the bullet on the economic issue.

Q: Okay, so, like, if you are not in the election, who's your favorite?

A: I have no favorite. I'd say, [there would be] disaster. I probably would end up supporting Kerry, but that would be at a later stage. Not now.

Now, is not a question of who should get the nomination now: What we need now, is a long period of discussion, among leading figures, about what the policy of the United States should be. The American voters have got to stop being spectators for a Super Bowl game, which is what the election has been so far, and start to think about *themselves*. What are *their* problems? And what use are these candidates with their policies, in solving *their* problems?

Q: Okay, but Kerry is your most—?

A: Well, that's reality. Kerry is now the leading candidate. The others are going to drop away, out of incompetence. I'm *in* there, with competence.

So, the issue is, the important thing is, the discussion—on the one side, from Kerry, and from me—to give the American people a choice of thinking about what the issues are, not who is the favorite beauty star?

Q: Okay. And then, you're most qualified because of economics. Anything else. again?

A: Yes. Oh, I've got a lot of qualifications. I'm probably the best-known internationally for foreign policy. I'm the best-known internationally, in terms of long-term association with people throughout the Americas, in Africa, in Eurasia, in general.

Q: Uh-huh, okay. And, what do you label yourself as—as a Democrat? As— ?

A: I'm a Democrat! I'm a solid—I'm an FDR Democrat: *a genuine, Franklin Delano Roosevelt Democrat*.

Q: Okay, I guess that's all I need to know!

A: Okay! Good!

Links to articles from *Executive Intelligence Review**.

***Requires Adobe Reader®.**

Feature:

On the Subject of Tariffs and Trade

by Lyndon H. LaRouche, Jr.

January 12, 2004

During 1959-60, I began warning, as an economist, that if the policies associated with Arthur Burns were continued deep into the 1960s, we must expect a series of crises in the existing monetary system during the second half of that decade. I warned, that if those policies were continued, despite the warning-shots of these monetary crises, there would be a general collapse of the existing Bretton Woods system. President John F. Kennedy threatened to correct those erroneous policies; the 1962 missile crisis, his assassination, and the official Indo-China war which his assassination made possible, ensured that the economic trends against which I had warned in (admittedly) reports of limited circulation, would continue. Whether my voice were much heard or not at that time, the decision was made, in effect, and the consequences which I had foreseen followed.

Economics:

Debt Overtaking Not Just U.S. Households, But National GDP

by Richard Freeman

The first part of this analysis was published in last week's EIR, Feb. 6, 2004.

The debt load on the U.S. economy has spiralled wildly out of control in recent years: Americans are now taking extraordinary and unsustainable measures to pay that debt, undermining their personal and national existence.

Which Way Out of Germany's Discontent?

by Rainer Apel

At the weekly cabinet session Jan. 28, Chancellor Gerhard Schröder surprised Health Minister Ulla Schmidt with his decree to stop all work on the planned citizens' burden-sharing of special care insurance; and also to put a halt on all other such projects for budget cuts for the time being. After the cabinet session, Schröder told the press: 'We have reached the limit of tolerance. . . The population cannot take any more.'

Conference Report:

Water Policy in The Hands of Bottlers

by Ramtanu Maitra

The national conference on water for a sustainable and secure future, organized by the National Council for Science and Environment (NCSE) and held on Jan. 29-30 at the Ronald Reagan Building in Washington, D.C., was the proverbial mountain delivering a mouse. It became evident at the outset that water is no longer seen as a national issue; the concept of water management has boiled down to bottling the water, and no more.

National:

LaRouche Targets Cheney's 'Impeachable Offenses'

by Jeffrey Steinberg

In campaign interviews in Missouri and Delaware, during the first week of February, Democratic Presidential candidate Lyndon LaRouche accused Vice President Dick Cheney of 'impeachable crimes.' He identified Cheney's ouster from office as a precondition for restoring America's shattered relations with the rest of the world, and for preventing an otherwise imminent plunge into global wars and chaos under the 'Cheney Doctrine' of preventive nuclear war.

Good Riddance to Lieberman, Soon It Will Be Kerry vs. LaRouche

by Nancy Spannaus

While the Democratic Presidential primaries continue to be a 'horse race,' with voters betting on their favorite, a necessary winnowing-out process is ongoing. Most welcome is the withdrawal of Sen. Joe Lieberman (Conn.) following the last round of primaries, and, as of this writing, the

handwriting is definitely on the wall for Howard Dean and Wesley Clark.

- **LaRouche: 'Super Bowl Tuesday's Results'**

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game on Election Day, Tuesday. On Tuesday, the citizens marched from where they had been sitting as spectators, to take their places as the gladiators dying in the bloody

arena below.

- **Sharpton 'Outed' As Right-Wing GOP Mole**

The *Village Voice* of Feb. 5. exposed Al Sharpton as a tool of right-wing Republican dirty tricks operative Roger Stone, who is 'financing, staffing, and orchestrating' Sharpton's Presidential campaign. Author Wayne Barrett quotes Stone saying that he and Sharpton share 'a mutual obsession: We both hate the Democratic Party.'

International:

Unconstitutional Coup Threatens Iran Election

by Muriel Mirak-Weissbach

Unless a dramatic shift in the Iranian political situation is effected by the highest authority in the land, there will be no parliamentary elections worthy of the name held in that nation on Feb. 20. Due to illegal maneuvers by the Guardians Council, a 12-man arch-conservative entity charged with vetting candidates for office, conditions have been created for a totally rigged vote, which Iran's reformists vow to boycott.

BüSo Party Congress

'Let Us Complete the American Revolution'!

by Ortrun Cramer

'Europe's Mission: Build a Future for 6 Billion People,' was the focus of the party congress of the Bürgerrechtsbewegung Solidarität (BüSo) of Germany which took place in Berlin on Jan. 25. Some 86 German candidates were chosen for the upcoming election for the European Parliament on June 13...

Iraq Cover-Up Is Cracking In Britain As Well

by Mark Burdman and Mary Burdman

With new revelations emerging daily about how he brought Britain into the illegal military adventure in Iraq, British Prime Minister Tony Blair might be forgiven for having the feeling that he is caught in quicksand. Blair is learning one of the nastier characteristics of quicksand: The more you flail about, the faster you sink.

Books:

A Regime That Threatens The U.S. Republic Itself

by Anton Chaitkin

American Dynasty: Aristocracy, Fortune and the Politics of Deceit in the House of Bush

by Kevin Phillips

New York: Viking/Penguin Books, 2004

397 pp., hardbound, \$25.95

'This book has changed a lot . . . since I began writing it in December 2002,' says Kevin Phillips in the preface to *American Dynasty*. A former strategist for Republican President Richard Nixon, turned political independent, Phillips had always considered the Bushes 'Elitists'; and he had started work on what was to be a more-or-less critical Bush family biography. At that time, the Administration's extreme pro-war grouping—Cheney and the neoconservatives—was pouring out lies to overcome the timid moderates' resistance to the planned Iraq invasion.

U.S. Economic/Financial News

U.S. Manufacturers Close More Plants, Move Overseas

U.S. manufacturers are closing more plants and moving production overseas, as the faked factory index rises to a two-decade record, *Bloomberg* reported Feb. 2. Exposing the myth of rising manufacturing production and exports claimed by the Institute for Supply Management's (mood-based) manufacturing index—with job growth expected soon—here are a few signs showing the reality of the economic depression:

*Carrier Corp. said it will close its factory in McMinnville, Tenn. by the end of 2005, eliminating 1,300 jobs—and move production in part to plants in Monterrey, Mexico. Already, the maker of commercial air conditioning and ventilation products has closed 22 factories worldwide over the past two years.

*Duraw Manufacturing shut down its plant in McComb, Miss. Feb. 2, as it shifts operations to China. An earlier closing of its main plant in Mebane, N.C., which also produced wiring harnesses for computers and motor control centers for General Electric and IBM, eliminated 1,100 jobs. "Ten years ago, work went to Mexico with NAFTA and what didn't go then, is going now to China," said the plant manager.

Cheney-Bush Budget To Slash Domestic Programs

The Office of Management and Budget (OMB), on behalf of the Cheney-Bush Administration, released the U.S. Federal budget for fiscal year 2005, as well as supposedly more "firm data" for the fiscal year 2004 budget. The budget is very scattershot, with various supplemental programs tacked on in ways that are not very clear. The OMB budget projects that expenditures for FY 2004 will be \$2.319 trillion, with revenues of \$1.798 trillion, which produces an "official" deficit of \$521 billion (the real deficit, were the Social Security Trust fund to be excluded, as it should be, would be much larger); the FY 2005 deficit is projected to be \$364 billion.

The Bush tax cuts and the war adventures have contributed significantly to the budget deficit, but the biggest cause is the ongoing economic depression.

Between FY 2003 and 2004, the Administration proposes to increase defense spending from \$365.3 billion, to \$375.3 billion, and then to increase it again to \$401.7 billion in FY 2005. However, this is deceptive, because it omits the cost for Iraq and Afghanistan operations, which OMB director Joshua Bolten said could be \$50 billion next year.

What is clear, is that the axe will be applied to the "discretionary" part of the FY 2005 budget, i.e., the part that is non-mandatory, non-defense, and non-homeland security.

*The House Transportation Committee leaders had called for \$375 billion for transportation: highways, transit systems, etc. The Bush budget calls for \$256 billion, a cut of 32%.

*The Administration proposes to cut \$1.8 billion, nearly 20%, from the Housing and Urban Development Section 8 vouchers, which subsidize housing for the poor. The National Low-Income Housing Coalition estimates that 250,000 low-income families would be cut off from housing assistance, and could become homeless.

*The budget would eliminate 65 domestic programs, and reduce 63 others; the full list of these affected programs has not been disclosed.

However, the budget deficit and various parameters will sharply worsen, as the economic-financial disintegration yields non-linear explosions in the system.

Sears To Phase Out Pension Plan

Sears, under pressure from Wal-Mart, will phase out or eliminate most stock options, and cut bonuses. To "compete" with Wal-Mart's less costly benefits to employees, Sears will shift workers under 40 to self-funded 401(k) plans, and will end stock option grants in 2005 for salaried employees, excluding directors and vice presidents.

Meanwhile, Wal-Mart's "famously stingy" health-care practices were attacked by AFL-CIO Director of Public Policy Christine Owens: Fewer than half of Wal-Mart employees are covered by its health plan, which imposes extremely long waiting periods, high costs, and health-coverage exclusions. For example, in Georgia, a state government review in 2002 found that more than 10,000 children of Wal-Mart employees were enrolled in the state's children's health program—nearly 14 times the next highest number.

Outsourcing Pushes Planned Job Cuts Up in January

Planned job cuts jumped 26% in January, compared to December, because of increased outsourcing overseas. Companies announced plans to cut 117,556 jobs in January, up from 93,020 layoffs in December, reported the outplacement firm Challenger, Gray & Christmas. Further, planned job cuts in January exceeded 100,000 for the first time since last October, *Reuters* reported Feb. 3. Consumer product firms led with 22,775 job cuts—the largest number of reported job cuts in that sector in a single month since 1993. The main reason for the increase in job cuts, Challenger said, was that more and more employers eliminated jobs in the U.S. and moved production to India, China, and the Philippines.

Disconnected from this reality, Treasury Secretary John Snow, in testifying on the budget before the House of Representatives' Ways and Means Committee, claimed that "the job market is improving," while the [casino] economy "is growing at a pretty good rate."

World Economic News

Will Argentina—or the IMF—Lose the Coming Showdown

Should Argentina default to the IMF, "who would be the big loser, Argentina or the IMF?" The Argentine daily *Clarín* asks exactly the right question in its Feb. 5 edition, and implies that the answer isn't necessarily Argentina. As the thuggery against the country intensifies, with new threats that Argentina must be cut off from all credit, IMF and World Bank included, unless it bows to the creditors, President Nestor Kirchner is holding his ground.

Why are the bondholders so hysterical? he asked on Feb. 3. "They went to the casino; things went all right for them for a while. They bet on the risk, so there's now no reason why Argentines should have to pay for the interest rates that some

irresponsible officials agreed to at that time [in the 1990s—ed]. Nobody is innocent here." He added, "Argentina will continue to grow, even if there is no agreement with creditors." Interior Minister Anibal Fernandez said on the same day that bondholders "will suffer big losses, and they deserve it."

Immediately at issue is the \$3-billion payment due to the IMF on March 9. The Kirchner government has said that it will pay it, but only if the IMF disburses an equivalent amount in new monies, which requires that the IMF certify that Argentina is meeting its conditionalities. A loud chorus has arisen since the end of January, from the *Wall Street Journal*, the *Financial Times*, G-7 and IMF officials, and purported "experts," insisting that the IMF refuse to approve Argentina, until the country negotiates in good faith with its private creditors, permits the foreign companies running privatized utilities to raise their rates, and President Kirchner stops his "insults" and "offensive" rhetoric.

Wall Street Journal Americas editor Mary Anastasia O'Grady complained on Jan. 30 that "gunboat diplomacy" is no longer deemed acceptable, but, thank God, the "financial community" is uniting around the need for the IMF to take action against Argentina. The *Financial Times*, in *FT* correspondent Martin Wolf's prominent Jan. 28 column and in a Feb. 2 lead editorial, called for the IMF to "stand up to the blackmailer," and cut Argentina off. To ensure the IMF survived an Argentine default, however, the *FT* editorial suggested the Group of 7 had better put together a credible financing plan, so that the IMF itself wouldn't end up in bankruptcy.

On the eve of the Feb. 6 Group of Seven Finance Ministers meeting, French Treasury Secretary Jean-Pierre Jouyet, speaking in the name of the G-7, told Argentina it must begin "a constructive dialogue in good faith" with bondholders, adding that at its Boca Raton meeting, the G-7 will order Kirchner to "maintain the confidence of international investors."

Financial Markets Headed Toward 'High Noon'

Global financial markets are heading towards "High Noon," warned Bill Gross Feb. 3, head of Pacific Investment Management Company (PIMCO), the largest bond-trading investment fund in the world. Echoing Lyndon LaRouche, Gross writes in his latest monthly "Investment Outlook," that "Greenspan's economy is a completely different one" from the days of Paul Volcker's stint at the Fed (1979-87). "Greenspan's economy is a globalized economy," based on the "substitution of cheap Asian and Latin American labor for workers here at home." He adds, sarcastically, "It is an economy full of technological wonders such as the Net, cell phones, high-speed data transmission, and the like. We may not be able to go to the Moon any more, but things down here on mother Earth are certainly movin' and shakin'."

"The most critical reformation in the past 20 years since Volcker's prime has been the transition of the U.S. from a manufacturing, to a service, to a finance-based economy within the span of two decades." General Electric is exemplary of this transition. "In 1980, [some] 92% of its reported profits came from its manufacturing subsidiaries. In 2003, nearly 50% of earnings were supplied by financing subsidiaries highly dependent on leverage, the cost of that leverage, and the ability to maneuver through the swaps market."

Gross then warns: "But folks, all blame aside, I must tell you in advance that this story or movie does not have a happy ending. In terms of timing it may not be high noon, but High Noon it will be in terms of an ultimate outcome."

"Debt as a percentage of GDP [gross domestic product] has skyrocketed over the past 20 years and is now at historically high levels approached only briefly during the depression of the 1930s.... What's wrong with 400% of GDP or 500% of GDP? What's wrong with dropping it from helicopters if we have to, as good Ben Bernanke has suggested?"

"My point is that at some point on this seemingly never ending ascent of debt/GDP, someone will say 'no mas.'... I'm telling you it'll happen, helicopter or no helicopter, and with it will come an economic slowdown/recession unseen since at least the early 1980s when Volcker began his vigil. High noon."

Parmalat Derivatives Exposure Raised by Creditor

"What worries me is the derivatives aspect of the Parmalat default," Rainer Masera, head of SanPaolo-Imi, one of Parmalat's Italian creditor banks, said on a talk show on Italy's *RAI-TV* Feb. 2. Masera added that "for each bond there are ten derivatives" out there, so-called "credit default swaps," hinting that this larger bubble could explode as a consequence of the Parmalat bankruptcy. When asked to explain what a derivative is, Masera was unable to do so.

Japan Issues, then Downplays, Threat To Shift Into Gold

When asked Jan. 27 how Japan should handle its giant \$673.53-billion foreign reserves, Japanese Finance Minister Sadakazu Tanigaki suggested that he felt it necessary to study the future composition of national reserves, and "this might include a review of bringing Japan's modest gold reserves into line with much higher levels elsewhere," *Business Times of Singapore* Japan correspondent Anthony Rowland reported Feb. 2. "The impact of such a move on the dollar would be severe. And as Japan has a third of total U.S. Treasury securities held outside the U.S., the impact on the bond market would also be severe."

Japanese Foreign Ministry officials confirmed Tanigaki's statement to *EIR*, but strongly downplayed any immediate intent to act, as they did in an interview with Rowland in a second column he wrote next day, Feb. 3. "It doesn't make any sense right now to even think that Japan would sell dollars for gold," one Tokyo official told *EIR*, "when we have just spent a record 20 trillion yen (\$189 billion) to *buy* dollars, to prop up the dollar in 2003, and another 7.15 trillion yen (\$67 billion) between Dec. 27 and Jan. 28, a record intervention figure for a single month! And as far as I know, BOJ interventions have continued to buy up dollars at a very heavy rate this week. We are eager to stabilize the markets before the G-7 meeting this weekend."

Rowland wrote that foreign exchange and commodity markets have been "set alight" by Tanigaki's gold comments, but in fact, there has been almost no mention of it, especially in the Japanese press. However, the official told *EIR*, "Problems did arise for the dollar, when Mr. Tanigaki also Jan. 27, defended our intervention, by saying it was 'only designed to control speculative moves or wild fluctuations in the market.' Foreign exchange markets are so volatile now, that Tokyo traders took this as a threat that Japan would stop trying to support the basic dollar rate, but only smooth out erratic movements. The dollar promptly fell from Y106 to Y105, so we had to intervene heavily to clean up the misunderstanding."

Such speculation, of course, is yet another way for the U.S. Treasury to obtain large amounts of dollars from the BOJ, to keep Greenspan's ponzi game going.

Dollar Situation 'Untenable'; Sakakibara Calls for 'Exit Strategy'

Expect sheer madness at the G-7 Finance Ministers summit in Florida Feb. 6-7, Tokyo financial sources told *EIR*. While Japan is, in the short term, desperate for a communiqué from the meeting saying the dollar's fall can't be allowed to continue, it's not likely to happen, officials say. This situation is becoming "untenable," one Finance Ministry man admitted under *EIR* questioning.

"The dollar could fall from its present Y106 level, to below Y100, and no one in Washington would mind or even worry," an outraged Japanese Finance Ministry source told *EIR*. "The Bush Administration is so eager to get a weaker dollar right now, to export its economic problems, that they don't even realize whose problem it is, that the dollar is so seriously weak."

"Concerns about the dollar's rate of decline probably will not even be raised in the G-7 joint statement, so the dollar will

probably keep losing ground toward 100 yen," Eisuke Sakakibara, former Vice Minister of Finance for International Affairs, said in an interview with the *Japan Times* Feb. 3. "It is true that Japan and the EU are concerned about the current weakness of the dollar. But the U.S. is quite satisfied with it," Sakakibara complained.

Sakakibara said that the dollar could fall to 100 yen or dip briefly to 90 yen soon, which, by itself, would not be a death blow to Japan's economy. However, he said, Japan "will not be able to maintain the same level of intervention for a few more years, although these operations have had limited success in slowing the yen's rise against the dollar. Japanese financial authorities would eventually have to think about how to exit from such a strategy," he said.

The four top Asian nations alone already are stuck with a combined \$1.44 trillion in pretty much useless U.S. dollar reserves, as *EIR* reminded one Japanese Finance Ministry official: Japan with \$673.5 billion, China with \$403.3 billion, Taiwan with \$206.6 billion, and even South Korea, which reached \$157.4 billion at the end of January. The reserves of these four have been growing at a combined rate of almost \$300 billion a year. That was when the official was forced to admit this is ultimately "untenable."

United States News Digest

Revolt Grows Against Indian Gambling Casinos

A growing sentiment against gambling casinos in a number of areas across the country, was noted by the *New York Times* on Feb. 1, despite the promise of easy money and increased school spending they allegedly hold. Complains Buffalo, N.Y. Mayor Anthony Masiello, whose campaign to attract an Indian casino is resisted by voters: "What is shocking to me is that if you had any other company that was going to employ 2,500 people and pay them \$30,000 a year and up, and generate millions of dollars in private investment, people would be falling all over them. I don't know what the big deal is."

The article says that anti-casino sentiment is especially strong in Connecticut, where Federal government efforts to grant recognition to the Schaghticoke Indian tribe—which is expected to bring in a casino on the New York border—are being fought by voters in that state. As a sovereign tribe, the Schaghticoke Nation would be beyond the reach of state and local controls. Connecticut Governor Rowland intends to appeal the recognition of the Schaghticoques, but tribal leaders are complaining that this is not anti-casino, but anti-Indian.

The president of the Connecticut Alliance against Casino Expansion, insists that the issue is not moral: "The stigma now is political: Do you want to be associated with an industry that has literally trampled on the rights of voters and the community in which it lives?"

Ashcroft Still Stalling on Blocking MEK in U.S.

A Jan. 21 letter from Rep. Bob Ney (R-Ohio) to Attorney General John Ashcroft, asking him to block a fundraiser organized by the leader of the Mujaheddin-e-Khalq terrorist group has still not been answered, and Ashcroft did nothing to block the event, which was run under the cover of raising money for the earthquake victims in Iran and took place Jan. 24.

The reason Ashcroft is protecting the MEK is twofold: First, the group wants to overthrow the Iranian government, and has been used by the Pentagon OSP (Office of Special Planning) neo-con network to attempt to accelerate regime change; and second, Ashcroft was the recipient of funds from the MEK networks in his Missouri U.S. Senate campaign, at least in 1996.

Ney in his letter reminded Ashcroft that the MEK is banned in the U.S. and listed as a Foreign Terrorist Organization. The letter says, "I ask that you use all the resources available to investigate this Jan. 24 event and the Iranian-American Society

of Northern Virginia [the new MEK front]. It is imperative to the security of the United States, and peaceful nations worldwide, that we put an end to all terrorist organizations, and their funding sources.

"The MEK has killed United States military and civilian personnel in the past ... and targetted American civilians for murder. Under no circumstances should this terrorist organization be permitted to raise funds for its terrorist activities in our nation's capital."

MEK paid Richard Perle to speak at the Jan. 24 event, yet Perle claims that he had no idea the event was related to the MEK. A number of investigative reporters indicate that they are on the case.

Iraq War Was a Failure of Logistics In-Depth

An unclassified study of the Iraq war, ordered in 2003 by former Army Chief of Staff Gen. Eric Shinseki before he was forced into retirement by Defense Secretary Donald Rumsfeld, further exposes the utopian insanity of the neo-cons around Vice President Dick Cheney. The study draws on interviews with 2,300 people, 68,000 photographs and nearly 120,000 documents. What has kept the campaign going is the improvisation of the troops on the line.

Examples: While division commanders could communicate with one another, officers at lower levels often could not. Units separated by long distances found their radios out of range, leading to improvisation using mobile phones or secure e-mailing. Many units ran low on fuel and water during their race to Baghdad in the early stages. Tank engines sat on warehouse shelves in Kuwait due to lack of truck drivers to deliver them. Broken-down trucks were scavenged for working parts and left by the roadside, and artillery units cannibalized parts from Iraqi guns to keep their weapons working.

And despite elaborate plans for "a final battle in Baghdad," which included a detailed mapping of every building of the city, commanders and intelligence analysts didn't have a clue as to how Iraqis would defend the capital. By and large, the associated "psy-ops" propaganda was a failure. In the end, the study found that U.S. reliance on high-tech surveillance and aircraft could be countered by decoys, and imaginative disguises for weaponry, while more powerful warheads for rocket-propelled grenades could offset American armor, and U.S. troops could be drawn into more protracted classic weapons of insurgency, e.g., car bombs.

Senate Office Buildings Closed by Ricin Scare

The offices of Senate Majority Leader Bill Frist were tested Feb. 2, after staffers found an envelope containing a white powder in the mailroom; the substance was later confirmed by Congressional police to be ricin, a toxin. All three Senate office buildings were closed that day; 16 staffers on the premises were tested and decontaminated, with further checks underway. The ricin-laced envelope had been delivered by regular Senate mail.

Frist, a physician, said it was premature to rule out the possibility that the incident was linked to terrorist activity. "The question is whether it is a criminal, or a terrorist act. In my mind they are both the same, because it was specifically sent to an individual and meant to do harm," Frist said.

Meanwhile, a suspicious powder was found in an envelope at the Wallingford, Conn. postal sorting center at about the same time that the ricin was found in the Dirksen Senate Office Building in Washington. The envelope in Wallingford was addressed to the Republican National Committee. In 2001, anthrax spores were found at the Wallingford postal facility.

According to the *Washington Post* Feb. 4, the Secret Service last November intercepted a letter addressed to the White House that contained a vial of ricin, but never revealed the incident publicly, did not inform the President, and delayed

telling the FBI and other agencies.

House GOP Leadership Out To Kill Plame Inquiry

Representative Rush Holt (D-NJ), who introduced a Resolution of Inquiry in the House in January that would require the White House to turn over documents concerning the Valerie Plame leak, told *The Hill* on Feb. 4 that many Republicans, including members of House Intelligence Committee, privately support his resolution, but tell him they can't support him publicly. His resolution failed by a 10-3 vote in the Intelligence Committee.

Former Ambassador Joe Wilson, Plame's husband, says that he has talked to many Senate and House Republicans and that they understand that "this is not a partisan issue, it is a national security issue."

White House Agrees to Extension of 9/11 Commission

The White House relented Feb. 4, and agreed to an extension of the commission investigating the Sept. 11, 2001 terror attacks. The two-month extension beyond the original May 27 deadline was required primarily because the team, headed by Republican Tom Kean and Democrat Lee Hamilton, has been stonewalled by the White House itself on documents demanded by the committee. The White House strenuously objected to the deadline being extended further into the election period, since the report is likely to be another blow to the credibility of the Administration.

And the stonewalling continues: The White House is still not releasing the requested briefings, nor even the notes taken by members of the commission who were allowed to view the briefings.

Pentagon Scraps Internet Voting System

The U.S. Department of Defense on Feb. 5 cancelled the use of a project that would have allowed Internet voting for Americans overseas in this year's elections. The system, known as the Secure Electronic Registration and Voting Experiment (SERVE), was developed with financing from DOD.

The decision was announced in a memo from Deputy Secretary of Defense Paul Wolfowitz to David Chu, the Undersecretary of Defense for Personnel and Readiness. A spokesman said, "The Department has decided not to use SERVE in the November 2004 elections. We made this decision in view of the inability to ensure legitimacy of votes, thereby bringing into doubt the integrity of the election results."

As *EIR* has previously reported, non-secure Internet voting has already been used in some elections, and was used for this past weekend's Michigan Democratic primary caucuses.

Dean, Clark Next Two To Go?

Democratic Presidential pre-candidate Howard "The Scream" Dean sent a desperate e-mail to his supporters Feb. 5, telling them to go all-out to win the Wisconsin primary Feb. 17, or his campaign is finished. "All that you have worked for these past months is on the line on a single day, in a single state.... The entire race has come down to this: we must win Wisconsin.... We will get a boost this weekend in Washington, Michigan, and Maine, but our true test will be the Wisconsin primary. A win there will carry us to the big states of March 2 and narrow the field to two candidates. Anything less will put us out of this race."

Meanwhile, two campaign workers for retired Gen. Wesley Clark anonymously told the *Associated Press* that Clark

considered dropping out after the Feb. 3 primaries, but his wife convinced him to stay in the race, over the advice of some of his backers. And Clark's staff had to agree to a pay freeze, in order for his campaign to pay for TV ads.

Will Sharpton Lose His Matching Funds?

A conservative watchdog group, the National Legal and Policy Center, is asking the Federal Election Commission to withhold matching funds from Al Sharpton, citing a Feb. 5 *Village Voice* article revealing that GOP consultant and McCarthyite Roy Cohn protégé Roger Stone was conduiting donations to Sharpton from Stone's Republican cronies. The complaint to the FEC also cites extensive travel by Sharpton which is not reported in his FEC filings.

Meanwhile, the *New York Times* said that Sharpton's poor showing in primaries will hurt his standing in local New York politics. Sharpton got less than 10% in South Carolina, a total which represents only about 20% of black voters in the state. The *Times* notes that some of Sharpton's supporters are worried about his working so closely with Stone, who reportedly organized the Miami Cuban-American demonstrations against the Floria recount in 2000, which helped tip the election to George Bush.

Ibero-American News Digest

Foreign Banks Set To Control 92% of Mexico's Banking System

The Banco Bilbao Vizcaya-Argentaria (BBVA) of Spain announced Feb. 2 that it intends to buy up the remaining 40% of Mexico's largest bank, Bancomer, to give it 100% ownership of the bank. The purchase, for over \$4 billion, would make BBVA the largest banker in Mexico, ahead of Citibank, which owns Mexico's second largest bank, Banamex.

BBVA has already announced that it will withdraw Bancomer from the Mexican Stock Exchange, meaning it will not be obligated to make its finances public. In attempting to explain its unprecedented decision to purchase 100% of the bank's stocks, BBVA's Francisco Gonzalez praised the health (!) of the Mexican economy, and pointed especially to the juicy \$13 billion in remittances that the 20-25 million Mexicans working abroad sent back into Mexico in 2003.

In 1992, Citibank was the only foreign bank operating in Mexico, and its asset share was a mere 1.5% of the total. In 1994, however, the North American Free Trade Accord (NAFTA) went into effect. A 1997 study on the foreign takeover of Ibero-America's banking systems prepared by *EIR* Ibero-America editor Dennis Small, found that by that year, foreign banks owned "a stunning 59%" of national banking assets. Now, when the BBVA latest takeover is completed, foreign banks will control 92% of Mexico's banking system.

Congressman Francisco Suarez Davila, from the PRI Party, responded to the announcement with a warning that this "foreignization" of nearly the entire Mexican banking system poses "a serious national interest problem," above all since Citibank "has already given signs of opposition" to national policies. He urged "a strict application of the laws to the foreign banks, with clear guidelines on making their profits compatible with the flow of resources into national development." Suarez Davila pointed out that when Argentina's banking system collapsed, the foreign banks which owned the majority of that banking system, did not step in to support their local branches.

His viewpoint was echoed in part by a former director of the Mexican Central Bank, Carlos Tello Macias, who warned of the risk that the foreign banks would channel credit toward some companies, while ignoring others. With this loss of national control over Mexican banking, he warned, the financial system will obey interests which do not necessarily coincide with the nation's priorities. In other words, loss of national sovereignty.

CFR Boosts Castaneda's Presidential Bid

Mexican Presidential hopeful Jorge Castaneda was invited to inaugurate the Council on Foreign Relations' new "HBO History Makers Series" in New York, on Jan. 29. There was nothing hidden about the fact that the invitation was meant to boost his campaign prospects. "We couldn't have found anybody more interesting to begin this series with than Jorge Castaneda, who has made history in the past, and hopes to make history in the future, I think, in Mexico," investment banker and former Assistant Secretary of State Bernard Aronson said in introducing Castaneda. And, in concluding the event, Aronson added: "I don't know whether Jorge will decide to seek a political career in Mexico, but I think if he does, the Mexican people will be greatly benefiting from the kind of candor and thoughtfulness that we've heard tonight," praising Castaneda as one of those "authentic voices and voices that can think in new and creative ways," for which Aronson thinks democratic societies are "hungering."

Castaneda stuck to his message that the economic "reforms" will not be possible in Mexico, until "institutional reforms" are carried out. And not only in Mexico. He suggested that the United States weigh in on behalf of ending the Presidential system of government which remains in place in most of Ibero-America, in order to move "towards a semi-Presidential, semi-parliamentary regime." President Vicente Fox has nothing to lose by adopting institutional reform as his agenda for the last three years of his regime, he argued, since he is getting nowhere on economic reforms anyway. At worst, Fox would get a discussion of these reforms going, and, at best, one or two might be adopted.

Castaneda also called for Mexican "civil society" to change the national agenda away from issues such as "the legal status of power generation in Mexico in the 21st century," and get Mexicans "energized" over other issues, such as women's and indigenous people's rights, human rights, the media, institutional reform, etc.

Peru Fears Bolivia-style Coca-Insurgency

Five thousand Peruvian coca-growers (*cocaleros*) will converge on the capital of Lima on Feb. 18-22, for a national "congress" and show of force. Interior Minister Fernando Rospigliosi warned on Jan. 21 that the gathering could provide the fodder for "political interests" to organize demonstrations, protest marches, and highway blockades that could lead to more violent acts and eventually a "Bolivianazo," a reference to the *cocaleros'* leading role in overthrowing the Sanchez de Lozada government in Bolivia in 2003.

Rospigliosi met with leaders of the Peruvian *cocaleros*, including Nancy Obregon, to promise that as long as the "congress" was academic and scientific, their rights to gather would be respected and protected, but he warned that there were those who sought to emulate Bolivian *cocalero* leader Congressman Evo Morales, and interests like Peru's brownshirt-clad synarchists, led by the Humala family, who want to use the *cocaleros* as a battering ram against the government. Said Rospigliosi, we know the *cocaleros* are not drug-traffickers, but "neither are we fools. The drug trade has its interests in this. And they want to expand the coca crops and make the alternative development programs fail."

Obregon, like Evo Morales, is an integral part of George Soros's drug legalization apparatus. Obregon was a leading speaker at a pro-drug legalization conference in the city of Merida, Mexico, in February 2003. That conference was financed by Soros's Lindesmith Center.

Bolivian Economic Plan No Solution

While the economic plan announced by Bolivian President Carlos Mesa on Feb. 1 addressed none of the country's pressing problems, Mesa, in a desperate attempt to reduce the fiscal deficit of 8.5% of GDP, outlined a series of austerity measures. These included reducing expenses of the government bureaucracy by 10%, cutting salaries, merging ministries, etc. And to increase revenues, Mesa announced higher taxes on oil companies, a new tax on financial transactions (including personal

checks), and increased income taxes on middle- and upper-class sectors.

Mesa did back off the two most controversial measures that had been expected—an immediate increase in the gasoline price and an elimination of the subsidy on liquified natural gas. Mesa said, however, that the government would free government-controlled gasoline prices "over time," eventually allowing a 6% increase, and while for the moment, the subsidy on liquified natural gas (used for cooking) will remain in place, it will not be increased, even if the international price increases.

On Feb. 2, the Bolivian Workers' Central (COB) announced it would launch an indefinite general strike to protest the economic program. COB Executive Secretary Jaime Solares charged that the program had nothing in it for workers, since it failed to address such issues as social security, the pension law, and promised changes in the Hydrocarbons Law. Roberto de la Cruz, COB leader in El Alto, added that the population hadn't been consulted on the government's proposed changes in the Hydrocarbons Law, as Mesa had promised he would do when he took office, and called for the immediate nationalization of Bolivia's oil industry.

Cocalero Congressman Evo Morales, meanwhile, ranted that the proposed spending cuts aren't nearly big enough; instead of 10%, they should be 50%, he said.

All That Austerity, and Brazil's Debt Still Grows

"Record Surplus Is Insufficient To Pay Interest," was the banner headline across the economics page of *O Estado de Sao Paulo* on Jan. 31, reporting the 2003 debt figures released the day before by Brazil's Central Bank.

In 2003, the Brazilian Federal, state, and municipal governments cut expenditures radically, generating a record primary surplus of 66.2 billion reais: US\$22.5 billion at today's exchange rate of R\$2.94 to the dollar; R\$1.2 billion more than agreed in the IMF accord; R\$13.8 billion more than the R\$52.4-billion primary surplus reached by the Cardoso government in 2002; and an amount equivalent to 4.38% of GNP.

"The government collected more taxes and economized more, and, even so, the effort was small, in the face of the weight of interest payments which the public sector had to pay in 2003," *O Estado* admitted. Brazilian President Lula da Silva's first year in office produced the greatest fiscal savings in the nation's history. "Nonetheless, all this economy did not cover even half of the R\$145.2 billion in nominal interest on public debt, also a record." Government bodies paid the equivalent of 9.49% of the GNP in interest payments alone. Almost 40% of the budget went to pay interest on the debt in 2003, *Folha de Sao Paulo* reported.

Nor was the overall debt load reduced by the government's brutal cuts in expenditures on infrastructure, health, and education programs, scientific and technological development, the space program, military and security forces to keep the peace, etc. Brazil's total public-sector debt, according to the government's calculations, grew by nearly US\$11 billion (R\$32 billion) in 2003, to total R\$913.1 billion, or US\$310.6 billion, by Dec. 31, 2003.

Western European News Digest

European Scientists Map Manned Lunar Mission

At a Feb. 3 meeting in London of the scientists involved in Europe's Aurora long-term exploration program, director Dr. Franco Ongaro reported that the European Space Agency is aiming for a manned Moon mission in 2024. "We need to go back to the Moon before we go to Mars," he stated. "We need to walk before we run."

The stepping stones, he said, include two unmanned precursor Mars missions: a rover in 2009, and a sample return mission over 2011-14. The sample return mission is a highly complex one involving five spacecraft: an interplanetary transfer stage to get the spacecraft to Mars, a Mars orbiter, a module that would descend to the surface to collect the samples, an ascent module to carry the collected samples, and a re-entry vehicle, to return the ascent module with its samples to Earth.

Over the next five years, the Mars exploration program is expected to cost about \$1.13 billion.

British WMD Expert: We Were 'Overruled' on Blair Dossier

Brian Jones, the British Defense Intelligence Service's (DIS) former top WMD expert whose revelations sparked the Hutton inquiry, now says that not a single defense intelligence expert backed the claims in the Blair dossier of September 2002, according to the London *Independent* Feb. 4.

Jones described DIS analysts working for him as "the foremost group of analysts in the West, on nuclear, biological, and chemical warfare intelligence." What they found to be missing, in looking at Iraq, was any strong evidence of the continuing existence of weapons and agents, or any substantive evidence regarding production and storage of such weapons.

"In my view," Jones said, "the expert intelligence analysts of the DIS were overruled in the preparation of the dossier in September 2002 resulting in a presentation that was misleading about Iraq's capabilities." Jones added that the intelligence analysts should not be blamed; rather, the "intelligence community leadership," including the heads of MI5 and MI6, and the head of the Joint Intelligence Committee, John Scarlet, are responsible for the Blair dossier, including its "45-minute-to-launch" claim about Saddam's weapons.

After Hutton Whitewash: Britons Still Want Truth on Iraq War

There's no way British Prime Minister Tony Blair will succeed in using an inquiry into the Iraq war as a damage-control exercise, stated Corelli Barnett, one of Britain's leading historians and military strategists, in a discussion with *EIR* Feb. 3. There's an overwhelming mood in Britain, after the Hutton report whitewash, to get to the truth of how and why Britain got involved in such a disastrous adventure, Barnett added.

"The whole case for justifying the Iraq war is collapsing. The Blair government fully justified going to war, but all that is falling apart," he said. "Now Blair has had to set up an inquiry, and the issue is its remit." He noted that there is a strong sentiment, both in the opposition parties (the Tories and the Liberal Democrats) and in Blair's own Labour Party, to focus not just on the narrow issue of "intelligence failures. They [Blair's government] wanted war, and they used spurious evidence to bring Britain into war."

Blair and Co. may wish for a damage-limitation exercise, but this won't wash, for one simple reason: "We have just been through the Hutton report, which was intended as a damage-limitation exercise, and it didn't work, it only generated more doubts because there is now *a general agreement across the country, that it is a whitewash*," according to Barnett.

Tories Demand Broader Inquiry

Tory Shadow Foreign Secretary Michael Ancram said the Blair inquiry has to investigate if there was political "cherry-picking" of intelligence material, and demanded that Blair's international political statements also be reviewed, British media reported Feb. 2.

Former Foreign Secretary Robin Cook has demanded to know if the inquiry committee would be able to "separate out the judgment of the threat from the political judgment to go to war on the basis of that threat."

Tory backbencher Kenneth Clarke noted how many people understood that the decision to go to war had been made by President Bush many months before the attack.

Shifting the Blame Will Blow Back on Blair

If Tony Blair tries to shift the blame onto the intelligence agencies for the Iraqi WMD debacle, this will blow back against him, in what is shaping up as the greatest scandal of government abuse of intelligence in modern times, the *Guardian* reported Feb. 3.

"There is widespread resentment among intelligence officials about the role played by Downing Street as [Britain's September 2002 dossier on Iraqi WMD] was being drafted," the paper's lead front-page article states. "The intelligence community is now blaming politicians for hyping up the claims."

This is elaborated by Richard Norton-Taylor, the *Guardian's* Security Affairs Editor, in an article titled, "Blame the Masters, Not the Servants." Norton-Taylor writes, "Blair and his closest advisers were determined to abuse intelligence, to produce a document to try and convince parliamentary and public opinion to back an invasion of Iraq. A train of events was set in motion leading to the greatest scandal involving the intelligence agencies in modern times."

The intelligence agencies were tasked by Downing Street to come up with intelligence that was "scarier" about Iraqi WMD than the reality indicated, Norton-Taylor writes, adding that both Clare Short and Robin Cook, former members of the Blair Cabinet who were privy to the available intelligence, said Feb. 3 that it would be wrong to blame the agencies for exaggerating the threat.

"Just as the CIA was bullied by elements in the White House and Pentagon, here senior intelligence officials succumbed to pressure from Downing Street. They say the hyping was done by the politicians, not by them."

All of this is of great importance, Norton-Taylor concludes, given that Blair has adopted the Bush Administration doctrine of "preemptive strikes, whose success or failure—and legality—will depend on accurate, not politicized, intelligence."

Alliot-Marie Optimistic About French-U.S. Rapprochement

In an interview with Germany's Feb. 2 *Der Spiegel* weekly, French Defense Minister Michele Alliot-Marie said she met a new "pragmatism" on the U.S. side with regard to European views on Iraq, when she visited Washington two weeks ago: Her U.S. discussion partners, including Defense Secretary Donald Rumsfeld, have come to realize that the Franco-German warnings against the Iraq war were not driven by "evil motives," but by "our analysis based on our intelligence about the region, according to our best knowledge."

If France is ready to assist in the reconstruction of Iraq now, it will do so only according to certain principles and conditions: "End the occupation regime, return sovereignty to a legitimate Iraqi government, active participation of the United Nations." Like Germany, France is not discussing sending any troops to Iraq, Alliot-Marie said, but only training of Iraqi army, police, and militia. France will definitely not take part in any occupation regime.

France's position that Iraqi sovereignty should be restored as soon as possible has been vindicated by recent developments

in Iraq, Alliot-Marie said. A lot of time, and thereby, confidence, has been lost, she insisted. Transferring power to a puppet regime will not suffice, nor stabilize the situation, she warned. But, there is also another danger: "There are forces who want to unleash global war between the Islamic world and the West. We have to be damned careful not to walk into that trap."

Whereas the overall community of transatlantic interests will remain, differences between the French vision of a multipolar world based on respect for international law, and the American drive towards unilateralism and preventive action, do exist as well, Alliot-Marie said. Whenever the Europeans want to emphasize their genuine interests, Americans misread it as an act of aggression. But the joint work done in fighting terrorism in Afghanistan and the French invitation to President Bush and Chancellor Schroeder for the 60th anniversary of D-Day on June 6, may help to overcome these misunderstandings, she said.

German Defense Chief Reaffirms: No Military Missions in Iraq

German Defense Minister Peter Struck told the Feb. 4 *Sueddeutsche Zeitung* that "more military presence does not solve the problems of Iraq. Only changed general conditions like a new UN resolution, [or] an elected Iraqi government, can help." Struck reaffirmed that a German military mission in Iraq is out of question, but other aid may be possible: "But who knows whether nation-building will be on the agenda in Iraq in three, four years from now? If a democratically elected Iraqi government should ask us for humanitarian help, we will not deny them that." The French Defense Minister thinks the same way, Struck added.

As for Afghanistan, the EuroCorps will most likely take over the ISAF (NATO International Security Assistance Force) command in August, and if the Franco-German Brigade is to be deployed there, it will not raise any problems in the German Parliament, Struck said.

German Social Democrats Nervous over Popular Discontent.

The Feb. 2-3 Berlin session of the Social Democratic Party (SPD) Council lasted longer (three hours) than scheduled, and turned quite turbulent, as the most recent opinion polls, which give disastrous ratings for the ruling SPD and its leader, Chancellor Gerhard Schroeder, were reviewed.

High anxiety was voiced regarding the SPD's chances in the 14 elections that take place in Germany this year, beginning with the Hamburg city-state elections on Feb. 29. The SPD of Northrhine-Westphalia—the biggest German state with almost 20% of the national electorate—will hold municipal elections on Sept. 26, but faces severe difficulties finding candidates: members do not want to run for their party, nor engage in election campaigning.

Maastricht Pact Too Rigid in Times of Economic Woes

The European Union's Maastricht Pact is too rigid in times of economic problems, and needs to be reviewed, said EU Finance Commissar Solbes in an interview in Germany's *Wirtschaftswoche* weekly, published Feb. 5.

Solbes said exemptions from the Maastricht rule of 3% GDP new annual state borrowings should be permitted, if investments were made in economically meaningful areas, and factors such as inflation and the ratio of total indebtedness to GDP, should be taken into account. Each country should be measured according to its specific situation, not every country on the same standard, Solbes said.

His offer of "some Maastricht modification," which is only a trial balloon so far, apparently is an attempt to coopt some

features of Italian and Franco-German initiatives, while at the same time keeping the dysfunctional Maastricht system alive. Solbes's remarks reflect that the increasing disloyalty to Maastricht of France, Germany, and Italy is seen as a serious challenge.

Russia and the CIS News Digest

Glazyev: Russia Should Take Initiative for New Financial Architecture

At a press conference in Moscow on Feb. 5, Russian Presidential pre-candidate Sergei Glazyev said that Russia should seize the initiative to create a new monetary system to replace the collapsing post-1971 dollar system. His remarks came in reply to a question about how Russia's foreign policy could become more influential. Glazyev replied in terms that bear out Russia's identity as one of the few nations in the world whose elite thinks as the leadership of a world power. He said that, in order to have "increased influence on the world economic-political process," Russia must have, inside the country, a model of society that is attractive to other countries. Such a model must correspond to "Russia's historical mission."

This should mean, according to Glazyev, Russia as a "just, humanist model of state organization," which is not so much feared because it has the nuclear bomb, as it is attractive because of its qualities. "If we lose the moral ideal," he said, "then we shall have no influence."

Concretely, Glazyev continued, "The top priority in world politics today, where Russia could play a leading role, is the creation of a new architecture of world finance. Under pressure of the excessive printing of dollars over the past 30 years, the world financial system is collapsing. It is very close to a crash." He pointed out, "I have been warning for a long time," of the dangers of a policy of hanging everything on the U.S. dollar. Now, what is needed is a new financial architecture, using national currencies.

For various reasons, Glazyev noted, China will not take the initiative to create such a system. But, "Russian can and should take this initiative." The world financial system should not depend on one national currency. Glazyev said this approach had been discussed with EU official Romano Prodi, when the latter was in Moscow. The Europeans would support this, the Chinese want it, the Indians want it. Glazyev said that taking such an initiative was "the most important thing Russia could do in world politics," which pivots on economic and financial questions.

Putin Discusses Dollar Crisis with Central Bank Chief

On Feb. 4, Russian President Vladimir Putin met with Central Bank governor Sergei Ignatyev, who briefed him on Russia's macroeconomic situation. He said the 2003 targets for monetary and credit policy had been met, and that inflation stood at 12%, down from 15.1% in 2002.

According to Itar-TASS, "Putin and Ignatyev discussed the recent conference of national banks' chiefs in [Davos] Switzerland. Among other things, Putin asked Ignatyev about how top foreign bankers saw the world economic development outlook. Ignatyev said that, "concern was voiced at the meeting over the situation in the world currency markets, in particular, the sharp fluctuations in the exchange rates of such currencies as the euro and the dollar."

Putin then brought up the national exchange-rate situation, to which Ignatyev commented: "exchange-rate policies pursue a dual objective—that of ensuring a smooth decline of the inflation rate and preventing a quick firming of the ruble." This, he said, was done "in order to ensure there be no worsening of the situation for the real sector of the economy, and to bring about prerequisites for economic growth."

Glazyev: I Am Running To Change the Policy of the Nation

FLASH: Feb. 9—Russian leader Sergei Glazyev's petitions have been approved to place him on Russia's Presidential ballot for the election next month.

Asked at his Feb. 5 press conference why he was campaigning for the Presidency, given the overwhelming popularity of President Putin, Sergei Glazyev said, "I am running to change the policy of the country." He cited a statement handed out at his press conference, in which Glazyev laid out his belief that the state must act in the interest of its citizens, first and foremost.

Glazyev said he takes far less pleasure from politics than from scientific work on the nature of growth in a modern economy. But, "I am forced to engage in politics," he said, for moral, patriotic reasons. He said that Russian voters must be given a choice between "the inertial policy of serving the balance of power among various interests, which was established under Yeltsin," or an active policy of change in the interest of Russia. He said, "If we are heard, I believe that public opinion can change very quickly. I trust people to act in their own interest, and vote for me."

On economic policy, Glazyev stressed not only the highly publicized "natural rent" policy for raising budget revenues by greater taxation of raw materials exploitation, and spending them on social needs. He said that Russia must also "return property to the people" in other ways. For example: "Restore property rights to people whose savings were stolen" by the devaluation of the ruble in 1992 (the year of 2,600% inflation). "If we don't do this, forget about property rights for a long time." Glazyev said he has a five-year program for restoring these savings, adjusted for the 1991 purchasing power of the ruble, on condition that those funds be spent on, or invested in, Russian-produced goods.

In his opening remarks, Glazyev attacked the "dirty tricks" launched against his campaign. He denounced TV stories that have attempted to portray fraud in petitioning for his candidacy. (Those stories set the stage for a raid on Glazyev's campaign office in the industrial town of Izhevsk by the local branch of the FSB security agency last week. They seized files and a computer.) State TV, said Glazyev, has become a tool used against those not liked by the authorities. He said that the 2.2 million signatures submitted for his Presidential candidacy were gathered by supporters of the Rodina electoral bloc. Each signer, he said, was invited to join the new Rodina political organization and was given Glazyev's policy pledge to voters. His campaign has copies of all the signatures.

Gerashchenko's Presidential Bid Ends

The Supreme Court of the Russian Federation on Feb. 6 upheld the Central Electoral Commission's ruling against the candidacy of former Central Bank chief Victor Gerashchenko, nominated for President by the Party of Russia's Regions, a constituent organization of the Rodina electoral bloc. The CEC had ruled that because Gerashchenko was not nominated by Rodina as a whole (impossible due to filing deadlines), he would have had to gather 2 million petition signatures to get onto the Presidential ballot, despite the fact that Rodina entered the Duma with 9% of the vote in Parliamentary elections—above the qualifying threshold for naming a Presidential candidate without petitioning.

Gerashchenko announced he would not appeal to the Constitutional Court, but will support Rodina leader Sergei Glazyev's independent candidacy, if Glazyev does win ballot status. According to *Strana.ru*, Glazyev has been preliminarily notified by the CEC that the 2.25 million signatures he submitted are showing an 86% validity rate, well over the 75% requirement.

Russian Expert: Bush's Independent Commission a 'P.R. Stunt'

Alexei Arbatov, former deputy head of the Russian State Duma Commission on Military Policy, spoke at a press

conference in Moscow on Feb. 3, and reported on the Jan. 28-29 meeting of the "Blix Commission." Formally called the Commission on Weapons of Mass Destruction, it was created by a Swedish government initiative, and financed by them (and private institutions), after the U.S. drove Hans Blix out of his job heading the UN weapons inspection commission. Arbatov blasted President George Bush's Independent Commission as a public relations stunt, saying:

"All this seems to me to be quite strange.... It is a public relations stunt that relies on the United States finding itself in a dire plight in Iraq. After scoring a brilliant military victory, *the U.S. has lost or is losing the peace*.... The fact that a commission will be appointed to look for intelligence information, which attests to the existence of WMD in Iraq—is something that to me sounds as an absurdity." Contrasting the Bush Commission to the Blix Commission, which he said was genuinely international and independent, Arbatov added that "the commission to be appointed by President Bush will, judging by everything, look for some intelligence information which would confirm, with the benefit of hindsight, that the decision to start the war was not completely groundless and to some extent it somehow correlated with the threat of the WMD and international terrorism....

"The U.S. operation in Iraq is the largest military operation since the Vietnam War.... That is why if the decision was taken without the existence of this kind of information, then serious doubts arise about the way President Bush and his closest aides and advisers are working. If the information did exist but somehow got lost, and now it has to be looked for, then of course one can only say 'Words fail me.'"

Arbatov warned that "bureaucracies of large states begin to use the slogan of combatting international terrorism and WMD [as] popular cover that guarantees the support of the public," but for objectives that have "nothing to do with either the WMD or international terrorism. This is a very dangerous tendency...." He also criticized the U.S. development of mini-nukes, while trying to grandstand about the nuclear non-proliferation treaty. He stressed that the Americans are represented on the Blix Commission at "a very high level," by former Secretary of Defense (under Clinton) Bill Perry.

Moscow Mayor Warns Against U.S. Unilateralism

Moscow Mayor Yuri Luzhkov spoke at a reception in his honor at the U.S. Library of Congress Feb. 3, on the occasion of publication of an English edition of his book, *The Renewal of History*. Luzhkov lambasted U.S. policy in Iraq: "After 9/11, the United States immediately started a manhunt for the perpetrators, instead of trying to analyze some of the underlying causes responsible for this surge in terrorism," he said. He noted how after the Cold War, the thesis was put forward in Francis Fukuyama's *End of History*, that all countries would follow the same path, towards democracy, free markets, etc.

"But 9/11 proved that thesis wrong," said Luzhkov. He went on to say how the gap between the rich countries and the poor countries continued to increase. "Therefore globalization has sparked a protest against the rich nations," Luzhkov said, and terrorism (he said) is an example of this. "At the end of World War II, there was talk of the equality of rights between nations," he continued. "But this has been replaced by the right of some to punish those countries which have 'gone astray.' The collegiality of the United Nations has been usurped by the right of a single nation. We are presently drifting away from a set of principles which have served us well in the postwar period," he said. "Unless we can get back to them, it could have catastrophic consequences."

Vice Premier Lays Out Plan for Eurasian Railways

The *Neue Zuercher Zeitung* of Feb. 5 reported on Russian Vice Premier Vladimir Yakovlev's speech to the European Business Club meeting in Moscow at the end of January, on the "high-flying plans" of the Russian government: "New railway branching lines are to tap copper, coal, and oil reserves in East Siberia, in the coming years; their transfer to Asia and to Europe would improve the capacity-utilization of the BAM (Baikal-Amur Magistrale) and Transsib.

"In addition to the West-East Axis, a new North-South Corridor is to be built, which would connect the ports of St. Petersburg and of Scandinavia with Astrakhan on the oil-rich Caspian Sea, via Moscow. In Astrakhan, a new container terminal has been built; railway ferries are to begin regular service with Iran, thereby establishing a fast trade route that could lead on to India, via sea." Yakovlev also laid out other projects, including a number of new highways across Russia from the west to the east, and the north to the south.

Moscow Subway Bombing Blamed on Chechens

At least 39 people were killed, and over 100 injured, in a rush-hour bombing on the Moscow Metro on Feb. 6. The explosion occurred on the second car of a train between stations. Survivors hiked a mile through the subway tunnel. President Putin promptly laid the blame at the door of Chechen separatist leader Aslan Maskhadov, although a spokesman for the latter denied involvement and called the attack "a provocation."

Mideast News Digest

Time for LaRouche's Solution: A Palestinian State Now

The hideous escalation of Israeli attacks on Palestinians, with the killing of a 12-year-old boy by an Israeli helicopter gunship attack in the Gaza Strip Feb. 7, means that the international community must stop playing along with the semantic games of Ariel Sharon's government, where Sharon is pretending to seek "disengagement" or to accept a Palestinian state.

It is time to go back to reality, as identified by Democratic Presidential pre-candidate Lyndon LaRouche in his statement of April 14, 2002:

"The United States' most vital strategic and related interests, including the interest of our European partners, requires an immediate historic intervention establishing a just peace in the Middle East, *meaning an immediate establishment of the Palestinian State under its currently elected head of government, Arafat* [emphasis added].... Indeed, all things considered, the fate of the planet as a whole could depend upon just such a decision."

LaRouche made that statement at the height of the Israel Defense Forces' assault—under fascist Gen. Shaul Mofaz—on the Ramallah headquarters of Palestinian President Yasser Arafat, in an attempt to kill him.

In April 2003, President George W. Bush released the "Road Map" to Middle East peace, which has collapsed because the U.S. refuses to require that Israel abide by its terms.

Now the Sharon regime is involved in actions that mean Israel could easily become the trigger for a new Middle East war, possibly involving Syria, Lebanon, and even Iran. War plans—reportedly shared with the neo-conservative gang in the Pentagon, Rumsfeld-Wolfowitz-Feith—are drawn up for all of these attacks. The Israeli Foreign Ministry has launched an international "campaign" to drive Syria out of Lebanon, and Israeli attacks continue every day on Palestinian homes and civilians, under the guise of the hunt for terrorists.

There Was No Assassination Attempt Against Al-Sistani

Two official representatives of Iraq's leading Shiite cleric, Ayatollah Al-Sistani, have said that the reports last week that there was an attempt to assassinate the Ayatollah in Iraq were *completely false*.

On Feb. 7, the *Teheran Times* reported the statement by Al-Sistani's Lebanon office director, Hamad Khafaf. He attributed the assassination story to the United States, saying, "There are no sources in these reports. We do not know why they reached—and were circulated by—news agencies." He insisted the reports were "an American attempt to disrupt plans for elections and handover of power back to the hands of the Iraqis." Referring to the United Nations delegation which just arrived in Iraq to explore the possibility of organizing elections, he claimed, "The Americans want to nip in the bud these efforts."

Sheikh Abdel Mehdi al-Karbalai told Iraqi worshippers at the Friday prayers on Feb. 6 that Grand Ayatollah Ali al-Sistani had not been attacked. "The report is false," he said. "I contacted Sayyid [His Eminence] myself last night in Najaf, and he denied it strongly and categorically." Al-Karbalai has been one of the more official spokesmen for Al-Sistani.

Later in the day, the Grand Ayatollah's office issued a statement "categorically denying" that there had been an assassination attempt. It lashed out at the reports for "spreading insecurity before the arrival of a UN experts team" and urged people to "observe caution both on the security and political level ... and preserve the unity and independence of Iraq."

Sharon Plan To Evacuate Gaza Settlements a Fake

On Feb. 3, the *Jerusalem Post* reported that two "no-confidence votes" were brought against Prime Minister Ariel Sharon in the Israeli Knesset (Parliament). These were, in the words of Knesset Member Ran Cohen of the pro-peace Meretz Party, "The beginning of the end of the Sharon government." The no-confidence votes occurred after Sharon announced, in an interview with the Israeli daily *Ha'aretz*, that he was going to order "a plan" drawn up, to relocate 17 Gaza Strip Jewish settlements.

Both the National Religious Party and the National Union fascist parties—members of Sharon's coalition government—walked out of the Knesset, refusing to support him, and leaving him to win the second ballot by only one vote. Tourism Minister Benny Elon from the National Union, who is an intimate of the Christian Zionist extremists in the U.S., told reporters that Sharon had better understand that the "national camp will not allow the abandoning" of the land of Israel to "the Arabs."

But this show of opposition from the rightwing is just a cover, since Israeli sources assure *EIW* that Sharon's "plan" to close down the Gaza Strip settlements is just a prop that Sharon is using to try to stay in power, as there looms over him the threat of an indictment for taking bribes from indicted businessman David Appel.

Since the Jan. 21 Appel indictment, senior Israeli officials and commentators have warned that Sharon would *do anything* to change the agenda—including talk of making peace—or starting wars. Sharon already tried to start a war against Lebanon and Syria by provoking an incident inside Lebanon (which cost the life of an Israeli soldier), but he was stopped by the Israeli Army brass; many of them oppose Sharon's old tricks, which now are threatening the very existence of Israel.

Now, Sharon has floated the idea of a phony settlement removal. Member of the Knesset Yossi Sarid, a leader of the Meretz Party, said, "As long as we don't see on the ground any attempts to dismantle even illegal outposts" in the Palestinian territories, "I suggest that we receive such comments ... with total disbelief." Labor Party Knesset Member Ophir Pines-Paz said, "We demand action.... Sharon talks about these things endlessly, and we're tired of it."

Even a member of the fascist National Union, Zvi Hendeel, who lives in a Gaza settlement, said that Sharon is bluffing. Sharon "has to change the agenda [from his legal problems]. He doesn't believe a word of it."

By Friday, Feb. 6, Sharon's office was already self-exposing the Gaza evacuation as a fake, when it was revealed that Sharon would present to President Bush a plan where the Gaza settlers would be relocated to the West Bank, in a plan to seize an even greater chunk of Palestinian land.

'Will Sharon Go First, or the Settlements?' Has Become the Big Question in Israel

Brigadier Gen. (reserve) Shlomo Brom of the Jaffee Center for Strategic Studies, a signatory of the Geneva Accord peace initiative, told *EIR* in a Feb. 3 discussion that Ariel Sharon's announcement concerning plans for removal of settlements is a response to political realities. Brom said that, while it may be true that Sharon is under pressure to deflect attention away from his legal problems, he is also responding to public opinion.

"Sharon has started to talk about these plans because of changes in Israeli public opinion. Sharon has started to see that the public is becoming frustrated by his passivity. The public, seeing that the government is not taking the initiative, is supporting non-government peace initiatives." This is a direct reference to support for the Geneva Accord peace initiative and the fact that Sharon's latest gambit is a move to counter it.

General Brom pointed out that the real problem is not the settlements in the Gaza Strip, but those on the West Bank. He said that Sharon, at best, will accept only a tiny Palestinian state on the West Bank, which, of course, will be unacceptable to the Palestinians. "The conflict will just continue."

Brom also said Sharon is losing support in the military, because whenever they feel that they have created a situation in which negotiations could begin, Sharon does nothing. Brom said the military is against a war with Syria at this point and that he feels Sharon could not launch a war at this time.

General Brom was the author of a study on how Israel was a "full partner" with the U.S. and Great Britain in the intelligence failure on the question of Iraq's weapons of mass destruction. In this context, he found very interesting the situation of British Prime Minister Tony Blair. Brom said that while the Hutton Commission might have cleared Blair in the death of Dr. David Kelly, that was not the real issue. The real issue was how the intelligence was used, which should now be investigated. He sees President Bush's call for an independent investigation in the same context.

Another senior intelligence source had a similar assessment on Sharon's troubles, saying that Sharon's statement on the withdrawal of settlements is only lip service. As for war against Syria, Sharon does have a problem. While there is definitely a faction in the military which would want a war against Syria, the army will act only as part of a government decision. As long as the situation is ambiguous in terms of the stability of Sharon's government, they will not act. They do not want to take the responsibility upon themselves.

British Parliament's Damning Report on Israeli Operations in Occupied Territories

The British House of Commons Select Committee on International Development has just issued a damning report on Israeli operations in the West Bank and Gaza Strip, and calls for economic pressure to be put on Israel, according to the Feb. 4 issue of the British paper the *Guardian*, and the Israeli paper *Ha'aretz*. The report is the result of a six-month study by the committee, which is headed by Conservative MP Tony Baldry.

"Our report is a balanced assessment of the humanitarian situation in the Occupied Palestinian Territories," Baldry said. "It shows that Israel's security policy is having a marked impact on everyday life. Key measures such as the construction of the security barrier higher than the Berlin Wall, may bring the mirage of immediate security to Israelis, but the level of despair felt by ordinary Palestinians at being denied an ordinary life can only increase the supply of suicide bombers. Nor is it

likely to illicit any concessions from the Palestinian leaders.... [A]ny such fence should be constructed on Israeli, not Palestinian land."

The report states that Israeli checkpoints, curfews, incursions, and the wall are choking the Palestinian economy. The MPs say that what "makes the poverty so unpalatable is the level of deprivation vis-à-vis Israel, and the awareness that it is not the result of natural calamity but of deliberate actions on the part of the government of Israel.... It is hard to avoid the conclusion that there is a deliberate Israeli strategy of putting the lives of ordinary Palestinians under stress as part of a strategy of bringing the population to heel."

These are unprecedented words for a report by any European all-party government committee.

The report calls, in effect, for sanctions to be brought against Israel. "We therefore urge the UK government to propose to the EU council of trade ministers that Israel's preferential terms of trade with the EU be suspended until it lifts the movement restrictions which it has placed on Palestinian trade."

Israel exports to the EU total about 28 billion euros per annum; its imports from the EU stand at about 44 billion euros.

The report states that "malnutrition rates in Gaza and parts of the West Bank equal those of sub-Saharan Africa and regional unemployment stands at a staggering 60 to 70%."

The committee expressed "serious concern over a range of policies adopted by the Israeli government and the negative impact they are having on living conditions of Palestinians in the West Bank and Gaza." The report is highly critical of the Israeli policy of checkpoints and speaks of "wilful destruction" of water infrastructure by the Israeli military and settlers, calling it "unacceptable."

Asia News Digest

New Railway To Link Russia, No. Korea, and China

A 1,380-kilometer-long railway will be built in Northeast China, along the border with Russia and North Korea, the Chinese Ministry of Railways has announced. The railway will create a "golden" transport passage from the inner regions of Northeast China, the old industrial base, to the sea and the outside world.

The railway's route will go from Suifenhe River in northern Heilongjiang Province, which borders North Korea, to Benxi, Dandong, Zhunaghe, and Dalian in Liaoning Province. Dalian is an important port at the mouth of the Bohai Sea, where it joins the Yellow Sea surrounded by the Korean peninsula and the east coast of China.

The region is very rich in resources, including minerals and lumber. The problem, however, has always been the shortage of efficient transportation lines to the outside world. This big new rail line should be completed in 15 years, and will eventually connect 10 cities and 30 countries in Northeast China. The new railroad will also greatly promote trade between China and Russia, and North and South Korea.

Philippines Threatened with 'Argentina Treatment,' as Peso Continues Slide

While other Asian currencies are revaluing upwards against the collapsing dollar, the Philippine peso is falling fast, skidding to 56.20 to the dollar—a record low. The peso is even lower in foreign currency markets. This is a 4% drop so far

this year, which must be added to the dollar fall to measure the real rate of collapse.

With the economy deregulated and privatized to the hilt, they have little left to strangle to meet the foreign debt demands. The stock market is also collapsing, falling over 4% on Feb. 3 alone.

Standard Chartered Bank released a study headed by their SEA man Steve Brice which warned that "the country could slip onto a foreign debt crisis like what happened to Argentina if the winner in the May 10 Presidential election failed to implement fiscal reforms and restore investor confidence," according to the Feb. 4 *Philippines Inquirer*.

U.S. Official: Pakistan Gave Uranium Bomb to N. Korea

An unnamed "high official in the U.S government," travelling to Seoul with Assistant Secretary of State James Kelly, indicated what will be Cheney and the neo-cons' line of intervention against the fact that their "uranium scandal" around North Korea, has all but collapsed.

The U.S official told the Korean press on Feb. 2 that the revelations by Pakistani nuclear scientist Abdul Qadeer Khan were very serious regarding North Korea as well as Iran, and that specifically, Pakistan had passed on to North Korea the enrichment technologies for making weapons-grade uranium. The North Koreans and Chinese, and the recent U.S. delegation to North Korea, have said enriched uranium does not exist in North Korea.

"In reaction to North Korea's sudden change in its mind, denying possessing of a highly enriched uranium (HEU) program, a high official in the U.S. government said on Feb. 4 that it is regrettable that the country was still denying the existence of its HEU program," *Chosun Ilbo* reported. "The official refuted North Korea's claims, saying that the United States has concrete evidence that North Korea has an HEU operation.

"Pakistan's Abdul Qadeer Khan, who was a frequent visitor to Pyongyang in the 1990s, and four others, have confessed to passing nuclear secrets to groups working for Iran, Libya, and North Korea, a Pakistani official close to the probe into allegations of nuclear proliferation, said on Feb. 1," the paper added.

Russia-India Defense Talks on Military-to-Civilian Conversion

Representatives of the Russian and Indian defense sectors will discuss new military-to-civilian conversion programs at the "Defexpo India-2004" military exhibition, which opened in New Delhi on Feb. 4

"Considering that enterprises of the defense industry, both in Russia and China, form the basis of the high-tech complex of the economy, cooperation between them also in the field of military-to-civilian conversion programs, has lately begun to be established," *Novostii* quoted an expert of Rosoboronexport as saying (Rosoboronexport is Russia's only state mediator for military-technical cooperation with foreign partners). It organized the Russian section at the exhibition.

Rosoboronexport said that many Russian enterprises, known in India for producing the world's best military hardware, also are active in producing dual-purpose and civilian products.

The spokesman pointed to the Uralvagonzavod Association, which supplies T-90S combat tanks to India, and also produces an entire range of road-building machines, freight and tank cars for trunk railways, and container-tanks. Armored vehicles producer Kurganmashzavod also produces amphibious cross-country vehicles and other such products.

Rosoboronexport is looking to "the expansion of Russia's military-technical cooperation with India and other countries in

the area," its spokesman said.

French Ambassador Opposes Republic for Nepal

The French Ambassador to Nepal, Claude Ambrosini, told the *Nepal News* of Katmandu on Feb. 2 that France favors a multi-party system and constitutional monarchy in Nepal. He also said that he will not support the demand for a republican set-up in Nepal, as demanded by the protesting Nepali students recently. "We have been repeatedly saying that we support the existing arrangement, i.e., multi-party democracy and constitutional monarchy."

Ambassador Ambrosini also pointed out that he, on behalf of France and the European Union, has called upon all constitutional powers to "work together." He told them confrontation will not resolve the crisis.

Nepal is in the throes of a violent uprising, staged by Maoists, and targetted against the monarchy and the parliamentary democracy. Until now, India and the United States were the only countries who had shown direct interest in Nepal's domestic affairs. This is the first time that the involvement of the EU has surfaced.

Nepal Should Become Land-Bridge Between China and India

Dipak Chatterjee, Secretary of the Indian Ministry of Commerce and Industry, speaking at a conference of the Commission of India-Nepal Trans-Governmental Cooperation held at Katmandu, Nepal, pointed out that India and China trade entirely by sea. Chatterjee suggested that Nepal, with its special geographic advantage, should act as a bridge in the trade between India and China.

Chatterjee said that this Indian proposal had received a positive response from Nepal, and that, as a result, India and Nepal have decided to improve the infrastructure of the existing four customs facilities to meet the needs of the increasing cross-border trade in the future.

Chatterjee also pointed out that if Nepal could act as a trade-bridge between China and India, it would not only bring down those countries' bilateral trade costs, but also create a new trade and investment opportunity for Nepal, China's *People's Daily* reported Feb. 3.

India To Build World's Largest Gas-Based Power Plant

India's Reliance Group of Industries has proposed to set up a 3,500-MW gas-based power plant in the north Indian state of Uttar Pradesh, involving a total cost of Rs.100 billion, Observer Research and Foundation reported on Jan. 27.

The gas plant will source natural gas from Reliance Group's gas fields in the Krishna-Godavari river basin, off the coast of the state of Andhra Pradesh, and would supply power to the consumers at about US4.5 cents per unit—about one-third of what the Enron Corp. was charging the Maharashtra State Electricity Board in the 1990s.

Uttar Pradesh, the most populous of India's states, suffers from chronic power shortages. The state still has 40,000 villages without electricity. The rest of the state, where electricity is supplied, faces a peak shortfall of about 1,200 MW.

Karzai and U.S. Military Exchange Words

The U.S. Commander in Afghanistan, Lt. Gen. David Barno, on Feb. 3 summarily dismissed Afghan President Hamid

Karzai's claim that the U.S. air strike on Jan. 17 in Uruzgan province had killed civilians. Lt. Gen. Barno said they were "suspected Taliban leaders" and the two-pronged approach by the United States (going for a spring offensive and doling out millions for Afghan reconstruction) would sound a "death knell" for the insurgents this year.

On Feb. 2, President Karzai had said Interior Ministry officials, who travelled to the air-strike site about 250 miles southwest of Kabul, found that the 10 killed were civilians, including women and children.

Civilian casualties are a setback for the U.S., as the military installs bases across some of Afghanistan's most dangerous provinces, as part of a drive to bolster the Karzai government, which is planning to hold Presidential elections in June. Washington also has spread the word around that its military is preparing for a spring offensive against al-Qaeda and Taliban militia.

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