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This Week You Need To Know:

LAROCHE'S FOURTH OF JULY ADDRESS!

It Happened in Berlin Last Week

by Lyndon H. LaRouche, Jr.

July 4, 2005

As I said in Berlin last week: Suddenly, very soon, the entirety of the present world monetary-financial system will collapse. It will come like a Summer thunderstorm, far more devastating than anything we have experienced during the recent two centuries. If I told you all that I know about this onrushing collapse, it would stagger your imagination. So, rather than telling you how bad the situation actually is, I shall do as I did in the closed door seminar held in Berlin last week. I shall tell you just enough about the origins and outcome of this presently onrushing crisis, that you might understand the way in which the presently onrushing collapse of the world economy can be overcome, hopefully in the nick of time.

As this collapse of the present world monetary-financial system hits, soon, the continuation of a civilized existence of all the nations of this planet, for generations to come, will depend upon the courage and wisdom which must be shown now by the government of our United States, in providing the needed initiative for halting the presently onrushing collapse, and conducting a general economic recovery throughout the planet.

So, this Fourth of July has presented itself as the appropriate occasion on which I should now summarize that needed set of decisions. If we have the wisdom and will to make that timely decision, future generations of humanity, world-wide, will praise us for what we have done. Therefore, I, personally, can assure you now, as I respond to what President Franklin Roosevelt did on an appropriate occasion, that we must be at peace with ourselves as we face this oncoming storm, knowing that we have nothing to fear as much as that fear itself. The solution for this crisis is clear to me; for me, the principal questions which remain unanswered are: whether the U.S. government will adopt that solution, and whether the leading nations of Eurasia will accept that remedy, if or when we introduce it....

[**...pdf version**](#)

Latest From LaRouche

Memo on London Scenario:

THE DIRT-BIKE TERROR INCIDENT

by Lyndon H. LaRouche, Jr.

July 9, 2005

Certain features of the context of the London terror incidents of this past week are now clear. The following preliminary characterization of the matter to be investigated, which I have slugged as "The Dirt Bike Terror Incident," is now clear. Beyond that characterization much remains muddy, pending further investigation. Despite the unsettled points to be clarified by pending, newly obtained evidence, the characterization of the circumstantial strategic evidence already on hand is clear enough to define the nature of the required investigation to the following effect. I name that investigative hypothesis "The 'Dirt-Bike' Terror Incident."

The relevant London events are all situated within the context of the following indisputable features of the situation within which the London bombings occurred.

1. The terror incident and its most strategically relevant sequelae occurred in the setting of both:

- a) The immediacy of the ripe threat of a general, chain-reaction collapse of the world monetary-financial system, and,
- b) the period of that Gleneagles "summit" confab during which U.S. President George Bush reportedly inflicted injuries on a Scottish policeman, through an assault by the bicycle which the desperate "lame duck" President was operating at that time.
- c) The soaring focus on the matter of the indicated role of the Bush White House, Vice President Cheney's office, and the Republican National Committee machine respecting the criminal act of exposing CIA operative Valerie Plame.
- d) The incident occurred within the time-frame of the concluding portion of that "summit."

2. The leading consequences of the terrorist incidents, included:

- a) A flood of liquidity into international financial markets sufficient to postpone the chain-reaction collapse of the international monetary-financial collapse to some point beyond the conclusion of the "summit";
- b) The utterly and maliciously incompetent, "sexed-up" set of allegations by the British Prime Minister and his Jack Straw;
- c) The clear denunciation of the PM's and Straw's propaganda hoax by relevant British law-enforcement officials;
- d) An hysterically and copiously incompetent coverage of the London incident by the *Washington Post* in the following day's edition;
- e) A wild-eyed propaganda-hoax, claiming an upturn in the U.S. economy.

3. Where was the ghost of Hermann Goering during the early evening preceding the panic which struck on the following morning?

All fallacies of composition which ignore that set of correlated facts respecting the global context of this global set of events, fallacies which some errant types among us might be tempted to report in ways according with their perverted lust for "sexiness," will not be permitted to worm their slimy way in our coverage of that "Dirt Bike" incident.

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Memo on The 25th Amendment:

ON GROUNDS OF INSANITY?

by Lyndon H. LaRouche, Jr.

July 9, 2005

Does the 25th Amendment provide anything more than a procedure for impeachment? Does it cover the case in which either the President is insane and the Vice President is playing the role of an accomplice? Does it cover the situation in which the President's disability is an immediate threat to the continued existence of our constitutional form of republic?

What are the safeguards against a morally corrupted political majority in the U.S. Supreme Court?

Would a President be exemptable from impeachment on grounds of his insanity? In other words, was the taint of criminality ever a required precondition for impeachment?

As to the relevant issue of historically situated intent of the Federal Constitution, how should we today apply the example of the corruption of Pericles' Athens in the launching of the crimes against humanity which launched the Peloponnesian War, a war whose implications were well known to the circle of those who framed our Constitution?

Under such and similarly implied circumstances, could we keep our Constitution? What is the constitutional approach we must take in defending our Constitution by means which do not overturn its historically determined original intent, as, for example, by the form of moral insanity known as "textualism"?

Certain partial answers to such questions exist. The immediate problems, as posed by the experience of the Bush-Cheney Administration to date, have a clear answer from a view of the historically determined intent of the original framing of the Declaration of Independence and the Federal Constitution. These answers to apparent paradoxes all have a certain common aspect, provided we always proceed from the higher principled standpoint under which all such questions are properly subsumed: the universal principle of the commitment to promote the general welfare, as defined in precedent by Plato's argument for the principle of *agape@am*, as from the mouth of Socrates, and in opposition to Thrasymachus and Glaucon, in *The Republic*.

Our constitutional republic was created as what was then a unique expression of that highest-ranking principle of constitutional law, the obligation to promote the general welfare, that despite any contrary implication otherwise attributed to other parts of the Constitution itself, or to any positive law enacted. This also applies to the defense of the character of our republic.

The relevant danger lies in the tendency for pettifogging "legalismus," even among some from our own association's ranks. This danger should be viewed, for purposes of the most relevant comparison, with the issue of creativity in the domain of

the progress of discovery and application of physical scientific principle.

The characteristic moral defect of the stubbornly "blocked" personality is the method of sophistry, the method expressed by the attempt at literal argument from the vantage-point of a selected list of chosen actual, or even clearly false particular principles: what I have referred to often as "the fishbowl principle." All those problems which have longer-term and broader relevance could be shown to be outside the scope of definition by the sophistical methods inherent in the defective personality of the "blocked" mentality of the stubborn legal formalist, whether in the domain of physical science (e.g., empiricism, positivism) or law (e.g., the moral perversion of existentialism).

So, in matters of constitutional practice of our republic, as in physical science and Classical artistic composition, we must never attempt to degrade the notion of principle to a matter of deductive-inductive methods, or to the virtual dictionary nominalism of the neo-Confederacy fanatic Scalia. The method of scientific discovery associated with the work of the leading contributor to the shaping of our republic's constitutional thought, Gottfried Leibniz, is the only general rule in shaping an approach to the kinds of problems I have selected as examples here.

InDepth Coverage

Links to articles from

Executive Intelligence Review, Vol. 32, No. 28

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National:

LaRouche's Fourth of July Address

It Happened in Berlin Last Week

by Lyndon H. LaRouche, Jr.

July 4, 2005

As I said in Berlin last week: suddenly, very soon, the entirety of the present world monetary-financial system will collapse. It will come like a Summer thunderstorm, far more devastating than anything we have experienced during the recent two centuries. If I told you all that I know about this onrushing collapse, it would stagger your imagination. So, rather than telling you how bad the situation actually is, I shall do as I did in the closed door seminar held in Berlin last week. I shall tell you just enough about the origins and outcome of this presently onrushing crisis, that you might understand the way in which the presently onrushing collapse of the world economy can be overcome, hopefully in the nick of time.

Conyers Turns Up Heat In Ohio Funding Scandal

by Richard Freeman

In an escalation of the Ohio Bureau of Workers' Compensation funding scandal that could land at the doorstep of Karl Rove and Dick Cheney, U.S. Rep. John Conyers (D-Mich.) wrote a letter on July 5 to Gregory White, the U.S. Attorney of the Northern District of Ohio, asking for information about the timing and progress of the Federal government's handling of its case concerning rare coin dealer and top Republican Party fundraiser, TomNoe. Noe, who is viewed as Karl's man in Ohio, is the subject of multiple Federal-state probes.

Feature:

The Plame Affair: Rove and Cheney Are Guilty As Charged

by Jeffrey Steinberg

Within the next days or weeks, it is anticipated that Independent Counsel Patrick Fitzgerald will ask a Federal grand jury to hand down indictments against one or more senior White House officials, for obstruction of justice, perjury, and, perhaps, violation of national security laws banning the public disclosure of the identities of American undercover agents. The two names that have surfaced most prominently in the two-year old probe are White House Deputy Chief of Staff Karl Rove and Vice Presidential Chief of Staff I. Lewis 'Scooter' Libby. The scandal unavoidably tars Vice President Dick Cheney and President George W. Bush.

- ***Anatomy of a Crime:***

A Timeline of the Wilson-Plame Affair

Will Stolen Iraq Oil Funds and Deals For Cronies Force Cheney Impeachment?

by Michele Steinberg

On June 27, a scandal large enough to lead to the impeachment of Vice President Richard Cheney, emerged when it was revealed at a hearing called by the Senate Democratic Policy Committee, that the latest figures in questionable and unsupported charges to the Department of Defense by the Halliburton Corporation, had reached over \$1.4 billion. There are already two criminal investigations by the Justice Department into Halliburton for fraudulent billings related to Iraq war contracts—each of them potentially as explosive as the case of the Valerie Plame CIA leak.

- ***Documentation***

House Committee Reports Mismanagement of Iraq Funds

On June 21, 2005, the first official investigation of massive fraud, waste, and abuse in the U.S. handling of the 'Development Fund for Iraq,' took place in the House of Representatives under the auspices of the Government Reform Committee's Subcommittee on National Security. The report excerpted here, prepared by the Committee's Special Investigations Division Minority Staff, was released that day. It was requested by Rep. Henry A. Waxman (D-Calif.), who is the ranking member of the Committee. The report is titled 'Rebuilding Iraq:

U.S. Mismanagement of Iraqi Funds.' Footnotes are not included. The full report can be found at www.democrats.reform.house.gov.

Berlin Seminar:

Germany Needs a Vision For Eurasian Development

by Helga Zepp-LaRouche

Here is the presentation of Mrs. Zepp-LaRouche to EIR's Berlin seminar, on June 28. Her speech followed an hour of discussion, sparked by the keynote speech Lyndon LaRouche gave in the morning (see last week's EIR). Mrs. Zepp-LaRouche had recently announced her candidacy for Chancellor of Germany, as head of her party's slate, the Civil Rights Movement Solidarity, or Bu"So.

Mario Lettieri

Parliaments Should Act on These Issues

Hon. Mario Lettieri is a member of the Italian Chamber of Deputies. He delivered these remarks to the Berlin seminar on the morning of June 28, after Lyndon LaRouche's keynote (published in last week's EIR), and the questions and discussion that followed it. Lettieri spoke in Italian, with consecutive translation. The moderator was Michael Liebig.

We Need a New World Financial Architecture

Dr. Sergei Glazyev, an economist and a member of Russia's State Duma (parliament), addressed the second panel of the Berlin seminar on June 28. Glazyev has authored many books on economics, including *Genocide: Russia and the New World Order*, which was published by EIR in 2000.

Money Is a Question Of Physical Economy

Here are Lyndon LaRouche's closing remarks to the seminar.

The most important thing is, that we're dealing with a world in which there's a conception of money, which is the popular conception of money by governments, and by leading institutions, which, from my knowledge, is insane, by the standard of the effect of the concept, the way it's applied. That the value of money should not be determined based on some current accounting value. That accounting should be banned as a method for determining the value of money....

Economics:

Armed Services Chairman Warner Blasts Rumsfeld's BRAC Folly

by Carl Osgood

The growing weight of evidence after 13 public regional hearings conducted by the Defense Base Closure and Realignment Commission (BRAC), suggests that in its plan to close 33 major bases, Donald Rumsfeld's Pentagon willfully—or incompetently—ignored the BRAC law in favor of its own agenda. This should not surprise qualified, honest observers of the George W. Bush Administration and its Secretary of Defense. This is the same gang that brought us the disastrous war in Iraq in March of 2003, claiming that it would be a 'cakewalk,' and that Saddam Hussein's weapons of mass destruction had to be eliminated immediately. To this day, Rumsfeld angrily denounces anyone who characterizes the war as a 'quagmire,' despite the fact that the Administration appears to have no plan for solving the problem that it has created in Iraq.

A Whistle Without an Engine

St. Petersburg correspondent Roman Bessonov looks at the June 16-17 summit of the European Union, from a Russian viewpoint. There was a sad story, told in the Soviet Union in the time of Mikhail Gorbachov in the 1980s. Asked why the train of Communism had come to a halt, the engineer replied, 'Because all of the engine's steam was spent on the whistle.'

International:

Iran's Policy Open-Ended In Wake of Election Surprise

by Muriel Mirak-Weissbach

No sooner had the final results of the June 24 Presidential runoff elections been announced, giving Tehran mayor Mahmood Ahmadinejad a 61.6% landslide victory over former President Akhbar Hashemi Rafsanjani, than the word was out: The new self-styled fundamentalist President would seek a confrontationist course with the West, and especially the U.S. government. He was characterized as a die-hard conservative, committed to building the bomb, and much else (all unconfirmed, or later denied by those making the charge). It seemed as if those Anglo-American circles looking for their war, would have their excuse.

'Democracy' NGO Targets China Through Nepal

by Ramtanu Maitra

Fresh from orchestrating the anti-Chinese riots in the Kyrgyz capital, Bishkek, the American non-governmental organization National Endowment for Democracy (NED) is now planning to take up the cudgels against the autocratic Nepalese King Gyanendra. This was reportedly disclosed to Nepalese politicians by U.S. Assistant Secretary of State for South Asia Christina Rocca, during her recent visit to Nepal.

Germany

A Crucial Candidacy At a Crucial Moment

by Rainer Apel

The German social-market economy model and its civil rights are threatened by the fifth column in Germany of global monetarism, a fifth column that plans to take over the government after early elections in September. It is the firm commitment of this cabal to dismantle all the achievements of social security which the postwar German republic has made, and to replace all of that by budget-cutting free-market fundamentalism. The fundamentalists have gained control over the three opposition parties, the Christian Democratic Union (CDU), Christian Social Union (CSU), and Free Democratic Party (FDP), as well as most of the media.

Shanghai Cooperation Organization SCO Summit Takes Up Security Challenge, But Needs

Economic Vision

by Mary Burdman

The July 4-5 summit of the Shanghai Cooperation Organization (SCO) nations—Russia, China, Kyrgyzstan, Kazakhstan, and Uzbekistan—took place in the Kazakhstan capital of Astana, amid a highly charged situation in Eurasia. Although the world financial meltdown crisis was not publicly addressed at the summit, the big security strains in Eurasia were.

Interview: Gian Guido Folloni

Italy Can Contribute to a New, More Just World Economic System

Sen. Gian Guido Folloni was Italy's Minister for Relations with the Parliament in the first government of Massimo D'Alema (1998-99). From 1994 to 2000 he served several legislative terms as a Senator. From 1982 to 1990 he was the editor of the Catholic daily *Avvenire*. His background is rooted in the Christian Democracy party of Aldo Moro and Giulio Andreotti.

The Immortal Contribution of Jewish Culture

Heine, Schiller, and Shakespeare

by Mark Joseph Burdman

My husband, Mark Burdman, for many years the Special Projects editor of EIR, died one year ago, on July 8, 2004. In his memory, EIR is publishing, for the first time, the speech he gave at a conference titled, 'Heinrich Heine, A Birthday Tribute,' held in New York City, on Dec. 11-12, 1982, in honor of the 185th birthday of the poet. Mark was a native of Brooklyn, N.Y., who embodied all that is best about American Jewish culture. In 1980, he moved to Germany, where he lived for the rest of his life.

—*Mary Burdman*

U.S. Economic/Financial News

Hedge Funds' Rapid Growth Increases 'Systemic Risks'

The rapid growth and poor recent performance within the hedge-fund sector have increased the risks faced by financial markets and the financial institutions that do business with them, Standard & Poor's rating agency cautioned July 5. A system-wide liquidity crisis, like the one that erupted following the collapse of Long Term Capital Management in 1998, is a possibility and a concern, according to the rating agency's report entitled, "Hedge Funds and Their Counterparties—Catching the Big One."

"Although the direct effects of poor performance of any hedge fund are expected to be minimal, systemic risks are a greater concern," said S&P's credit analyst Tom Foley, who helped write the report.

S&P warned of risks from hedge funds' use of leverage, or borrowed money, to magnify trading losses. And if hedge funds have to sell positions rapidly to meet margin calls during an already weak market, this could knock prices down further. "In extreme cases, a race to liquidity can ensue, resulting in widespread trading losses—not only for the hedge funds, but also for the trading desks of securities brokers," the report said. "As a result, financial institutions' links to the hedge-fund sector go well beyond the direct losses."

KPMG Issues Broad Coverup of Hedge Fund Danger

The accounting firm KPMG issued a major coverup of the collapsing hedge-fund industry in its July report. The report, "Hedge Funds: A Catalyst Reshaping Global Investment," acknowledges that hedge funds have made huge profits only because they were totally deregulated and were extracting profits from a bear market. The trouble seen in the hedge funds since late 2004, they argue, is only the result of the rebounding economy [sic], together with the increasing investments from pension funds ("especially in Europe") which has created a demand for more regulation.

The huge study, based on interviewing managers and administrators of most of the major hedge funds in 35 countries over an extended period, concludes that the next three years will see robust profits, but at a lower level. A few interesting "warnings": "regulation will not prevent blow ups"; and "consolidation will happen, more through Darwinian than traditional routes."

One thing is clear: The report is aimed at getting desperate pension-fund managers to throw their money into the gambling pit: "The hedge funds industry needs a new generation of investors—especially pension funds—to sustain its head-long growth." This carries a problem, however, since these very people will "force greater transparency and different governance structure. Worse still, regulators in the U.K. and the U.S. are unlikely to allow retail investors into hedge funds without further controls."

Announced Layoffs Skyrocket in June

Announced layoffs surged in June to a 17-month high of 110,996, led by the blow-out in the automotive industry, according to CBS Marketwatch July 6. Employer announcements of job cuts jumped by 35% from 82,283 in May, even though job cuts usually fall in the Summer months, and are up a whopping 73% from June 2004, according to employment consulting firm Challenger, Gray & Christmas. So far this year, planned job cuts are worse than last year's, by 14%. The auto industry announced a staggering 45,378 job cuts just in June!

CDC Official Confirms: Nation Faces Flu Pandemic

Rep. Henry Waxman (D-Calif), the Ranking Member of the House Government Reform Committee, grilled a Centers for Disease Control official about the Bush Administration's cuts in public health at a time that the nation is facing a flu pandemic. During committee hearings on pandemic readiness June 30, Waxman demanded of Dr. James Leduc, Director, National Center for Infectious Disease: "You note that the same labs, the same health-care providers, the same surveillance system, the same health departments and personnel, will guide responses to both a pandemic flu and an annual influenza. I am concerned that the administration is proposing to cut support for local and state health departments by \$130 million. These cuts are proposed at exactly the wrong time. Why are we reducing the ability of state and local health department to respond to a potential pandemic when health experts say the risks of pandemic are increasing? And, given the threat of a pandemic flu, would it be responsive for Congress to increase support of state and local health departments?"

Leduc replied: "Well Sir, I wholeheartedly support those comments. And I couldn't agree more with your observations. I would just offer a hearty 'Yes, Sir' that these are, in fact, very serious issues.... The threat of pandemic influenza and annual flu are just examples of broader issues of emerging infectious diseases, many, many infectious diseases, that are facing the nation. And clearly, we need a strong capacity at the state and local level to address these issues as a nation."

U.S. Government Did Not Order Anti-Virals

The U.S. Government could have ordered anti-virals last year, but did not, according to George Abercrombie, President, CEO of Hoffman-LaRoche, Inc., testifying before the House Committee on Government Reform June. 30. Abercrombie told the committee that he and people from the pharmaceutical firm Roche Laboratories met with senior officials from the U.S. Centers for Prevention and Disease Control (CDC), the Department of Health and Human Services, and Members of Congress, and that, "We all agreed we needed a stockpile [of antivirals for avian influenza]." But, Abercrombie told the hearing, no order or commitment for anti-virals for a stockpile came, even though his firm could have provided tens of millions of courses of therapy for the country, had the U.S. placed an order last year.

Other countries placed their orders first. Since 2003, his company has been working 24/7, and has increased production

eight-fold. The U.S. has only stockpiled enough anti-viral medication for 2% of its population, while France, Finland, Norway, Switzerland, New Zealand, and Portugal have purchased enough for between 20% to 40% of their populations.

Mobile-Home Prices Exceed \$1 Million in Southern California

A two-bedroom, two-bath trailer perched on a lot in Malibu, Calif. is selling for \$1.4 million, while two other mobile homes sold in the area recently for \$1.3 million and \$1.1 million, *USA Today* reported July 6. And another, at \$1.8 million is in escrow. At the same time, prices on such "mobile villas" in Key West, Fla. top \$500,000. Worse, since trailer buyers don't own the land, they pay "space rent"—as high as, or higher than many mortgages in other parts of the U.S. On the \$1.4 million trailer, for example, space rent is \$2,700 per month.

World Economic News

Schroeder Calls Again for Control of Hedge Funds

German Chancellor Gerhard Schroeder, in an interview with *Tagespiegel* July 6, on the eve of the G-8 meeting, continued to demand the regulation of hedge funds, and was backed by European Central Bank head Jean-Claude Trichet, and the Association of German Banks (BDB). Trichet, speaking in Paris, said that it was necessary for the United States and Europe to come to a consensus at the meeting to regulate hedge funds; though lacking any specifics, Trichet's statement did serve to underline that the hedge funds and their crisis potential is the underlying subject of the G-8 meeting.

BDB spokesman Harald Noack, speaking in Berlin, was more specific in support of Schroeder's summit objective. Noack said transparency was needed, so that building risks can be recognized early and countermeasures taken. He added "regulation of international financial markets should not be ruled out. According to him, this regulation only made sense at the international level, and should include regulation of offshore financial centers as well," cited RP Online.

In an article for today's issue of the Berlin daily, *Der Tagesspiegel*, Schroeder wrote:

"The rise of oil prices is not only related to increased consumption. According to experts, only a small volume of trade at the international exchanges serves the supply of crude oil. The bigger volume is, meanwhile, driven by financial markets, [and] is therefore, purely speculative. That is why we need more transparency on the oil markets. We want more exact data on how the relation between supply and demand is influenced, intensified, and accelerated. I am convinced that with the planned creation of a world oil data bank, an effective contribution is made in this respect. Because where there is more transparency, there is less room for speculation."

Schroeder also reiterated his call for hedge-fund controls: "There are other important themes that imply a considerable burden for the world economy. All G-8 countries welcome foreign investors, including so-called financial investors, in our national economies. What is important, however, is that all players respect fair rules. Meanwhile, hedge funds control more than a trillion dollars. In Germany, the more short-term engagement has caused developments that pose a threat to companies. The stability of the financial markets must not be threatened by such funds. That is why I call for a worldwide, efficient supervision. The most important objective of such a supervision must be improved transparency of the hedge-fund markets. Therefore, I want to propose at the G-8 summit in Gleneagles that internationally unified minimum standards for hedge funds are defined."

Four-Fifths of the World's Hedge Funds Registered in Cayman Islands

Of the world's 8,000 hedge funds, which have brought the world financial system to the edge of systemic meltdown,

6,472—or 80% of the total—are registered in the Cayman Islands, a British Crown colony, according to *Cayman Islands Net News Online*. The Caymans, along with Bermuda and the Bahamas, has long functioned outside the law of the British Commonwealth for illicit money flows, particularly drug-money laundering.

The Cayman Islands in 1993 passed a Mutual Funds Law, to enable the easy incorporation and/or registration of hedge funds in a deregulated system. According to a firm that incorporates hedge funds, "The Mutual Fund Law was established ... to position the Cayman Islands as a hub in the financial industry." Within a few years of the law's passage, with direction from the City of London, the number of hedge funds exploded: Since 1998, when the number of funds registered was 1,326, the number has grown fivefold.

According to representatives of Charles Adams, Ritchie & Duckworth, a Cayman law firm involved in the hedge fund business, the Caymans offer prospective hedge funds:

- * "No regulatory restriction on investment policies or strategies, commercial terms, ... or the choice of service providers....

- * "Speed of formation....

- * "Tax neutral environment with no direct corporation, capital gains, income, profits, or withholding taxes applicable to funds."

The Cayman Islands is home to only 55,000 people, but there is an entire infrastructure of administrators, trust companies, accountants, and lawyers to support the hedge funds. Meanwhile, foreign commercial banks hold \$1.1 trillion in assets in the Islands, according to the Cayman Islands Monetary Authority, some of which are funnelled into the hedge funds. Any serious move to shut down the hedge funds would close down the Cayman Islands operation.

Will Bank of England Hold Emergency Session on Interest Rates?

The Bank of England could hold an emergency session on interest rates, as it did right after 9/11, predicted a "respected economics research company," the Centre for Economics and Business Research, the *Times* of London reported July 7. The Bank of England held interest rates steady, at 4.75%, despite widespread demands for a rate cut, as the City reacted to the terrorist bombings that day.

The only time the BoE has held such an emergency meeting was Sept. 18, 2001. The BoE reported its interest-rate decision just as the events surrounding the day's attacks in London were unfolding.

The Centre for Economics and Business Research said: "Given today's events in London, it is possible that the MPC [Monetary Policy Committee] will meet again over the next few days for an emergency session. If the impact on the FTSE and, more importantly, the pound worsens, the Bank may consider cutting rates so as to prevent additional negative pressure upon the UK's consumer slowdown. Today's decisions will not have any impact on the markets which will continue to be driven by today's events. However, expectations of a rate cut, even in the next few days, will increase."

The BoE has confirmed that there is a provision for an emergency meeting, but would not say one would be held.

The *Times* quoted Confederation of British Industry chief economic adviser Ian McCafferty saying: "While the economic situation is not desperate, it is clear that manufacturing is teetering on the verge of recession, the retail sector is under considerable pressure and the housing market is stagnant. As there seems little risk of inflation, a cut in interest rates would be welcome, sooner rather than later."

House-price inflation for the year to end-June has fallen to only 3.7%, the lowest since March 2001, according to the biggest mortgage lender, Halifax. A CBI report last month showed the worst fall in retail sales in 22 years. And last week, Britain's Office of National Statistics unexpectedly had to revise downwards its figures for first-quarter GDP growth. Quarter-on-quarter growth was just 0.4% rather than 0.5%, and year on year growth 2.1% rather than 2.5%. This is the lowest since the last quarter of 2002.

United States News Digest

Senator Snowe Ridicules Coast Guard Ship Replacement Plan

On July 6, *USA Today* featured two stories on Sen. Olympia Snowe (R-Maine), chairman of the Senate's Coast Guard subcommittee, her opposition to Coast Guard plans to recapitalize their fleet (plans which have now been stretched out to 25 years, instead of 10-15), and the breakdown of the Coast Guard's aging ships, planes, and helicopters, which today have primary responsibility for U.S. maritime security and protecting U.S. ports and waterways against terrorism, as well as the Guard's longstanding rescue, anti-drug, and other operations. Some ships are more than 50 years old, and the U.S. fleet, described by former Coast Guard officer Stephen Flynn as a "Third World navy," is among the oldest on the planet, older than those of Pakistan and Algeria. What has the Republican Senator from Maine up in arms, is the Bush Administration's proposal that the \$20-billion, 20-year plan passed in 1998 to replace these sinking ships and helicopters, be extended to 25 years.

Snowe, who is one of the seven Republicans Senators who joined seven Democrats on May 23 to stop the attempted coup by the Bush-Cheney White House, is demanding the fleet be replaced over the next 10-15 years. "The cold, hard truth remains that the Coast Guard is experiencing a record number of casualties and mishaps like never seen before, and it's becoming simply unsafe for our young men and women to serve aboard these aging assets," she warns.

Coast Guard commandant Adm. Thomas Collins in July gave Congress a list of the increase in breakdowns by category, summarized in his report that the number of unscheduled maintenance days for all major cutters and patrol boats was 742 in fiscal 2004, as compared to 267 in fiscal 1999; the lost days in 2004 equivalent to losing 10% of the major fleet for a year. *USA Today* details the case of one of the Guard's 210-foot cutters—the average age of this class in the fleet is 37.3 years—which operates in the Caribbean: fully half the time, the ship's high-frequency radios and GPS (global positioning) systems aren't working; the radar system goes down at least once a day, so they use a small commercial system which recreational boaters buy at ordinary marine stores; its communications systems are so primitive that half the time they can't even talk to other CG ships; and crew members often spend 18 hours a day on repairs and maintenance—including changing the saturated rags which keep leaky pipes from dripping on their bunks at night.

Iraq War Upends Rumsfeld's Military Strategy

Top civilian and military officials attempting to write the next Quadrennial Defense Review are grappling with the fact that the Iraq war has overturned Secretary of Defense Donald Rumsfeld's cherished notions about what the U.S. military is capable of doing. The old strategy, known as 1-4-2-1, called for defending U.S. territory, deterring conflict in four regions of the world, fighting and winning two major conflicts simultaneously, and decisively defeating one of those adversaries, to include toppling the government and capturing the capital.

The problem is that the protracted counterinsurgency war in Iraq doesn't fit into any of those categories. Iraq has involved a large, long-term commitment of U.S. ground forces, at a cost of about \$5 billion per month, raising questions as to whether or not the U.S. military has the capability to do any of the other things in the 1-4-2-1 construct. Ryan Henry, the principal

deputy undersecretary of defense for policy, when asked by the *New York Times* where the war on terrorism fits into that strategy, said "It wasn't there when they came up with 1-4-2-1." If a new strategy emerges from the review, he said, it might be "something that doesn't have any numbers at all."

Bush and the 'Vietnamization' of Iraq

President Bush's speeches about Iraq are sounding more and more like those given by earlier Presidents about Vietnam, observed Daniel Ellsberg, in an op-ed in the July 3 *Los Angeles Times*. Ellsberg should know: He wrote most of them. He wrote speeches for Presidents John Kennedy, Lyndon Johnson, and Richard Nixon. "Looking back on my draft, I find I used the word 'terrorist' about our adversaries to the same effect Bush did," Ellsberg says in the *L.A. Times*. "I felt the need for a global threat to explain the scale of effort we faced," he says, so he used China the way Bush uses al-Qaeda. He has great skepticism about Bush's claims about sufficient troop strength, because "Johnson lied about it" (troop strength in Vietnam) constantly, afraid that the truth—that we had drafted twice as many troops as he had admitted—would hurt him politically.

A favorite theme of Bush's is that our resolve is being "tested" in Iraq. This, too, is nothing new, says Ellsberg. "Have we the guts, the grit, the determination to stick with a frustrating, bloody, difficult course as long as it takes to see it through?" Ellsberg asked in a 1965 speech for Robert McNamara. "I can scarcely bear to reread my own proposed response to that question," he writes today. "Till Hell freezes over," was his answer then, borrowing the words of Adlai Stevenson, who was then speaking about the Cuban Missile Crisis. "It doesn't feel any better to hear similar words from another President 40 years on, nor will they read any better to his speechwriters years from now."

Ellsberg became famous in 1971 for leaking to the *New York Times* the "Pentagon Papers," which documented the Johnson Administration's planning for, and true state of, the Vietnam war.

Panel Recommends AIDS Testing for All Pregnant Women

The Federal U.S. Preventive Services Task Force is now recommending AIDS testing for all pregnant women, a change from its recommendations a decade ago. The change in policy, reported by the Agency for Healthcare Research and Quality (AHRQ) July 5, was brought about because of "significant new evidence on screening for and treating HIV infection." Through the options of new drug therapies, Caesarean sections, and avoidance of breast-feeding, infant infection can be reduced to less than 1%, the panel said. AHRQ is part of the Department of Health and Human Services.

Rumsfeld Tried To Sabotage U.S.-French Anti-Terror Cooperation

Counter-terrorism cooperation between the United States and France, carried on between the CIA and the French foreign intelligence service DGSE, was continually endangered by the actions of Secretary of Defense Donald Rumsfeld, according to a profile of the joint endeavor centered in the "Alliance Base" in Paris, which was profiled in a front-page article in July 3 *Washington Post*.

The most interesting aspect of the report, is that the CIA-DGSE cooperation continued throughout the worst period of France-bashing in the U.S., the period leading up to the Iraq war. (This is reminiscent of the CIA's cooperative relationship with Syria, while much of the Administration and forces in Congress were launching operations against Syria.) John McLaughlin, former acting CIA Director and a 32-year veteran of the Agency, described the relationship between the CIA and its French counterparts as "one of the best in the world."

But Rumsfeld was pushing in the opposite direction in 2003, barring general officers from talking to their French

counterparts, grounding U.S. planes at the Paris Air Show, and disinviting France from a major military exercise, Red Flag, in which France had participated for years.

The State Department and the CIA protested Rumsfeld's actions, and they got President Bush to order Rumsfeld to desist; Secretary of State Colin Powell then wrote a memo stating that punishing France was not U.S. policy. But Rumsfeld paid no attention, and continued to exclude the French from the Red Flag exercise in 2004.

"Most of the things the Secretary of Defense did, I could understand, even if I disagreed with him," says Powell's former chief of staff Lawrence Wilkerson (who also figured prominently in the opposition to John Bolton's nomination as UN Ambassador). "On this one," says Wilkerson, "it was totally irrational, even dumb."

Senator Specter Attacks 'Original Intent' Nominalism

Senator Arlen Specter (R-Pa), the chairman of the Senate Judiciary Committee, warned the White House against sending to the Senate a nominee for the Supreme Court who professes a belief that the Constitution should be interpreted according to "original intent." This is one of the favorite crackpot theories, although widely held, among right-wing legal activists and even some academics, that in looking at a Constitutional question, one should try to determine what the words meant in 1789. On the current Supreme Court, Clarence Thomas and Antonin Scalia are the major proponents of this view, although Scalia calls it "textualism."

Appearing on ABC's "This Week" July 3, Specter cited the case of Robert Bork, whose nomination Specter was instrumental in sinking in 1987: "If you have someone—and Judge Bork has come up, and it comes up repeatedly—where you have someone who believes in 'original intent' and has views which are so extraordinary—if you followed original intent, the galleries in the United States Senate would still be segregated, with Caucasians on one side and African-Americans on the other side," Specter said.

Ibero-American News Digest

LaRouche's Historic June 16 Speech on Dominican Television

Nearly the entirety of Lyndon LaRouche's opening remarks from his June 16 international webcast were broadcast on the TV program "Cara a Cara" (Face to Face), on cable television's Channel 10, a nationwide cable station in the Dominican Republic—once on July 2, twice on the 3rd, with a final airing on July 5. To maximize viewership of the show, Telecable took out an ad in the July 2 edition of the daily *Hoy*, which listed the times of all the broadcasts, included a picture of LaRouche, and announced: "Attention. A 'Cara a Cara' Extra. LaRouche Speaks: Globalization Fails. He Says that the World Is Endangered by the Policies of George Bush."

Drive To Privatize Mexico's PEMEX Wins a Round

On June 28, the Mexican Chamber of Deputies voted 330-131 to progressively reduce the amount of oil revenues which the state oil company, Pemex, passes on to the Federal government in the form of taxes—purportedly to increase funds available to Pemex for "investment." This has been a longstanding goal of the international financial community, which would:

1) dramatically cut government income (since about 40% of the budget today comes from oil revenues), and thereby force the government to impose parallel drastic cuts in spending;

2) create an income stream for Pemex, not for "investment" or technological upgrading, but to directly service old debt and new, which the bankers intend to pile on Pemex. In fact, there is already discussion of Pemex issuing new bonds, which would be linked to these new revenues.

This is all a foot-in-the-door for the privatization of Pemex, which is otherwise explicitly outlawed by the Mexican Constitution. As the scuzzy director of Pemex, Luis Ramirez Corso, told the press happily after the Congressional vote: "A good step was taken in Congress for Pemex, but we have to recognize that it is a transitional regime that, in the future, will allow us to achieve management autonomy and a corporative government."

Cardenas Withdraws Bid for PRD Presidential Candidacy

In a July 5 open letter, Democratic Revolutionary Party (PRD) founder and three-time Presidential candidate Cuauhtemoc Cardenas announced that he would not compete against Mexico City Mayor Andres Manuel Lopez Obrador for nomination as the PRD's candidate in the 2006 Presidential elections. Without ever mentioning Lopez Obrador by name, Cardenas attacked the "lack of debate" on policy issues within the PRD, and its "ideologically contradictory electoral alliances."

A week earlier, in a private meeting with 60 top politicians, government officials, and intellectuals, Cardenas had sharply attacked Lopez Obrador, this time by name. "We have totally different visions of how to lead the country," he said, criticizing Lopez Obrador for offering handouts to the poor, rather than investment and job creation to eliminate poverty; for proposing to "isolate" Mexico from the world; and for seeking to strengthen the Executive Branch, "rather than democratizing" and setting up a semi-parliamentary system. Significantly, Cardenas also attacked Lopez Obrador's longstanding alliance with Manuel Camacho Solis, an asset of speculator George Soros.

Cardenas has *not*, by any means, ruled out running for the Presidency as a fourth candidate against those of the PAN (expected to be Santiago Creel), the PRI (most likely, Roberto Madrazo), and the PRD (Lopez Obrador). But for the moment he is only stating that he is building a "fourth option" for the country, which "transcends parties," and which will focus on the program needed to build "a Mexico for all."

Argentines in No Rush To Negotiate with IMF

"If, in a country where 40% of the population is poor, we direct all of our surplus to debt payment, we'll delay the infrastructure projects we need to keep growing, and meeting the population's needs will be more difficult," said Argentine Chief of Staff Alberto Fernandez. He was speaking in response to the IMF's imperious demand, in its latest "Article IV" review of the country's economy, that the Kirchner government impose deeper austerity. It is "irrational," he said, to demand a primary budget surplus of 4.5% of GDP. Argentina needs to move forward with development, and not postpone the "multiple needs" it has to guarantee that development.

Finance Minister Roberto Lavagna told a radio audience on June 27 that Argentina is in no hurry to sign an agreement with the IMF, and that the Fund's defense of the bondholder "hold-outs" (who didn't join the restructuring) is "inexplicable." The markets "have spoken; [the Fund] should at least keep quiet and not obstruct Argentina's debt restructuring process," he said.

Petrocaribe Formed by Venezuela's Chavez

Venezuela's President Hugo Chavez organized a summit of 16 Caribbean nations on June 28-30, to present heads of state and government representatives with his proposal to help those nations with their oil bills. Fourteen of the 16 nations signed only with "qualifications," and Trinidad y Tobago and Barbados abstained. The reason was that Cuba's Fidel Castro

made a last-minute appearance, in spite of the Venezuelan government's assurances that he was unlikely to be there.

Petrocaribe is meant to expand into the Caribbean nations the existing agreement under which Venezuela helps finance the oil bills of the Central American nations. It would also upgrade the agreement into the form of a state company, Petrocaribe, as part of Petrosur and other plans for energy integration in the region. The agreement gives those buyers of Venezuelan oil larger breaks on payments schedules when the price rises to over \$50 a barrel, and allows them to pay "in kind" with "goods and services" from their countries—as Cuba is doing already, with doctors, teachers, and sports trainers working in Venezuela on Cuban pay, in exchange for the oil. Venezuela has similar barter agreements with Argentina and Uruguay.

Chavez had originally conceived of the gathering as a next-day continuation of his planned meeting with Brazil's President Lula da Silva and Argentina's Nestor Kirchner, scheduled for June 27. But that summit was cancelled after Lula announced he could not go because of the political turmoil within Brazil. Chavez planned to officially make a big stance with Petrosur, and then connect it to Petrocaribe.

Ecuador Looking to China for Trade and Aid

Ecuador's government is discussing oil deals and financial aid with China, Finance Minister Rafael Correa told the *Financial Times* of June 29. President Alfredo Palacio had been engaged in discussions with China even prior to becoming head of state, Correa reported, and sought long-term oil sales contracts as well as investment in two multimillion-dollar oil refinery projects. Warning that banks associated with ousted President Lucio Gutierrez may refuse to roll over government bonds, Correa said the government is seeking alternate sources of financing from "friendly" nations, such as China, Brazil, and Venezuela.

Ecuador Protests U.S. Financial Warfare Threats

In a speech to the nation June 22, Ecuadoran President Alfredo Palacio warned the U.S. to back off its threats of financial warfare against Ecuador. In response to a U.S. Embassy spokesman's threat that U.S. financial aid to Ecuador will depend on U.S. military personnel there being granted immunity from prosecution before the International Criminal Court, Palacio responded: "Absolutely no one is going to make me afraid. This is a question of sovereignty, of juridical control. The United States has the right to make legal statements, and we are going to respect them, but Ecuador too has the right to assert its legal foundations and to be respected."

The Ecuadoran government is also sticking to its guns on its "people first" policy on the debt. On June 24, the IMF issued a statement expressing "certain concerns" regarding the Ecuadoran government's new Law of Fiscal Responsibility, which dramatically reduced the portion of oil profits previously allocated for debt buyback, redistributing it instead to education and health needs. IMF spokesman Thomas Dawson expressed "concern" that Ecuador might not be able to pay its debt, and promised imperially that the country's use of its oil income "would be reviewed" in the IMF's next quarterly review of the Ecuadoran economy. Economic Under Secretary Luis Rosero Mallea responded with an official statement declaring that "Ecuador wants to meet its international obligations, but in a way that is not onerous for the country." Ecuador is asking the Club of Paris to forgive a "substantial portion" of the country's foreign debt, which it is unable to pay, and to renegotiate the rest.

Chile Turns to Russia for Nuclear Power

The Chilean and Russian governments have signed an agreement to cooperate on the non-military use of nuclear power. The agreement was signed during a meeting of the Russian-Chilean intergovernmental commission on Trade and Economic Cooperation in Moscow at the end of June, attended by Chile's Mining and Energy Minister Alfonso Dulanto,

and Alexander Rumyantsev of Russia's Federal Atomic Energy Agency. Chile does not currently have a nuclear plant, but Rumyantsev told reporters that it is considering the possibility of building one, and is interested in working with Russian experts on such a project. Earlier this year, President Ricardo Lagos said that Chile will have to consider the use of nuclear energy, among other sources, to resolve its serious energy crisis.

Western European News Digest

Schroeder Again Calls for Control of Hedge Funds

German Chancellor Gerhard Schroeder, in an interview with the Berlin daily *Der Tagesspiegel* July 6, on the eve of the G-8 meeting, continued to demand the regulation of hedge funds, and was backed by European Central Bank head Jean-Claude Trichet, and the Association of German Banks (BDB). Trichet, speaking in Paris, said that it was necessary for the United States and Europe to come to a consensus at the meeting to regulate hedge funds; though lacking any specifics, Trichet's statement did serve to underline that the hedge funds and their crisis potential was the underlying subject of the G-8 meeting.

BDB spokesman Harald Noack, speaking in Berlin, was more specific in support of Schroeder's summit objective. Noack said transparency was needed, so that building risks can be recognized early and countermeasures taken. He added (according to RP Online) that "regulation of international financial markets should not be ruled out. According to him, this regulation only made sense at the international level, and should include regulation of offshore financial centers as well."

In an article for *Tagesspiegel* last week, Schroeder wrote:

"The rise of oil prices is not only related to increased consumption. According to experts, only a small volume of trade at the international exchanges serves the supply of crude oil. The bigger volume is, meanwhile, driven by financial markets, [and] is therefore, purely speculative. That is why we need more transparency on the oil markets. We want more exact data on how the relation between supply and demand is influenced, intensified, and accelerated. I am convinced that with the planned creation of a world oil data bank, an effective contribution is made in this respect. Because where there is more transparency, there is less room for speculation."

Schroeder also reiterated his call for hedge-fund controls: "There are other important themes that imply a considerable burden for the world economy. All G-8 countries welcome foreign investors, including so-called financial investors, in our national economies. What is important, however, is that all players respect fair rules. Meanwhile, hedge funds control more than a trillion dollars. In Germany, the more short-term engagement has caused developments that pose a threat to companies. The stability of the financial markets must not be threatened by such funds. That is why I call for a worldwide, efficient supervision. The most important objective of such a supervision must be improved transparency of the hedge-fund markets. Therefore, I want to propose at the G-8 summit in Gleneagles that internationally unified minimum standards for hedge funds are defined."

Zepp-LaRouche Chancellor Candidacy Reported in Leipzig Daily

"Head of BueSo Runs in Leipzig," read the headline of an article in the July 5 *Leipziger Volkszeitung*, which reported that Helga Zepp-LaRouche and Thomas Rottmair of the BueSo Party are candidates in the two election districts (153 and 154) of the city.

"The national chairwoman of the BueSo, Helga Zepp-LaRouche, a 57-year-old journalist, runs as a candidate in district 152 (Leipzig Nord)," the article says, announcing that the candidates were scheduled to hold their first election meeting in

Leipzig July 5. The article includes pictures of both candidates.

London Bombings: What Happened to Standard Emergency Measures?

It is reported in various press that the bombing attacks in London July 7 paralyzed the cell phone networks, where for a time no one was able to get through. Yet a spokesman for Orange, a cell phone provider for France Telecom, the major carrier in England, said they had not received any request from the British government to restrict access to their network, or to leave it open for emergency access only.

A spokesman for Vodaphone said: "What we can do, but have not done yet, is to limit access to the network in such a way that only emergency services can use it."

Franco-U.S. Anti-Terror Cooperation In Place Since 9/11

"French and American Spies Have Their Base in Paris," headlined an article in *Le Figaro* July 4, adding "It is less cold in the shadows than under the spotlights." *Figaro* comments on an article in the *Washington Post* July 3, and confirms the existence of a special anti-terror unit called Alliance Base, created and financed by the CIA in Paris. Headed by a general from the French foreign intelligence service DGSE, who is the former station chief in Washington, the unit arrested Christian Ganczarski, a top al-Qaeda operative, in 2003. Four other countries work with the Franco-American unit: Germany, Britain, Canada, and Australia. The French took the initiative, but "nobody follows the CIA 'cowboy' methods, with respect to arrests and extra-judicial transfers." Alliance Base isn't a formal structure. "Dedicated agents of six countries can meet daily in Paris, without having to catch a plane," commented a specialist. The deployment of French commandos, along with U.S. special forces in Afghanistan, catalyzed this cooperation, accelerated under orders of President Jacques Chirac.

German Daily Covers Neo-Con Attack on U.S. Constitution and FDR

In its culture-history section on July 4, the *Frankfurter Allgemeine Zeitung* took the resignation of Supreme Court Justice Sandra Day O'Connor as the reference point to present an overview of the concerted neo-con attacks on everything that has remained in place, of the heritage of FDR.

Also referencing recent stories on the subject in the *New York Times* and in the *New Republic*, the German daily notes that "a small but influential group of law professors, judges, and activists is at work to turn back the clock to the time before Franklin D. Roosevelt's New Deal." This cabal, also known under the name "Constitution in Exile" movement, not only wants to place its own neo-con candidates on the Supreme Court, but wants to undo all the Social Security legislation that Roosevelt initiated. This is being done under the false, ultra-libertarian slogan "bring back the Constitution," *FAZ* reports, by alleging that the Constitution bans all intervention by the state.

Leading proponents of this cabal are Richard Epstein (Chicago University), Michael Greve (American Enterprise Institute), Randolph Barnett (Boston University), Antonin Scalia (Supreme Court), and Janice Rogers Brown (Court of Appeals, D.C. Circuit).

The *FAZ* article notes, however, that the pro-FDR ferment is strong, and that there is a kind of panic on the neo-con side, out of fear that because of this resistance, they will miss their once-in-a-lifetime chance to carry out their coup.

Russia and the CIS News Digest

Putin, Chirac, and Schroeder Meet in Kaliningrad

The leaders of Russia, France, and Germany met July 3 in the Baltic Sea city of Kaliningrad (formerly Koenigsberg), on the 750th anniversary of its founding. After the talks, German Chancellor Gerhard Schroeder told the press that he, French President Jacques Chirac, and Russian President Vladimir Putin had agreed that security for their energy supply is crucial, and would be placed on the agenda of the July 6 Group of 8 summit. Included aspects: controlling oil price speculation and achieving long-term agreements between oil-producing and oil-consuming nations.

Of course, the agenda of the G-8 summit was abruptly altered by the July 7 bombings in London.

Russia Prepared To Build More Nuclear Plants in Iran

On the heels of Mahmoud Ahmadinejad's "hardliner" victory in Iran, the head of Russia's Atomic Energy Agency, Alexander Rumyantsev, gave a statement to the Itar-Tass news agency on June 28: "When Iran announces new tenders to construct nuclear reactors, we'll take part in them," Rumyantsev said, adding, "Tehran intends to build another six nuclear reactors." Russia is currently working on a 1,000-megawatt plant in the city of Bushehr, a plant whose construction has been dragging on since 1979.

Chile and Russia To Cooperate on Nuclear Power

An agreement to cooperate on non-military nuclear power development was signed during a late-June meeting of the Russian-Chilean inter-governmental commission on Trade and Economic Cooperation in Moscow, attended by Chilean Mining and Energy Minister Alfonso Dulanto, and Alexander Rumyantsev of Russia's Federal Atomic Energy Agency. Chile does not currently have a nuclear plant, but Rumyantsev told reporters that it is considering the possibility of building one and is interested in working with Russian experts on such a project. Earlier this year, President Ricardo Lagos said that Chile will have to consider the use of nuclear energy, among other sources, to resolve its serious energy crisis.

State Dept./NED Announce Budget for 'Democracy' in Russia

Izvestia of July 7 featured the just-announced 2006 budget of \$85 million, committed by the U.S. State Department, through USAID, to fund the National Endowment for Democracy to promote "democracy" and "economic reforms" in Russia, including \$5 million "for supporting development programs of political parties." *Izvestia* noted, "The fact that parties in Russia are legally forbidden to accept funding from foreign sources doesn't deter the authors of the documents. The money will be allocated not directly, but according to a well-tested technology through the National Endowment for Democracy. It is well known how this money is spent, from the examples of the former Soviet countries where the 'colored' revolutions have occurred."

Izvestia cited a footnote to this part of the budget, which instructs the State Department and USAID to "persistently and openly" promote their programs in Russia and Azerbaijan, in particular. The paper then quotes Lilia Shevtsova, a person transformed by the Carnegie Institute's Moscow Center into a Western-style media talking head, on how "the experience of the Serbian, Georgian, and Ukrainian 'revolutions' shows," that Western money can circumvent restrictions on outside interference in politics, for example, by recruiting youth to "favorable attitudes to the West."

Harsh Words Fly Between Moscow, and Poland and Baltics

The July 3 Kaliningrad commemoration occasioned heightened tension between Russia and Poland, as well as the Baltic countries. Moscow invited neither Polish President Alexander Kwasniewski nor Lithuanian President Adamkus to attend,

although Poland and Lithuania border the Kaliningrad enclave. Officials in both Warsaw and Vilnius criticized the Russian decision.

On July 6, the Russian Foreign Ministry denounced a call by Kwasniewski for the European Union, of which Poland and the Baltic States are now members, to intervene in an ongoing dispute between Russia and Estonia over finalization of their border treaty. Russia backed out of the treaty in June, after the Estonian Parliament amended it with a statement citing laws that refer to Estonia's former "occupation" by the Soviet Union. "Moscow is perplexed at the pronouncements of the Polish President," said the Foreign Ministry, and "has no use for middlemen, including those from Warsaw, in relations with its neighbors."

As for Russia-Lithuania relations, Adamkus on June 29 charged that Russian requests for Lithuania to freeze assets in Lithuania of Yukos Oil (which is under continuing tax and criminal investigation) constituted interference in Lithuania's internal affairs.

More Russian Officials Demand Oil Surplus Be Spent on Infrastructure

Recent cabinet meetings of the Russian government have featured sharp debates over whether or not to invest the country's oil earnings in infrastructure upgrades and other domestic economic projects. So far, the Stabilization Fund, composed of oil export taxation and other revenues over and above the amounts that go into regular Central Bank Reserves, has been earmarked by the Finance Ministry for spending on nothing other than debt reduction. At the June 16 government session, Finance Minister Alexei Kudrin projected an 80% increase in Russia's primary budget surplus, to the equivalent of \$17.5 billion. Central Bank gold and foreign currency reserves hit a record level of \$151.8 billion at the beginning of July.

Kudrin and other monetarists adhere to the argument that spending significant portions of the Stabilization Fund inside Russia must be avoided in order to prevent inflation. But recent spectacular failures of the country's aging physical infrastructure have made even some cabinet members, including Prime Minister Mikhail Fradkov, raise the question of some different allocation of the money. Martin Shakkum, a member of the pro-regime United Russia bloc in the State Duma, addressed the matter even more pointedly than any government member, saying in a recent speech: "We want the government to stop acting like accountants, and promote economic development and prosperity."

The recent infrastructure incidents include the Moscow power blackout in June and a mid-June train derailling in Tver Region, resulting in a 300-ton fuel spill into a Volga River tributary, potentially affecting Moscow's water supply.

Southwest Asia News Digest

More Paramilitary Torture Units in Iraq

On July 3, Britain's *Observer* newspaper, the Sunday edition of the *Guardian*, exposed the diversion of funds intended for development of the Iraqi security forces, to U.S. and British commando operations. The revelations are coming at a point when in Washington, the conduct of the United States in enforcing a policy of torture during interrogations, secret detentions, and the lack of due process is being challenged by leading Republican Senators. As EIR Online reported in Issue #27, Sens. John Warner (R-Va.), Lindsey Graham (R-S.C.), and John McCain (R-Ariz.) are planning to introduce legislation to wrest control over prisoners detained in the "war on terrorism" from the Pentagon, and put the policies under Congressional oversight.

Excerpts of the *Observer's* revelations follow:

"British and American aid intended for Iraq's hard-pressed police service is being diverted to paramilitary commando units accused of widespread human rights abuses, including torture and extra-judicial killings, the Observer can reveal. Iraqi Police Service [IPS] officers said that ammunition, weapons and vehicles earmarked for the IPS are being taken by shock troops at the forefront of Iraq's new dirty counter-insurgency war.

"The allegations follow a wide-ranging investigation by this paper into serious human rights abuses being conducted by anti-insurgency forces in Iraq. The *Observer* has seen photographic evidence of post-mortem and hospital examinations of alleged terror suspects from Baghdad and the Sunni Triangle which demonstrate serious abuse of suspects including burnings, strangulation, the breaking of limbs and—in one case—the apparent use of an electric drill to perform a knee-capping.

"The investigation revealed: A 'ghost' network of secret detention centers across the country, inaccessible to human rights organizations, where torture is taking place. Compelling evidence of widespread use of violent interrogation methods including hanging by the arms, burnings, beatings, the use of electric shocks and sexual abuse. Claims that serious abuse has taken place within the walls of the Iraqi government's own Ministry of the Interior. Apparent co-operation between unofficial and official detention facilities, and evidence of extra-judicial executions by the police....

"The [British] Foreign Office said last night that it was taking the reports of abuse 'very seriously'.... A [Ministry of Defence] spokesman told *The Observer*: 'We are aware of the allegations. We have raised this with the Iraqi government at the highest levels in Baghdad and Basra.'

"Privately, there is a growing belief that complaints are being stonewalled...."

Israeli President Warns of Religious Right Assassins

"I am concerned about more Yigal Amirs," said Israeli President Moshe Katsav to Israeli Army Radio on July 4. Amir is the Jewish fundamentalist activist who assassinated Israeli Prime Minister Yitzhak Rabin in November 1995. Katsav was referring to statements by ultra-right-wing rabbis, who have been saying that the State of Israel is threatened by Israeli withdrawal from the Gaza Strip. These religious networks are key to the mobilization of Jewish fundamentalists to stop the withdrawal by any means, including violence.

Katsav added, "A fool could arise and say, I must save the State of Israel from destruction, because the rabbis are saying that there will be destruction, that the state is about to be destroyed. And he ['some fool'] could draw a twisted conclusion that in order to prevent the destruction of the State of Israel, one must attack or assassinate the Prime Minister."

As *EIR* has reported in its articles on the Rabin assassination, and its review of the book by two Israeli journalists, *Murder in the Name of God*, Rabin's assassin, Yigal Amir, was part of a network of settler fanatics, who had consulted with radical rabbis about whether the assassination of Rabin, a Jew, was allowed under Jewish law. The answer given to Amir, according to *Murder in the Name of God*, was yes, because Rabin had endangered other Jews with his Oslo Peace accord.

Fear of Third Generation of Jewish Terror

Under the title "Jewish Terror—The Third Generation," columnist Amir Oren writes, in the July 4 edition of *Ha'aretz*, that the Israeli Shin Bet security service fears what is being called a third generation of Jewish terrorists. The Shin Bet has a serious concern "in the area of hidden threats: the present generation of Jewish terror. The first generation operated during the first half of the 1980s, carried out the attacks against the Palestinian mayors and planned the terror attacks on the Temple Mount. The second generation ... operated a decade later—this is the generation of Baruch Goldstein (who killed

and wounded a large number of Muslim worshippers in the Cave of the Patriarchs in Hebron in 1994) and Yigal Amir (who assassinated Yitzhak Rabin). The third generation includes dozens of extremists whose names and photographs are on file in the (security) network, some of them active as individuals or in pairs, and some in units of 10 or more people, who are loosely linked in semi-underground cells."

Oren warns that some of these terrorists, such as Avri Ran, are known to have served in the military 25 years ago, together with men who are now leading figures in the security services.

An expert on this network in the intelligence community compared the structure to a pizza parlor: "There are delivery boys and there are those in charge of transportation, fuel, equipment, communications and instructions, but instead of pizzas, they are delivering bombs."

The network is separate from the anti-disengagement activists who burn tires on Israeli roads, which are the more open protesters, wrote Oren.

President Abbas Visits Syria and Lebanon

On July 8, Palestinian Authority President Mahmoud Abbas met with his counterpart in Lebanon, President Emile Lahoud. Relations between the Lebanese government and Palestinian government are being described as promising, especially after the Labor Minister of the outgoing government of Lebanon partially lifting a 22-year ban on Palestinians seeking employment in Lebanon. While there, Abbas said that Palestinians should abide by the laws of Lebanon, and he also thanked the Lebanese government for lifting the ban on employment. Abbas said this was done for "purely humanitarian" reasons, since the [approximately] 400,000 Palestinians who have lived in Lebanon's refugees camps, had not been allowed to hold regular jobs, but only to be hired on a "day-labor" basis for the past 22 years.

In addition to this, Abbas spoke to Lahoud about opening a Palestinian embassy in Beirut.

During Abbas's trip to Syria, he met with Syrian President Bashar Assad, and briefed him on the current situation in the Gaza Strip and the West Bank. Assad backed Abbas's initiative to form a coalition government in Palestine. Abbas also met with Syrian Foreign Minister Farouk Al Sharaa and Hamas political chief Khaled Mashal. Their discussion ranged from the Palestinian Authority being briefed on the needs of Hamas, under what conditions Hamas would join a government coalition, the Israeli withdrawal from the Gaza Strip, and plans for reopening the port of Gaza City and the international airport in southern Gaza.

State Dept. 'Contra' Operation Set Up Against Syria

On July 6, at a press conference at the National Press Club, six leaders of the opposition National Syrian Council, which has been in discussions with the "Democracy" office of the U.S. State Department, declared their determination to remove President Bashar Assad from power in Syria, through an "intifada," or uprising. But some observers immediately questioned whether the purpose of this event was to try to provoke the Syrian security services into a repressive reaction, so that the State Department and Bush White House could justify new sanctions, either unilaterally, or through an attempted action at the United Nations Security Council.

According to the speakers at the event, Mohammed Albaili, Mohammed Alkhawam, Hussam Aldairi, Abd Almuhaymen Alsibai, and Najib Alghadban, who described themselves as doctors, engineers, and professors, the National Syrian Council is an umbrella group for Syrian opposition groups in the U.S., Europe, and inside Syria. Individuals from the group have been meeting with the State Department democracy group headed by Vice President Dick Cheney's daughter, Liz

Cheney.

In March, Secretary of State Condoleezza Rice and Liz Cheney drew headlines when they met with Farid Ghadry, head of the so-called Reform Party of Syria, who wants the U.S. to invade Syria and topple Assad. The Reform Party is considered a joke among Middle East experts, a party which one specialist described as "created in a washroom of the American Enterprise Institute."

In response to some sharp questioning by journalists, the National Syrian Council explained that it was not affiliated with Ghadry because Ghadry "adamantly decided to go his own way," after a resolution his group sponsored at their founding convention, was voted down. The resolution, defeated at the convention, held June 18 at the Jury Hotel in Washington, wanted to create a "temporary government in exile."

But Liz Cheney and the Bush Administration are still meeting with Ghadry, as well as with the new group, report Washington intelligence sources.

The group claims that it completely opposes the "Iraq model" of a U.S. war against Syria to remove the Bashar Assad regime, but says that it supports "everything short of a military invasion." Several of the speakers insisted that "an uprising, an intifada" against the Assad family, and other powerful Syria families is their preferred mode of accomplishing regime change.

Asia News Digest

U.S. Medical Team in Afghanistan Attacked

For the first time since U.S. troops occupied Afghanistan in the winter of 2001, a U.S. medical team was attacked by Afghan rebels. The medical team was attacked in the same region of eastern Afghanistan where a U.S. airstrike had killed 17 civilians. The attack on the medical team did not result in any casualties.

"It is incredible that the enemy would attack our forces while we are providing innocent Afghans with health care," U.S. military spokesman Lt. Col. Jerry O'Hara told reporters.

But things have soured badly for the U.S. in Afghanistan. The June 28 downing of a Chinook helicopter with 16 U.S. service members on board in Afghanistan's Kunar province indicates the enemy attacks have now metamorphosed to a different level. The Chinook incident will undoubtedly make anti-insurgency operations more difficult for the U.S.-led coalition, and could forestall plans to make NATO more involved in security management of Afghanistan.

China Grants Indonesia Soft Loans for Infrastructure

China is granting nearly \$1 billion in soft loans for infrastructure projects in Indonesia, Antara reported June 29. An additional \$200 million, on top of \$700 million earlier granted, was extended during meetings in Beijing on the sidelines of the Asia Europe Meeting (ASEM). Indonesian Finance Minister Jusuf Anwar met with China's Prime Minister Hu Jintao and representatives of the Chinese Exim Bank to "discuss an alternative solution for funding infrastructure projects in Indonesia," according to Jusuf.

While Indonesia is seeking investors for billions of dollars for infrastructure, Western offers come with punishing conditions. "It seems that China is very cooperative," said Jusuf. "China will grow into a big state; thus we have to realize

this, and benefit from it."

Projects to be funded include rail lines, coal-fired energy plants, dams, and the Surabaya-Madura Bridge.

Unocal Does Most Business in Southeast Asia

While the U.S. China hawks scream about a possible Chinese buyout of the U.S. oil company Unocal, 60% of its business is in Southeast Asia, the *New York Times* reported June 29. Unocal operations in Thailand, Indonesia, Myanmar, and Vietnam make up half of the company's reserves and 60% of its production. Unocal provides 30% of Thailand's energy from natural gas. There has been no equivalent outcry against China's potential expansion in Southeast Asia from the region itself.

Philippines High Court Stops New VAT Tax

Financial markets in the Philippines were roiled by a Supreme Court decision to stop implementation of an expanded VAT (value-added) tax, the *Inquirer* reported July 4. The expanded VAT tax, lifting exceptions to the 10% tax (which previously exempted fuel, power, and travel costs), was scheduled to go into effect on July 1, but the Supreme Court issued a temporary restraining order and called for hearings later in the month. While this has undermined President Gloria Macapagal Arroyo's claim to have served the IMF faithfully, there are many who suspect Arroyo actually called on the Supreme Court to stop her own bill, since its implementation at this moment of crisis could well have been the last straw in the population's rage against her.

The "international community," however, was not amused. Fitch immediately threatened to lower the country's credit rating (the Philippines is already rated at between two and four levels below investment grade by the three rating agencies). The stock market fell by 4.2%, while bonds and the peso also fell.

Asian Nations Lack Means To Combat Bird Flu

Countries such as Indonesia, Vietnam, and Thailand have virtually no stocks of the medicine needed to treat the avian influenza (bird flu) virus. Since early 2004, bird flu has ravaged poultry flocks in nine Asian countries, and killed at least 55 people in Vietnam, Thailand, and Cambodia, while the World Health Organization warns that the virus could undergo a genetic change that would make it easier for humans to contract it; thus, this raises the specter of a pandemic, which could infect millions.

According to WHO officials, the biggest obstacle to overcome is the lack of vaccine. Europe has begun ordering sufficient quantities of the Tamiflu, at a cost of \$40 per treatment, which is beyond the means of most of the world's population, including those in Asia, where dozens have already die.

Vietnam, which has been the hardest hit by bird flu, has been able to accumulate only enough medicine to treat 12,500 people, thanks to donations from Japan and Europe. Cambodia has been able to stockpile only enough oseltamivir for 800 people, and Thailand has approved funding to purchase up to 100,000 treatments. WHO, therefore, is attempting to accumulate stockpiles in the hope that by aggressively attacking any outbreak, fewer will be infected.

Guns for Teachers: No Way To Solve South Thai Violence

At least 2,000 teachers in three deep southern Thai provinces have requested guns for self-defense, and another 2,700 plan to apply for transfers, after the Education Ministry gave the green light for teachers to leave the provinces, where 24

teachers have been killed since January, the *Bangkok Post* reported July 5.

Education Permanent Secretary Kasama Varavar reported on July 4 the teachers' request for guns, which came after their colleagues were gunned down by insurgents.

Mekong River Nations Strengthen Regional Development

Prime Ministers of the six countries which share the Mekong River concluded their two-day summit July 5, by issuing the Kunming Declaration, pledging to strengthen their commitment to achieve an integrated, harmonious, and prosperous subregion through stronger partnerships.

The declaration states: "We pledge ourselves to closer and stronger partnerships for common prosperity. We are confident that with our concerted effort, the joint vision we embrace will, over time, come to full fruition."

The Prime Ministers of Cambodia, the People's Republic of China, the Lao People's Democratic Republic, Myanmar, Thailand, and Vietnam said significant progress was achieved over the past 13 years under the Greater Mekong Subregion economic cooperation program, which has been assisted by the Asian Development Bank since its inception in 1992.

Priority infrastructure projects worth around \$5.4 billion have either been completed or are being implemented. These include upgrading the East-West Economic Corridor that will eventually extend from the Andaman Sea to the South China Sea.

Heads of State attending the summit included: Cambodian Prime Minister Hun Sen, Chinese Prime Minister Wen Jiabao, Myanmar Prime Minister Gen. Soe Win, Lao PDR Prime Minister Boun Nhang Vorachit, Thai Prime Minister Thaksin Shinawatra, and Vietnam Prime Minister Phan Van Khai.

China, Kazakhstan Reach Pipeline, Railway Agreement

China and Kazakhstan reached an agreement on building a gas pipeline and railway from Western China to the Caspian Sea, the Pakistani news service Jang reported July 5.

Chinese President Hu Jintao went to Kazakhstan on July 3 after his visit to Russia. After he met Kazakh President Nursultan Nazarbayev, Nazarbayev said, "We have signed a feasibility study memorandum to start work on a trans-Kazakhstan narrow-gauge railway to connect Western China and the Caspian Sea." Chinese press confirmed the discussion of the gas pipeline, but not the railway.

Nazarbayev also said, "We have reached mutual understanding on future investment and a feasibility study of a gas pipeline that would run from Kazakhstan to China."

An oil pipeline from the Caspian oilfields in Kazakhstan to China is already under construction, and Nazarbayev pledged that it would be finished on schedule, on Dec. 16.

Hu Jintao's visit to Russia was *not* productive on the energy front. Russia continues to stall on the Siberian oil pipeline, under discussion for some ten years. Last year, Russia decided to construct a pipeline to its Pacific coast, which would facilitate export of oil to Japan, rather than China.

This Week in History

Victory at Stony Point Forces a Change in British Plans

July 12 - 18, 1779

The Battle of Stony Point, the last major battle of the Revolutionary War fought in the Northern states, was not only a military victory, but a moral one. It was planned and executed in response to a vicious policy by the British Crown which consciously targeted American civilians in order to terrorize them into submission. The American response was purely military, but its sheer audacity and brilliance of execution forced General Sir Henry Clinton to reevaluate his strategy.

This battle's story begins in 1778, when the signing of America's treaty of alliance with France caused Britain to shift the theater of the Revolutionary War to the Southern states. The move was made in order to facilitate a rapid deployment of troops to and from the British islands in the Caribbean, where the French fleet also had bases.

Sir Henry Clinton, commanding the British forces in New York City, was ordered to send 5,000 of his troops to the British island of St. Lucia, and to dispatch another mixed force of British, Hessian, and Tory soldiers to capture Savannah, Ga. Taking stock of what he had left, Clinton matured his plans. The ill-fated British attempt to split the colonies in two had been defeated at Saratoga, but Clinton still dreamed of capturing West Point, which George Washington regarded as the key to the continent.

If Clinton could capture and hold West Point, a projected chain of British posts from there southward to New York City could effectively check the flow of men and supplies from New England to the Continental Army. New England was responsible for providing the core of the American army, as well as important food and materiel for the troops. At this point, an order arrived from King George III and his Minister, Lord George Germain, which ordered the British Army to plunder, burn buildings, and ill-treat civilians in order to awe them into submission.

Clinton saw in this order a way to lure George Washington out of the mountain fastnesses of the Hudson Highlands and engage the Continental Army in a head-on battle. First, he would put the British Army in a position to attack West Point. On May 30, 1779, Clinton personally led an expedition up the Hudson, capturing the two small American posts at Stony Point and Verplanck's Point, only a few miles below the entrance to the Hudson Highlands. Then, he set his men to work building heavy batteries to control both the river and the surrounding land. The British posts were backed up by ships of the British Navy which had sailed up the Hudson.

Now it was time for the second phase of Clinton's plan. Under his command was William Tryon, an experienced army officer who, when he had served as Royal Governor of North Carolina, had been dubbed "The Wolf" by his suffering subjects. Subsequently, Tryon had been appointed Royal Governor of New York, but he had sought safety on a British ship in New York Harbor when the Revolution began. Now he was itching for revenge, and had already vented his spleen against Greenwich, Conn. by leading a force of 1,500 British and Hessian soldiers which plundered the inhabitants of everything valuable.

Leading another such expedition out of New York on July 3, Tryon in the course of just over one week devastated the Connecticut coast. His attack force plundered New Haven on the 5th, burned East Haven on the 6th, destroyed Fairfield on the 8th, and plundered and burned Norwalk on the 12th. While Norwalk was in flames, Tryon consciously imitated the Roman Emperor Nero by sitting on a nearby hill in a rocking chair, rejoicing over the scene of devastation. He later boasted about his gracious clemency in allowing a few houses on the Connecticut coast to remain standing.

The Americans felt bound to answer such lawless behavior by the British Army, but General Washington did not react the way Clinton had hoped. Washington concentrated his forces at strategic positions in the Hudson Valley in case Clinton should try a direct attack on West Point, and moved his headquarters upriver to New Windsor. Then, he began to plan the recapture of Stony Point.

Reconnaissance missions were sent out to assess the strength of the fortifications the British were building, and Washington himself studied them with his spy glass from the nearby hills. He decided that this attack required the special talents of Anthony Wayne. Wayne was known for his audacity and bravery, and had just been named to the command of four regiments of light infantry. Before the Revolution, Wayne was well-read in military history, had worked as a surveyor in his native Pennsylvania, and had served in the legislature as well as on the state's Committee of Safety.

On July 6, while Tryon was burning East Haven, Washington took Wayne with him to the top of Buckberg Mountain, a mile northwest of Stony Point. He told Wayne that he wanted a surprise night attack on Stony Point. The attackers were not to give away their numbers or their positions by firing their guns—they were to rely on bayonets. "Can you do it?," Washington asked Wayne. "General, I'll storm Hell, if you'll only plan it," Wayne answered. "Perhaps you had better try Stony Point first," suggested Washington.

The position which Wayne was to attack and capture was a daunting one. Stony Point was and is a steep, rugged promontory which rises 150 feet above the water and juts out half a mile into the Hudson River. A marsh, which went under water at high tide, protected the promontory from any advance from the shore, and the British had felled all the trees in the area to protect against a surprise attack.

Clinton had pushed a semi-enclosed fort to completion; its gun batteries were guarded by rows of abatis—sharpened tree trunks which would impede any invading force. Seven hundred men under Lt. Colonel Henry Johnson manned the works, while Navy ships guarded any approach from the river. The British soldiers dubbed the promontory "Little Gibraltar."

Wayne drilled his men for the attack, but only a few officers knew their destination. In the hours immediately preceding the attack on the night of July 15, Wayne used elaborate security precautions in order that no word of his plans could reach the British. All civilians who happened to be abroad that night were escorted home, and an unseen screen of pickets surrounded the approaches to Stony Point itself.

The American forces were divided into three columns; the ones attacking from the north and south along the shore were armed only with unloaded muskets which carried bayonets. A third column approached over the marshy causeway and purposely opened fire with their loaded muskets to cause a diversion. Each man had a white piece of paper in his hat to distinguish himself from the British.

Each of the flanking columns was preceded by an officer and 20 men who were to take care of the sentinels and cut through the abatis. Second came 150 men who were to dash for the top, loudly yelling, "The fort's our own." The rest of the troops in the two flanking columns were to climb the sides of the promontory and deliver the final blow.

As the American column came across the causeway firing their weapons, the British reacted just as Wayne thought they would. Colonel Johnson came charging down the hill with six companies of troops, convinced that he was facing the main attack. As the southern column reached the slopes behind him, he realized his mistake and tried to regain the central redoubt, but his forces were cut off. The British were split into small pockets of resistance, and all were forced to surrender. Meanwhile, General Wayne had fallen with a head wound. Thinking he was dying, he asked his men to carry him to the top so he could see the American victory. Fortunately, he survived to drive the British from America's Northwest Territory in 1794-96.

The British soldiers now called for quarter, but under the rules of warfare at the time, night attackers were not required to grant their enemies mercy. There had been several infamous British massacres of Americans by that time in the war: Wayne's troops at Paoli, Baylor's Massacre, the Hancock Massacre, and six other incidents. But the Continentals did not avenge themselves; they called on the Redcoats to throw down their arms, and took them prisoner. The British vessels in the river, which included the soon-to-be-infamous "Vulture," slipped their cables and headed south toward New York.

At 2:00 a.m., on July 16, Wayne sent the following message to General Washington: "The fort and garrison with Colonel Johnson are ours. Our officers and men behaved like men who are determined to be free." The victory at Stony Point greatly moralized the American forces in all theaters of battle, but Washington wisely determined that his relatively smaller force could not hold the captured post without taking away troops needed at West Point. The Americans destroyed the fortifications and moved out the armaments.

General Clinton briefly reoccupied Stony Point, but when winter came he abandoned it. He also called a halt to British operations in Connecticut, and concentrated most of his manpower along the lower Hudson Valley to keep a close eye on the unpredictable George Washington. Only once again would he dream of capturing West Point, and this time it was by treason. But that, too, failed, and the HMS Vulture again slipped her cables and sailed down the Hudson, carrying the fleeing traitor Benedict Arnold to a meeting with a very disappointed Henry Clinton.

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