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## **This Week You Need To Know**

### **The Congress Must Tackle Hyperinflationary Blowout**

**by Jeffrey Steinberg**

Whether they like it or not, whether they are ready to face the music or not, sometime very soon, the 535 men and women who make up the United States Senate and House of Representatives are going to be called upon to deal with the worst global financial and monetary shock collapse in modern times. Under the best of circumstances, such Senate-led action will occur under vastly improved conditions at the White House—the removal from office, by some combination of impeachment, resignation due to medical problems, or Republican Party patriotic intervention—of Vice President Dick Cheney and President George W. Bush. If the total financial and monetary meltdown occurs prior to that, as is far more likely, the burden on the Members of the Senate and House will be all that much greater.

Lyndon LaRouche noted frankly, in a Sept. 23 interview, that "this kind of emergency action, we must admit, is contrary to the inclinations of the Congress and most key Congressional advisors. But the survival of this nation and the majority of human beings on this planet depends on the willingness of at least some leaders of the Senate and the House to face this tough nut. Survival sometimes depends on the courageous action of a relatively small handful of individuals in leading positions."

LaRouche added, "The Greeks could not prevent the Peloponnesian War from erupting for the same reason that Members of Congress, at this time, refuse to consider the alternatives to disaster, even though the alternatives have been clearly spelled out. Throughout history, we have seen nations self-destruct because their leaders accepted prevailing moods, and refused to take the kinds of necessary steps to lead their people to safety."...

***Complete article, PDF format***

## **Latest From LaRouche**

### **LaRouche Briefs Media:** **Government Can Control Today's Hyperinflation**

*This is an excerpt from an interview given by Lyndon LaRouche to talk show host Jeff Rense of Genesis Communications Network, on the evening of Sept. 21.*

*Rense:* What are your latest observations on the scene in our nation's capital?

*LaRouche:* Well, I think you have now got a rate of inflation, which is hyperinflationary. We're in a world situation which is like Germany in 1923. And you just look at the rate at which prices are rising, and you realize that this is not going to go on too much longer. We're near the end of the game.

*Rense:* How can it go on any longer? I mean—look, as you know, Lyndon, you've been saying this for many, many years, before anyone else I can remember, that the day of accounting is coming soon. These people continue to create money out of virtual cyberspace, with a few keystrokes on a computer. Not a care *in the world*, about trying to consider a way to pay it back, balance the budget, or any of the other old clichés we like to talk about.

*LaRouche:* Yes, well, there's a certain amount of madness. I think you can say that the people who are running the world right now, are insane. They don't care much about anything, they're just running things. They're hysterical. Cheney is in deep trouble, physically, as you know. He's got some physical problems, there—surgical problems.

*Rense:* It's said that he may have had a heart transplant a year ago. I don't know. But the man does seem to be invisible most of the time, that's for sure.

*LaRouche:* The man's—he's dangerous. He's not too bright. He's vicious—he's only a tool. He's only a tool. You've got a financial crowd that's running the world, which is, in my view, clinically insane. The President of the United States, I've said, he's a mental case. And this thing is rolling along. It's largely negligence on the part of a lot of people who should have known better.

Right now, you've got, in the Congress and elsewhere, you've got people who are out of the ether—especially in the Senate—who are beginning to move. But, I just hope that we're moving in time....

**[complete article, pdf format](#)**

## InDepth Coverage

Links to articles from

**[Executive Intelligence Review](#), Vol. 32, No. 38**

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## Feature:

### **[Hyperinflationary Patterns: Inflation Runs Wild](#)**

**[by Lyndon H. LaRouche, Jr.](#)**

The world is presently gripped by a hyperinflationary wave-front of a Riemannian type. The situation is already comparable, at its primary-commodities 'spear point,' to Germany during the second half of 1923, with the other categories, such as consumer prices generally, on the way to being driven to overtake the effects seen currently in the domain of primary commodities being led, as a pack, by wildeyed petroleum-price speculation.

## **LaRouche Briefs Media**

### **Government Can Control Today's Hyperinflation**

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**Rense:** What are your latest observations on the scene in our nation's capital?

**LaRouche:** Well, I think you have now got a rate of inflation, which is hyperinflationary. We're in a world situation which is like Germany in 1923. And you just look at the rate at which prices are rising, and you realize that this is not going to go on too much longer. We're near the end of the game.

## **LaRouche PAC Testimony**

### **Put a Lid on Prices; Re-Regulate Energy**

This testimony was presented by Marcia Merry Baker of the LaRouche Political Action Committee, for the record, at the hearing of the U.S. Senate Committee on Commerce, Science, and Transportation, Sept. 21, on energy pricing.

# **LaRouche Webcast:**

## **LaRouche's Dialogue With The Senate Continues**

In last week's EIR, we published Lyndon LaRouche's opening remarks to a Sept. 16 webcast in Washington, D.C., on the theme of 'Revolutionary Transformation After Hurricane Katrina,' and the first question from the audience, which was on how the U.S. Senate should proceed to rebuild after the hurricane. Here, we continue with the dialogue, which was moderated by LaRouche's spokeswoman, Debra Hanania Freeman. The video of the webcast and a transcript are available at [www.larouchepac.com](http://www.larouchepac.com).

# **Economics:**

## **In a 'New TVA,' Housing May Be the Biggest Project Needed**

**by Paul Gallagher**

A million Americans among those displaced from their homes by Hurricane Katrina, currently have no homes to return to in Mississippi, Louisiana, and Alabama—the nation's highest poverty states, in which both the value of the homes destroyed, and the household income and wealth of those who lost them, were very far below what the overheated U.S. housing bubble has been demanding for new homes. The Gulf Coast region could become relatively depopulated, its poorer evacuees driven to relocate elsewhere and stranded for years in 'temporary housing,' unless there is a large, and rapid, Federal-state investment in the 'resettlement' of those Americans in their home states. The investment must be made—and it could be the largest single demand of a 'Marshall Plan' or 'New TVA' for the Gulf states.

## **Gulf Coast Ports and Rail Must Be Rebuilt**

**by Mary Jane Freeman**

Sixteen days before Hurricane Katrina hit the Gulf Coast states, Mississippi's Port of Gulfport announced that it had set an annual tonnage-shipped record in 2005, thus securing its position as the '3rd busiest container port' on the U.S. Gulf of Mexico. Then Katrina hit on Aug. 29, and five days later, on Sept. 3, the port's executive director Don Allee sent an e-mail: 'We took a direct hit. . . . Our east pier facilities have basically been gutted. Total loss of dry cargo facilities ([for] forest products, aluminum, paper). [They] are nowhere to be found.' He found port materials strewn three to four miles away in the next town.

## **Interview: Michael Parker**

### **'We've Had 40 Years of Total Disregard For the Future—And We're Paying for It'**

Michael Parker has been a five-term U.S. Representative from Mississippi, 1989-99; and served as Assistant Secretary of the Army for Civil Works (chief of the U.S. Army Corps of Engineers) from October 2001 until March 2002. President George W. Bush asked Parker to resign as Army Corps chief because of Parker's public criticism of significant cuts Bush was making to the Army Corps budget for economic infrastructure. Parker was interviewed on Sept. 21 by Richard Freeman, about the disastrous impact of Hurricane Katrina on infrastructure, and the principles for reconstruction.

## **Interview: Gary P. LaGrange**

### **'Category 5 Levees Should Have Been Built'**

Gary P. LaGrange, a New Orleans native, has been Executive Director and CEO of the Port of New Orleans since 2001. Previously, he was the Executive Director of the Mississippi State Port Authority at Gulfport from 1999-2001, and of the Port of South Louisiana in 1997. In each of these positions, he initiated state-of-the-art capital improvement projects, upgrading these Gulf Coast ports. LaGrange was interviewed by Mary Jane Freeman on Sept. 14.

## **How the Netherlands Prepared for A 10,000-Year Disastrous Flood**

**by Richard Freeman and Nina Ogden**

In February 1953, a powerful storm surge from the North Sea created a disaster in the southwest provinces of Zeeland, principally, and South Holland, secondarily, in the Netherlands. There were 1,835 people killed, and 70,000 evacuated; 10,000 head of livestock drowned, and 4,500 buildings were destroyed. Within three weeks, a commission was functioning, which formulated a far-ranging plan for flood protection. The Netherlands government acted boldly and decisively to implement this plan, known as the Delta Works, during the next decades.

(For more on the Dutch Project, go to: [www.keringhuis.nl/engels/home\\_noflash.html](http://www.keringhuis.nl/engels/home_noflash.html))

# **National:**

## **The Congress Must Tackle Hyperinflationary Blowout**

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Whether they like it or not, whether they are ready to face the music or not, sometime very soon, the 535 men and women who make up the United States Senate and House of Representatives are going to be called upon to deal with the worst global financial and monetary shock collapse in modern times. Under the best of circumstances, such Senate-led action will occur under vastly improved conditions at the White House—the removal from office, by some combination of impeachment, resignation due to medical problems, or Republican Party patriotic intervention—of Vice President Dick Cheney and President George W. Bush. If the total financial and monetary meltdown occurs prior to that, as is far more likely, the burden on the Members of the Senate and House will be all that much greater.

## **Why LaRouche Opposes The Roberts Nomination**

On the eve of the Sept. 22 Senate Judiciary Committee vote on President Bush's nomination of John Roberts for Chief Justice of the U.S. Supreme Court, Lyndon LaRouche declared that Roberts was unqualified for the job, because he opposes the fundamental principle of the general welfare, which is enshrined in the Preamble of the U.S. Constitution.

## **How To End 'The Wrong War at the Wrong Time'**

**by Michele Steinberg**

'The Iraq adventure was the wrong war, at the wrong time, waged with extraordinary incompetence by the civilian leadership. . . . Success as defined by our civilian leadership three years ago is out of reach,' stated Gen. Joseph P. Hoar (USMC, ret.), the former head of the U.S. Central Command (CENTCOM), at an 'informal,' bipartisan Congressional hearing called on Sept. 15 by Congresswoman Lynn Woolsey (D-Calif.), on defining an exit strategy from Iraq.

- **'Speak Out' and Restore Life to Our Democracy**

On Sept. 12, extraordinary commentary was given by two of Washington's most accomplished diplomats in the Arab and Islamic world, Hon. Charles Freeman, the former U.S. Ambassador to Saudi Arabia, and Dr. John Duke Anthony, president and CEO of the National Council of U.S.-Arab Relations, who spoke at the closing panel of 14th annual conference of the Council, entitled 'Restoring Arab-U.S. Trust in a Time of Turbulence and Reforms.' Both speakers spelled out a time of tragedy for the United States, in which the present Administration has failed the American people abroad, with its adventurous policies, and at home, as demonstrated by the devastation of the Gulf Coast by Hurricane Katrina.

- **Documentation**

### **We Pay More for Young People To Die, Than To Live**

The following exchange between Rep. Charlie Rangel (DN. Y.), who served in the Korean War, and former Sen. Max Cleland (D-Ga.), who served in the Vietnam War, occurred during the Sept. 15 hearing convened by Rep. Lynn Woolsey (D-Calif.) on finding an exit strategy for Iraq.

# International:

## **GERMAN ELECTION**

### **Upset for Neo-Con Merkel; Increase for LaRouche Vote**

**by Rainer Apel**

German neo-cons received a big shock when the Sept. 18 election for national parliament did not give them the expected mandate for forming the new government. With only 35.2% of the vote, the opposition Christian Democrats (CDU) of neo-con candidate for Chancellor, Angela Merkel, came in well below the 40-42% they had envisaged. Even if the 9.8% of the Free Democrats (FDP), Merkel's preferred choice as coalition partner, were added—a 'black-yellow' coalition (black for CDU, yellow for FDP)—this would only bring the total up to 45% of the vote, and would not enable her to deliver the 'regime change' which the Bush-leaning Merkel wanted.

## **Helga Zepp-LaRouche**

### **We Must Have an All-Out Dresden Election Effort**

Civil Rights Movement Solidarity (Bu"So) National Chairwoman Helga Zepp-LaRouche issued the following statement Sept. 19, calling for an all-out mobilization by the Bu"So to win the Dresden-I district part of the Sept. 18 national parliamentary election, which had to be postponed to Oct. 2.

## **Profile: Roman Herzog**

### **When Might Makes Right: A New Legal Philosophy**

**by Elke Fimmen**

Elke Fimmen is chairman of the Civil Rights Movement Solidarity party (Bu"So) for Bavaria. This article appeared first in the weekly Neue Solidarita't on Sept. 14, prior to the Sept. 18 Federal election.

## **Documentation: North Korea**

### **Joint Statement From Six-Way Nuclear Talks**

These are excerpts from the text of a joint statement issued after the six-nation talks on North Korea's nuclear-weapons program on Sept. 19. The full statement appeared in Yonhap News of Beijing.

## **Law vs. Brute Force: The Fight Over Iran's Nuclear Program**

**by Muriel Mirak-Weissbach**

Leading figures in the U.S. Administration, and among its international allies, have been priming an international crisis as a pretext for military action in Iran—the war plan of Vice President Dick Cheney. The immediate focus of U.S. Secretary of State Condoleezza Rice and newly appointed Ambassador to the United Nations John Bolton, is to have the International Atomic Energy Agency (IAEA) refer the issue of Iran's nuclear program to the UN Security Council.

# **U.S. Economic/Financial News**

## **U.S. Capital Inflows Dominated by Hedge Funds and City of London**

The supposedly good news, presented by the U.S. Treasury on Sept. 16, was that foreign capital flows into the U.S. during the month of July remained strong. They amounted to \$87.4 billion, the second-highest this year. The U.S. dollar rose on that day, based on the assumption that foreigners seem to be ready to finance even a U.S. trade deficit in the range of a \$1

trillion per year.

However, the country-by-country breakdown of the Treasury figures reveals that there has been a dramatic shift in the composition of foreign investors. Until recently, most of the capital flowing into the U.S. from abroad was the by-product of currency interventions by Asian countries, leading to the build-up of giant holdings of U.S. government bonds and agency bonds at the central banks of Japan and China in particular. However, month by month, the combined share of the City of London, where thousands of hedge funds have been set up in the last few years, as well as that of the unregulated financial offshore centers is increasing. Out of the \$87.4 billion capital inflows in July, \$50.4 billion had been delivered by Britain (\$25.8 billion), and the three most important offshore centers—the various Caribbean Islands (\$11.5 billion), the Bahamas (\$8.6 billion), and the Cayman Islands (\$4.5 billion). Capital inflows from all Asian countries totalled \$27.8 billion, headed by China (\$13.8 billion), Hong Kong (\$5.1 billion), and Japan (\$4.9 billion).

While most of the offshore centers were continuing their fire-sales of U.S. Treasuries in July, the type of security accounting for, by far, the largest net purchases by foreigners in that month, was agency bonds (\$37.8 billion), that is, the debt titles issued by the mortgage finance institutes Fannie Mae and Freddie Mac. Net purchases of U.S. Treasuries amounted to \$28.5 billion, while those of corporate bonds plunged to \$25.0 billion.

## **Speculators Rushing into New York Mercantile Exchange**

According to a Sept. 20 column in the *Washington Post*, NYMEX is seeing "a torrent of cash flooding in from speculative investors," "speculative 'hot money' chasing big returns," "like steroids, pumping up prices and leading people to talk about super-spikes to \$100 a barrel or more.... But because buyers and sellers of physical oil and gas rely on prices set at the NYMEX, large amounts of speculation can artificially boost prices," according to *Post* writer Ben White.

"Over the last five years, there has been a huge move by money managers to own hard assets," said David P. Prokupek, CEO of Geronimo Partners, a hedge-fund and money-management firm. "There is a substantial amount of capital in the commodities market that has nothing to do with oil production."

## **Companies Announce Additional Massive Layoffs**

Manufacturers and airlines slashed more jobs, on top of the fall-out from Hurricane Katrina. Meanwhile, of course, the Bush Administration says the U.S. economy is in a "recovery."

\* Mass layoffs have hit more than 1 million workers so far, from January through August, which does not include the impact of Katrina. Just in August, over 127,000 workers lost jobs from mass layoffs, with auto industry employment falling by 4,400.

\* Sony announced the cutting of 10,000 jobs and the closure of 11 plants.

\* Goodyear said it is closing plants, reducing manufacturing capacity by 8-12% as part of a plan to cut costs by \$1 billion over the next three years.

\* Delta Airlines announced its plan to emerge from bankruptcy by cutting 9,000 jobs over the next two years. This is on top of \$5 billion in previously targetted cuts.

\* Bankrupt Northwest Airlines will lay off 1,400 flight attendants between Oct. 31 and January 2006.

\* The number of people unemployed due to Hurricane Katrina and seeking unemployment benefits is 214,000.

## **Dairy Farmers Being Driven Out of Maryland**

Dairy farmers are being driven out of Maryland by the real-estate bubble and the collapse of industry. The state has been losing farms at twice the national rate due to high value of farmland. Maryland had 4,000 dairy farms in 1970; 3,000 by 1980; 2,000 by 1990; 1,000 by 2000, with only 643 left today. Some speculate there will be none remaining by 2010.

The number-one reason for the exodus of dairy farmers, is the high price real estate "developers" are willing to pay for farmland—as much \$300,000 for 2-3 acre lots. Some farmers are selling their farms and then establishing new farms in North Carolina and Alabama, where it is cheaper to operate.

## **World Economic News**

### **Experts: Avian flu Pandemic Is a Certainty**

Representatives from dozens of national and international organizations packed an auditorium at the Woodrow Wilson International Center for Scholars in Washington Sept. 19, to hear the dire warnings of two experts, that an avian flu pandemic is a certainty. Michael Osterholm, director of the Center for Infectious Disease Research and Policy, and Helen Branswell, medical writer for the Canadian Press Agency, pulled no punches as they presented the alarming statistics about the confluence of circumstances which will lead to, not just a global pandemic, but a global economic meltdown as well.

According to Osterholm, the nature of the flu virus and its hosts, like the nature of Hurricane Katrina, means a natural disaster is inevitable. But, unlike Katrina, it need *not* be massively catastrophic. He was convinced, however, that even with a focussed and concerted international effort, there wasn't time to make enough changes and develop the infrastructure and technology to avert this particular pandemic.

The major blame, said Osterholm, is the global, "just-in-time" economic system, which has rendered nations unable to amass even the bare necessities to avert catastrophe—vaccines, surgical masks, food, clean water, etc. When the flu strikes, countries will close borders and hoard medical resources, but almost no countries have all the necessary resources within their borders, due to the multinational nature of manufacturing. People, panicked about catching the flu, will hunker down, refusing to go to work, leaving national economies in a shambles.

Osterholm emphasized, it's not about money any more—building infrastructure takes time. The global economy will collapse, "the levees will break if we don't act now."

The audience of high-level bureaucrats, while concerned, showed little understanding of how dire circumstances really were. The idea of preemptively changing the economic system to avert this catastrophic meltdown, was not even imaginable by most.

### **Prominent Banker Warns of New LTCM**

Another LTCM disaster is just around the corner, stated the head of the German financial supervision agency (BaFin) Jochen Sanio at a New York bankers conference on Sept. 22, organized by Goldman Sachs. The theme of the conference was identifying the ten top risks to the global economy. In front-page coverage on Sept. 23, London's *Financial Times*

noted that Sanio warned "that it was only a matter of time before there was another Long Term Capital Management, the hedge fund that was bailed out in 1998." Sanio is quoted saying: "It will happen. And nobody at the moment is prepared for it. That is why I am scared as hell."

## **A World Awash in Liquidity Keeps Brazil Afloat**

The principal reason that Brazil's markets, exchange rate, and country-risk rating have remained (relatively) calm, despite the political crisis paralyzing the country, is that international markets are awash with liquidity, and therefore "investors" continue to be willing to take risks, the Brazilian daily *Valor* commented on Sept. 13. In speaking with reporters in Basel, Switzerland the day before, Brazilian Central Bank chief Henrique Meirelles admitted this was the case, baldly asserting that "structural changes" in the world markets ensured such liquidity would continue.

Meirelles was in Basel for a Sept. 12 meeting of top central bankers at the Bank for International Settlements (BIS). Various Brazilian dailies reported that the central bankers insisted to Meirelles (himself, the former president of FleetBoston's global operations) that if Brazil expected to survive the political crisis and international "turbulence," it must finally adopt the Central Bank autonomy which Congress has refused to approve—and no excuses would be accepted. One outcome of the political crisis, in fact, should be Central Bank autonomy, a group of bankers was reported to have told Meirelles.

## **United States News Digest**

### **Louisiana Delegation Calls for 'Project Pelican'**

On Sept. 22, the two Senators from Louisiana, Mary Landrieu (D) and David Vitter (R), unveiled their legislative package for disaster relief and recovery, a bipartisan plan which had been previously announced at a press conference a week earlier, held by the entire Louisiana Congressional delegation.

At the Sept. 15 press conference, the Louisiana delegation had called for a program of rebuilding Louisiana's hard and soft infrastructure and housing, requiring about \$100 billion in investments. Landrieu said, "Our delegation is completely united today in our effort to lay down for our colleagues, both Democrats and Republicans, a plan to begin rebuilding Louisiana and the Gulf Coast." Though "Marshall Plan" is the term being applied to several Senate rebuilding proposals, the Louisianans call their plan "Project Pelican," because of the pelican's habitation of the Gulf area and its ability to carry "food aid," i.e., fish, in its large basket-like beak.

The delegation's plan: \$20 billion needed for the rebuilding and upgrading of New Orleans' levee and flood-control system; \$14 billion needed to reroute watercourses and rebuild wetlands along the coast, a grand project to defend the land from hurricane storm surges; \$50 billion in rebuilding grants to cities and communities, emphasizing elementary and secondary school construction, new hospital construction, and broad aid to the rebuilding of housing; and financial aid to schools taking in displaced pupils, at \$4,000 per student.

The legislation introduced by Landrieu and Vitter is called the Hurricane Katrina Disaster Relief and Economic Recovery Act. One of its more significant aspects is the establishment of a PELICAN (Protecting Essential Louisiana Infrastructure, Citizens, and Nature) Commission, which would allocate \$40 billion to the Army Corps of Engineers to implement "needed hurricane protection, flood control, coastal restoration, and navigation projects ... without having to come back to Congress for any other approval." The PELICAN Commission will direct the Corps to develop within six months, and annually thereafter, a work plan for designing and implementing these projects.

In the House, parts of the plan will be separately introduced by members of the Committees on Appropriations, Ways and Means, Transportation and Infrastructure, Education and the Workforce, and Financial Services.

## **Reid and Pelosi: 'A Marshall Plan for the Gulf States'**

Senate and House Democratic Leaders Harry Reid (Nev) and Nancy Pelosi (Calif), joined with the Mississippi Congressional delegation in a joint press conference on Sept. 15, to demand that Congress act to create a TVA-style Cabinet-level agency for a \$200 billion Gulf Coast reconstruction plan.

Reid, who opened the press conference, said, "We didn't leave Europe in ruin after World War II. We didn't leave San Francisco in rubble in 1989. And we shouldn't tell the people of the Gulf Coast that Katrina is their mess and they need to clean it up.

"We can do better. We support an American Marshall Plan to rebuild the Gulf, one that partners the resources and the know-how of the government with the vision and leadership of the people who live there.... We will rebuild the Gulf Coast, and billions of dollars, billions of taxpayer dollars will be spent in the process. We Democrats want to be certain that the money goes to help the victims, not to enrich the contractors."

Pelosi also noted pointedly that: "The Gulf Coast region does not deserve to be treated as a laboratory for political opportunism or ideological experimentation," referring to neo-con Heritage Foundation and right-wing Republican intentions.

## **Clinton, Kerry, Edwards Hit Bush Policies**

Former President Bill Clinton was interviewed twice on Sept. 18, on ABC's "This Week," and on NBC's "Meet the Press," in which he strongly warned against the rampant U.S. borrowing to pay for the Iraq war, the Afghanistan war, and now the Katrina disaster.

"I've gotten four tax cuts, in the top 1% since 2001," said Clinton on ABC, and these are responsible for "the big structural deficit." Americans have to understand that "that means every single day of the year, our government goes into the market and borrows money from other countries to finance Iraq, Afghanistan, Katrina, and our tax cuts. We have never done this before. Never in the history of our republic have we ever financed a conflict, military conflict, by borrowing money from someone else." Depending on China, Japan, South Korea, and the Middle East to lend us money for these matters is "wrong."

He also said, about the U.S. policy in Iraq, "it's not working right now, at least," adding, "I did not favor what was done" in Iraq, but only favored giving the power to use force *if* it was necessary because Saddam Hussein "never did anything he wasn't forced to do." The U.S. lost credibility, and the administration then decided to "launch this invasion virtually alone and before the UN inspections were completed, with no real urgency, no evidence that there were any weapons of mass destruction there...."

On Sept. 19, Sen. John Kerry (D-Mass) and his 2004 running mate, former Sen. John Edwards (D-N.C.), unleashed their own blasts against Bush. Speaking at Brown University, Kerry lit into Bush for the Katrina tragedy: "If 12-year-old Boy Scouts can be prepared," then why not the "59-year-old President of the United States?" Jabbing Bush for never admitting a mistake, Kerry pointed out that Bush taking responsibility for the Katrina mess was a first, adding that, "admitting you have a problem is the first step to recovery"—an oblique reference to Bush's mental illness. Kerry painted a vivid picture of people stranded by the hurricane, and then enumerated, in timeline fashion, all the warnings that Bush ignored. This is

"the Katrina Administration" which has the ideology of "every man for himself," Kerry charged; he promised to present a real solution for reconstruction in the near future.

Speaking in Washington, Edwards went after the longer-term policies of increasing poverty that we have seen from the Bush Administration. Edwards had made his own trip to the Gulf Coast where he described helpless, and hopeless men, standing outside the emergency centers, every morning at 5 a.m., because they heard that a truck picking up day-laborers would come by to give them work. The job trucks had not come. Edwards says Bush is wrong about saying the people want a "Wealth America." We want a "Working America." On Sept. 18, in Iowa, Edwards called for an FDR-style Work Projects Administration to give jobs to the poor.

## **Cheney Should Give Up His Halliburton Financial Interest**

Senator Frank Lautenberg (D-N.J.) has repeated his call for Dick Cheney to forfeit his continuing financial interest in Halliburton, noting that all of Cheney's 433,333 stock options are now worth \$9.2 million. In addition, Cheney has received between \$162,392 and \$205,298 in deferred salary each year he has served as Vice President.

## **Rumsfeld Blocks Witnesses in 'Able Danger' Hearing**

Despite the fact that the Pentagon had ordered military and civilian personnel involved in the Able Danger data-mining program not to testify, the Senate Judiciary Committee went ahead with a Sept. 21 hearing on the military intelligence program which reportedly had identified Mohamed Atta and three other of the 9/11 hijackers during the 1999-2000 period. On three occasions, Able Danger officials were blocked from sharing their information with the FBI, and the data was later destroyed.

Sen. Arlen Specter (R-Pa), the committee chairman, accused the Defense Department of "stonewalling," and charged that DOD actions "may be obstruction of this committee's activity." Sen. Joseph Biden (D-Del) said that he does not understand the purpose of the DOD's cover-up. On Sept. 1, the DOD had acknowledged that it had found five people who recalled seeing the Able Danger chart.

Rep. Curt Weldon (R-Pa), the lead-off witness, said the DOD was using denial, deception, threats to DOD employees, and character assassination.

Two of those who were barred from testifying under what is being called "Rumsfeld's gag order," were introduced at Specter's request; these were Army reservist Lt. Col. Anthony Shaffer, and a defense private contractor, J.D. Smith. Their lawyer, Mark Zaid, did testify, and he described the Able Danger program as far as he could, while not disclosing classified information. Saying he wanted to clear up two misconceptions from the media, Zaid said that: (1) there was no information that Atta was physically present in the U.S. in 1999-2000; (2) there was no information that there was any criminal or terrorist activity taking place.

It is clear that Rumsfeld and the Pentagon are desperate to keep more information about the Able Danger program from being made public, raising questions as to what else is being covered up. One of Shaffer's and Smith's lawyers told *EIR* that only about one-fourth of what Able Danger was involved in, has so far come to light.

## **BRAC Commission Report to Congress; Rejection Urged**

President Bush sent the Base Realignment and Closing Commission (BRAC) report to Congress on Sept. 15, with his certification of approval. Congress has 45 days in which to decide to reject it, otherwise it becomes law.

Sen. John Thune (R-S.D.), who had vigorously opposed the BRAC plan while Ellsworth Air Force Base was on the closure list, is still undecided about whether he's going to pursue his amendment to delay BRAC when the defense authorization bill comes back to the Senate floor.

Senate Armed Services Committee Chairman John Warner (R-Va) is reportedly having second thoughts about BRAC as a result of Hurricane Katrina, however, given the size of the military deployment to the affected area. He suggested that, in light of that fact, the base closing recommendations should be reviewed. Sen. Trent Lott (R-Miss) and Rep. Solomon Ortiz (D-Texas) had written to President Bush, asking him to overturn the recommendations to close Ingleside Naval Station in Texas and Pascagoula Naval Station in Mississippi, both of which have played a large role in the rescue and recovery operations after the hurricane.

On Sept. 20, Rep. Ray LaHood (R-Ill), introduced a resolution to reject the BRAC report. During a speech on the floor of the House, LaHood gave two reasons for rejecting the base closure report: One, the country is at war; and, two, bases (meaning Air National Guard units) cannot be closed without the consent of the state's governor. The 183rd Fighter Wing of the Illinois Air National Guard is based in Springfield, in LaHood's district, and is slated to be closed.

The House Armed Services Committee has scheduled a mark-up on LaHood's resolution for Sept. 27.

## **Specter, Reid Urge Bush To Keep O'Connor on High Court**

President Bush should leave Justice Sandra Day O'Connor on the Supreme Court until next June, when the 2005-06 term ends, Sen. Arlen Specter (R-Pa), said on Sept. 21. "I talked to her, and she's prepared to do that if asked," said Specter, the Chairman of the Senate Judiciary Committee, after attending a meeting at the White House. Senate Democratic Leader Harry Reid's office said that he agrees. But Senate Majority Leader Bill Frist (R-Tenn) disagreed, and urged Bush to announce his choice to replace O'Connor over the next ten days, in order to try and get the nominee confirmed before the Thanksgiving recess.

## **Ibero-American News Digest**

### **Will Kirchner Give a 'Haircut' to IMF Debt?**

An unconfirmed report is circulating, that prior to October's Congressional elections, Argentine President Nestor Kirchner will announce that he intends to write down the \$11.5 billion Argentina owes to the IMF. This has already caused panicked commentary among anti-Kirchner banking and financial sectors that are howling about what a terrible precedent this would set.

As the IMF and World Bank prepared to go into last weekend's annual meeting, they had the knives out for Argentina. The World Bank's *World Economic Outlook*, released Sept. 21, is filled with demands that Argentina implement more "structural reform" or suffer another crisis similar to 2001-2002. It warns that Argentina's "elites" must have good investment opportunities, and complains about the "poor" quality of the country's institutions. World Bank President Paul Wolfowitz warned Sept. 21 that Argentina won't enjoy the "benefits" the Bank offers, unless it quickly makes a deal with the IMF—something Kirchner is in no hurry to do.

In Sept. 21 remarks to Radio Continental, Foreign Minister Rafael Bielsa had some choice words for the World Bank report. Yes, Argentina's institutions need strengthening, but what is in crisis is "international institutionality," he said. Perhaps there are some truthful parts of the report, he added, "but to make dogma out of what these very discredited

institutions say doesn't suit us." He concluded, "I always take the warnings of these multilateral institutions with a grain of salt, because they come from old bureaucracies that have to justify their salaries, and more often than not, the prescriptions they make are incorrect."

## **Argentine Bond Auction Cancelled**

Argentina cancelled its Sept. 21 auction of dollar-denominated 2015 Boden bonds, after the "market" demanded unacceptably high interest rates. Against the backdrop of intensifying global financial turbulence, and renewed pressures from the IMF for deeper austerity, the Kirchner government had planned to auction \$800 million worth of the 10-year Boden 2015 bond at an annual rate not exceeding 8.4%. But when investors, led by Deutsche Bank, demanded a rate of 8.9%, the government stopped the auction. Finance Minister Roberto Lavagna underscored that the 8.9% rate "was above what is justifiable for Argentina's current economic context." He also pointed out that comparable Brazilian bonds carried a rate of 7.38%, ridiculing the claim that Argentina represents a greater investment risk than Brazil.

The Finance Ministry's official communique said the auction had been abandoned, "consistent with [Argentina's] policy of not accepting yields that aren't aligned with the international market situation." The country's financial needs "will be covered through alternative means of financing," it stated.

## **Brazil's Foreign Minister Warns vs. Attempts to Divide South America**

The South American Community of Nations can be the "motor" by which to achieve continental integration, said Brazilian Foreign Minister Celso Amorim. Speaking in New York Sept. 16, he continued to make clear Brazil's displeasure with U.S. provocations in the Southern Cone, while also making an overture to Argentina, whose President Nestor Kirchner hasn't always been able to rely on Brazil's support. Amorim said Brazil is working "with our primary partner in the region, Argentina," to promote a "prosperous, integrated, and politically stable" South America. The Common Market of the South (Mercosur) could serve as a model for broader cooperation as well, he said.

Unmistakably addressing the Bush Administration's efforts to provoke a war in the region (see "Argentina, Brazil Take Steps To Halt Bankers' Wars and Looting of South America," in last week's *Indepth*), Amorim called for Mercosur to devise its own common "defense and security doctrine." Reporting that he had spoken that morning with his Paraguayan counterpart Leila Rachid, who had assured him there would be no U.S. military base in her country, Amorim indicated that "President Lula recognizes that there has been tension with Paraguay." He also admitted that for smaller partners Paraguay and Uruguay, Mercosur has "been a source of disappointment" because of trade and economic disparities. "Now we must have a policy to reverse" those problems, he said.

Asked by *Istoe* magazine (Sept. 21) about a possible U.S. military base on Paraguayan territory, Amorim delivered a new warning: "It is a similar situation to the apparent economic negotiations outside Mercosur." He went on to say that Brazil and other Mercosur nations must "occupy the space positively, [and] provide equipment and military training. In fact, Mercosur has to accelerate the development of a policy of common defense, in order to inhibit the intentions of other countries."

Paraguayan Vice President Luis Castiglioni, who met with Vice President Dick Cheney in Washington on June 10 to set the provocation in motion, continued to strut around like a cock: The only thing Mercosur is good for is to allow "the Presidents to meet every six months, have their pictures taken, and make grand declarations," Castiglioni pronounced. Paraguay hasn't yet analyzed the possibility of leaving Mercosur, he said, but it's something "we don't rule out."

## **British Arms Producer a Pinochet Moneybags**

Britain's largest arms producer, BAE Systems, funnelled millions of pounds to former Chilean dictator Gen. Augusto Pinochet up until last year. The money went through a front company in the Virgin Islands. BAE is under investigation by British authorities for money laundering and false accounting. A Chilean judge is pursuing Pinochet for tax evasion. Chilean prosecutors, through a court order, obtained U.S. bank records from 1994-2004. The records show that Coutts & Co., whose Latin American division is now owned by the Spanish bank, Banco Santander, had accounts managed by Pinochet's financial adviser, Oscar Aitkin. The bank received millions into its Miami accounts.

## **Mexico's Fox Collapsing in Aftermath of Minister's Death**

Mexico's Minister of Public Safety, who headed national anti-drug operations, the Chief of the Federal Police, and a member of the National Human Rights Commission who had been receiving death threats for weeks from the head of the Gulf cartel, along with six others, died in a helicopter crash on Sept. 22, as they headed to the top security prison in Mexico City, for swearing-in ceremonies for a recently-formed national prison security force. The Fox government maintains that bad weather caused the crash (the helicopter crashed into a mountain in dense fog), and its spokesmen demand the media not feed the obvious rampant "speculation" that this was no accident. Mexican police commanders have been dropping like flies, in drug cartel murders around the country. A few days ago, the director of Public Security of the state of Michoacan became the latest official to be assassinated.

Compounding the resulting sense of crisis spreading in the country, is the fact that President Vicente Fox is an emotional wreck. Public Safety Minister Ramon Martin Huerta, killed in the crash, had been Fox's political controller since he first entered politics. When informed of the crash, the President, instead of taking charge, reportedly asked to be left alone, and when he addressed the nation later that evening—repeating the line that bad weather was the cause—he was practically crying.

## **Western European News Digest**

### **Standard & Poor's Demands Austerity for Germany**

According to the Sept. 21 edition of the *Financial Times*, the rating agency Standard & Poor's put out a statement on Sept. 20, saying that Germany's political crisis threatens to put its credit rating at risk. It stated, "To secure Germany's creditworthiness, any new government needs to quickly address the most pressing stabilization and reform needs faced by the federal republic." S&P in particular urged fiscal reform and changes to the welfare system, in essence, the austerity program of the Merkel-led Christian Democrats. It warned that Germany's public debt would reach 67.6% of gross domestic product this year, the highest level among triple-A rated governments.

### **Campaign Against Schroeder Is Getting Dirtier**

With the CDU Chancellor candidate Angela Merkel's own options narrowing, with the possibility she would not even be part of a Grand Coalition, a massive media campaign to neutralize Gerhard Schroeder has begun. His claim to remain as Chancellor, is a burden for a future Grand Coalition, it is "not compatible with democracy," the propagandists claim.

In particular, the front-page lead in the *Frankfurter Allgemeine* daily Sept. 23, likened Schroeder to Putin, speaking of the "Putinization" of Schroeder. And Germany's mass-circulation populist daily *Bildzeitung* had a front-page story, depicting Schroeder as dressed in a Roman toga, with the banner headline: "Gerhard Julius Caesar."

Apart from the fact that this kind of propaganda implies there is a Brutus somewhere in the SPD that would help to oust

Schroeder, the propaganda drive is, naturally, covering up the fact that Merkel's days may be numbered, and that there are plenty of Brutuses in her own CDU just waiting for the chance to get rid of her.

## **Italy Feels the Effects of the German Vote**

The first effects of the German vote against Angela Merkel and her radically monetarist neo-con program are clearly visible in the Italian political situation. The crisis already in progress—a consequence of the collapse-dynamic of the euro system—has taken an unexpected turn, with the resignation of Finance Minister Domenico Siniscalco Sept. 21, and his replacement by Former Economics and Finance Minister Giulio Tremonti, who is thus making a spectacular comeback one year after he was forced to leave.

Siniscalco explained his resignation as motivated by the opposition to his budget-balancing program from within the government. Siniscalco is a pro-Maastricht technocrat and his resignation is the logical consequence of the fact that the Italian government has decided to blatantly ignore the Maastricht deficit constraint of 3% in the next months, leading to the general elections in spring 2006. The Italians have learned the German lesson: To push for Thatcherite policies in an election year means political suicide. This means that the Maastricht-euro system will further implode. The comeback of Tremonti, a well known "eurosceptic" and a supporter of "Colbertist," and even trade-protectionist measures, underscores that.

The other factor playing a role in the crisis is the scandal around the Bank of Italy: The central bank has in the past jealously defended the privileges of Italian private banks, which are also shareholders in the Banca d'Italia. For instance, in the case of major consumer frauds such as the Parmalat or Argentinian bond issues, central bank chief Antonio Fazio has prevented any reform which would reduce such privileges. At the same time, he has successfully prevented the system from being "colonized" by foreign banks.

However, another faction in the Italian system, which is in favor of radical globalization, has allied with foreign banks for a takeover of the Italian system. As the effort to takeover Antonveneta, a regional bank, through the Dutch conglomerate ABN-Amro, was defeated by Fazio, Fazio's adversaries decided to destroy him with irregular-warfare weapons, i.e., a judicial investigation. Independent from the judicial aspects of the question, the scandal around Fazio has forced the issue of the extra-constitutionality of the Bank of Italy, whose governor can neither be appointed nor fired by government or Parliament. So far, the government was split on the issue of a reform.

Siniscalco's resignation and Tremonti's comeback mean that Fazio's enemies have been defeated, but Fazio's allies have not won either. It was Tremonti, in fact, who pushed for a reform of the Bank of Italy in 2004, in the aftermath of the Parmalat scandal. Expect more turbulence and non-linear developments in the next months.

## **Russia and the CIS News Digest**

### **Russia Freezes Gas Prices**

Russian Industry and Energy Ministry spokesman Stanislav Naumov announced Sept. 19 that LUKoil, Sibneft, Rosneft, TNK-BP, Tatneft and Surgutneftegaz, the country's largest oil companies, have agreed to freeze prices on gasoline until at least the end of this year. Heads of the companies met on the matter that day with Minister of Industry and Energy Victor Khristenko, after a Sept. 9 resolution in favor of a price freeze for agricultural enterprises passed the State Duma unanimously, and Presidential Representative for the Far East Federal District Konstantin Pulikovskiy warned that gasoline and fuel-oil prices were making it impossible to prepare for winter in that area. Duma First Deputy Speaker Lyubov Sliska of the majority Unified Russia bloc, had warned that the current harvest and upcoming winter crops planting were

endangered by the recent gasoline price surge. Vagit Alekperov, head of LUKoil, told the press the move would stabilize prices and "make them independent of world prices," but Sliska and others worried aloud that the freeze is at too high a level to solve the economic problems involved.

In parallel with attempts to shield domestic oil users from inflated world prices, the Russian government is considering tax changes to try to bring more of Russia's own oil production onto the domestic market. Under consideration at the Ministry of Economic Development and Trade, *Kommersant-daily* reported Sept. 12, are a reduction in the tax on fossil fuels extraction or institution of a lower tax rate for lower-quality oil extraction (to boost output), and lowering the excise tax on high-quality oil (supposedly to encourage more investment in refineries in Russia).

## **Russia Seeks To Boost Sagging Oil Output**

On Sept. 20, Industry and Energy Minister Khristenko sought President Putin's approval for "tax exemptions" for oil companies that explore new fields. In a partially televised cabinet meeting, Khristenko said that Russian crude output is growing at the twice the rate at which new reserves are being confirmed. After several years of double-digit growth in output from West Siberian fields, accomplished by using advanced technologies to extract oil from previously only partly exploited deposits, Russian oil production is expected to grow only 2-3% this year. Yuganskneftegaz, the main Yukos Oil production unit that was taken over by the state-owned Rosneft company, is experiencing zero growth.

## **Putin Meets Oil Execs in USA**

During his visit to the United States, where he addressed the United Nations General Assembly and, on Sept. 16, met with President George Bush, Russian President Vladimir Putin also met in New York with top executives from major multinational oil companies. Conoco/Phillips, ExxonMobil, and Chevron were represented at a group meeting with Putin, followed by one-on-one discussions between the Russian President and some of the executives.

The meetings were behind closed doors. Russian press pointed to development of the Shtokmanovskoye offshore natural gas deposit in the Barents Sea, as one agenda item. Gazprom CEO Alexei Miller was in Putin's delegation. Conoco/Phillips is reportedly seeking to buy a 20% stake in LUKoil. Putin spoke publicly about the "huge potential" for Russian oil and natural gas sales to the United States, which currently buys only 2% of Russian output.

## **Russia Opposes EU Resolution on Iran**

UN Security Council permanent member Russia announced its opposition to the "watered down" resolution on Iran, submitted by the European Union, on grounds it could open the way for referral of the nuclear program to the UNSC. "We are decisively opposed to an artificial exacerbation of the situation, including the transfer of this question to the UN Security Council," said Russia's statement to the International Atomic Energy Agency (IAEA) board in Vienna. Russian Ambassador Grigory Berdennikov commented on the second EU draft, saying, "It is a plane that does not fly."

The Russians had crossed out sentences citing Iran for non-compliance, because they could lead to UN Security Council referral, even though the UNSC was not named.

The U.S. may push for a vote, thinking it can get a simple majority (not guaranteed), but others, especially Germany, are insisting on consensus.

## **NED-Backed Group Pushes Separatism in Russia**

The "democracy" neo-con crowd in the U.S. is criticizing the Russian government for bringing criminal and tax charges against the Russian Chechen Friendship Society, which gets money from the National Endowment for Democracy (NED) and other U.S. groups linked to Zbigniew Brzezinski's destabilization operations against Russia. And the *New York Times* is complaining about the Russian actions. On Sept. 2, the head of the group's Information Center, Stanislav Dmitrievsky, was charged with inciting "ethnic and religious animosity" for publishing articles by separatist leaders. The group was also charged, earlier, with not paying taxes.

The group gets money from the NED—about \$170,000 since 2001. One Russian official says that the group gets foreign money to support "the interests of Chechen extremists."

## **Yekhanurov Confirmed as Prime Minister in Ukraine**

Yuri Yekhanurov received the endorsement of the Supreme Rada (Parliament) as Prime Minister of Ukraine, receiving 289 votes—56 more than he needed. The Sept. 22 vote followed President Victor Yushchenko's dismissal of Yulia Tymoshenko's cabinet on Sept. 8. Tipping the balance in favor of Yekhanurov's confirmation was support from Regions of Ukraine, the parliamentary bloc led by Victor Yanukovich, who initially won last year's Presidential election, but was ousted through the "Orange Revolution." On Sept. 19, Yushchenko met with Yanukovich for the first time in nine months, indicating that a new correlation of forces is coming together in an attempt to stabilize Ukraine. (See *EIR* of Sept. 23, 2005 and *EIR Online* of Sept. 20, for "The Orange Revolution Is Eating Its Own Children.")

## **Southwest Asia News Digest**

### **Iraqi Resistance Takes on Al-Zarqawi**

Who is really provoking civil-war-style conflict in Iraq? The question was thrust onto the front burner on Sept. 20, when the news broke that two British SAS troops opened fire on Iraqi police at a checkpoint in Basra, killing two. The Brits were disguised as Arabs, specifically as Arab Shi'ites associated with the militia of Moqtadar al-Sadr, wearing black turbans. Driving in a civilian car, they refused to halt at a checkpoint. After the shootout, they were arrested and jailed, while crowds of Iraqis assaulted British soldiers, throwing petrol bombs against a tank.

What happened next is confusing: Reports say that, after the British failed through diplomatic means to have them released, military units stormed the jail, breaking down a wall, and rescued the two. Other reports say the two were not in the police station jail, but had been taken to a house by insurgents, where they were then released.

Both the government of Iraqi Prime Minister Ibrahim al-Jaafari, and the British occupying forces, have moved to cover up the entire affair, lest some unpleasant, politically explosive truth emerge about what the special forces are indeed up to in Iraq.

Parallel with this development, forces of the Iraqi resistance reportedly moved to eliminate the activities of what is referred to as the al-Qaeda-linked insurgents, under the leadership of al-Zarqawi. According to a report in the *Neue Zuercher Zeitung* on Sept. 22, written by its well-informed Limasol-based correspondent, the Iraqi resistance is issuing threats against the al-Zarqawi groups of foreigners, and demanding they leave Iraqi soil. The reason given is clear: Whereas the genuine resistance has targetted occupying forces and those Iraqis (police and military) considered collaborators, the al-Zarqawi operation has systemically bombed and shot up civilians, often sending suicide bombers into crowded market places or even mosques.

Al-Zarqawi had officially announced his intention of escalating such brutal attacks against "all Shi'ites," that is, to unleash

a civil war among different religious sects. The message came in a September 14 Internet communiqué. However, as the *NZZ* notes, a week later, al-Zarqawi made known a change in his position, through leaflets distributed in Baghdad; he said that al-Sadr's group was excluded from the Shi'ite targetting, because al-Sadr had correctly opposed the U.S. as well as the Iraqi government.

The response of Moqtadar al-Sadr was highly significant: A spokesman stated that the al-Qaeda faction was merely trying to drive a wedge between different Shi'ite formations, and that it was among the worst of enemies. In the event al-Zarqawi should fall into their hands, said al-Sadr's spokesman, they would "tear him up into pieces."

Furthermore, the *NZZ* cites press reports, based on Sunni resistance sources, that al-Zarqawi's civil war declaration has exacerbated relations between the two camps, to the breaking point. "Any thought of a war by means of attacks against the civilian population, is rejected" by the resistance, writes *NZZ*. As a result, former Ba'athists and pro-Saddam Hussein military units had threatened the al-Qaeda group, and sent it packing. They were also fed up with the fact that the al-Zarqawi's troops had falsely taken credit for attacks against the occupying forces.

This new turn of events could lead to dramatic developments. If the implications of the British SAS operations in Basra are thoroughly investigated, it may emerge that, as many in Iraq and the rest of the Arab world have mooted, those stoking the fires of civil strife are indeed the secret services of foreign powers: the U.S., the UK, and the Israelis. No less a personality than Saudi Foreign Minister Prince Saud al-Faisal delivered a similar assessment, in a speech Sept. 20 at the U.S. Council on Foreign Relations, in which he charged that the U.S. policy of dealing with Iraq through competing sects and ethnic groups—the Shi'ites and the Kurds, for example—would only lead to civil war; that, in turn, he said, would destroy Iraq as a nation, and hand over its single parts to regional powers, like Iran and Turkey.

If the implications of the British SAS incident are properly investigated, this might also finally lead to the identification of the mysterious al-Zarqawi; if, indeed, he is to be considered part of the al-Qaeda networks, the origins of that operation should be recalled to mind. It was the Anglo-American intelligence networks that set up the capability under Osama bin Laden, in Afghanistan, that later became known as al-Qaeda.

## **New Investigation of Sharon for Election Law Violations**

Following media reports that Israeli Prime Minister Ariel Sharon raised \$200,000 in campaign funds while in New York City, Israeli Attorney General Menachem Mazuz announced he will examine the case. Mazuz has already received complaints from several Knesset members, as well as from the Movement for Quality Government in Israel.

The report on Israeli Channel 10 TV said that Sharon's money was collected at a dinner given by Nina Rosenwald, the scion of the Rosenwald family corporate empire, the center of which is Sears Roebuck, and top financier of the Likudnik neocons. Among the guests were 15 of the wealthiest Jewish businessmen in the U.S. Each had to fork over \$10,000 in advance, so Sharon could say he did not collect any money at the event. Nonetheless, Israeli election law states that donations of more than \$7,800 are illegal. The money will help Sharon in the Likud primaries, which could be held soon, and where Sharon will face Benjamin Netanyahu.

The invitation that Rosenwald sent out read, "Sadly, Sharon does not enjoy the financial backing that Netanyahu has garnered over the last several decades from many leaders of the international financial community. Therefore, we are asking if you might donate a fully tax-deductible contribution of \$10,000 per couple to a not-for-profit organization that operates throughout Israel, and has been particularly effective in bringing people to the polls. All contributions must be received before the event. Please help. The future of Israel is literally at stake."

The activities of Nina Rosenwald bring us directly to the center of the neo-conservative movement. She is a member of the Committee on the Present Danger along with George Shultz and James Woolsey. She is a trustee of the Hudson Institute and Freedom House, vice president of the Jewish Institute of National Security Affairs (JINSA), a board member of the American Israel Public Affairs Committee (AIPAC) and the Washington Institute for Near East Policy, and chairwoman of the Middle East Media and Research Institute, better known as MEMRI, which is run by Israeli "terror expert" Col. (ret.) Yigal Carmon.

One of the paying guests was New York real-estate magnate Larry Silverstein, who owns such properties as the ill-fated World Trade Center and the Queens, N.Y., Runway 69 strip club. Silverstein has also been a big supporter of Netanyahu, and was famous for promoting a Free Trade Export Zone in the Negev. This was the brainchild of the Jerusalem Institute for Advanced Strategic and Political Studies, which also produced the notorious "Clean Break" paper. Both Netanyahu and Sharon were big supporters of the Zone, but Israeli institutional resistance killed the project, because it was feared the it would become a money-laundering center.

## **Israelis Pursue Policy of Confrontation with Iran**

Former Mossad director Dr. Uzi Arad, Sharon's Foreign Minister Silvan Shalom, Israeli Foreign Ministry spokesperson Mark Regev, and Yuval Steinitz, head of the Knesset Foreign Affairs and Defense Committee, attacked Iran, and EU and Russian actions concerning Iran, according to a Cybercast News Service roundup datelined Jerusalem, Sept. 23.

Mark Regev said that, "Iran has had a strategy of stretching things out as long as possible with the goal of developing its nuclear program to the point where no one can stop them." Yuval Steinitz said that "Europe and Russia were not fulfilling their commitments to refer the issue to the UN Security Council." Foreign Minister Shalom claimed in a speech to the UN this past week that "Iran and its nuclear ambitions were the central threat to the global security." He also "called on the international community 'to use all means at its disposal' to stop Iran from gaining nuclear capabilities." Former Mossad Director Arad "earlier this year" said that "Western leaders would probably have to decide this year how they were going to deal with Iran."

## **Controversy Over Source of Deadly Gaza Strip Blast**

During a Hamas military parade in the Gaza Strip on Sept. 23, an explosion killed 19 and injured 85, with 15 of the wounded being children. There are conflicting reports from the media: Hamas claims the explosion was a rocket strike from an Israeli drone; but President Mahmoud Abbas's Fatah group reportedly chided Hamas for holding a military parade in the Jabalya refugee camp, saying that weapons in the parade exploded.

Sami Abu Zuhri, a Hamas spokesperson, threatened retaliation against Israel, saying, "this is a massacre, a real carnage, and we will avenge it." He also rebuked the Palestinian Authority for implying the incident was an accident caused by a collision between two vehicles carrying explosives, saying, "How could some PA officials deny the obvious and acquit the Zionist enemy of the crime?" Senior Hamas official Nizar Rayyan said, during a press conference, that he and other leaders saw Israeli drones hovering over the parade, and that the weapons in the parade were fake, and could not have exploded.

# **Asia News Digest**

## **Six-Party Talks on North Korea Issue Joint Statement**

On Sept. 16, the participants in the Six-Party Talks issued their first joint statement since discussions began two years ago,

in which North Korea agreed to end nuclear weapons programs, in return for a U.S. pledge of security, as well as economic and energy benefits. Pyongyang also agreed to return "at an early date to the treaty on the non-proliferation of nuclear weapons (NPT) and to IAEA (International Atomic Energy Agency) safeguards."

The full text rules out the military option, which U.S. Vice President Dick Cheney has often refused to do, and drops Cheney's repeated demand for unilateral North Korean disarmament, citing instead the Asian principle of simultaneous sequencing, "commitment for commitment, and acts for acts." The statement makes no mention of North Korea's "secret uranium program," Cheney's allegation which was the cause of this manufactured crisis since September 2002. It states that all signatories "respect" the right of the North to peaceful nuclear programs, previously denied, and even mentions "provision of light water reactors" to the North. These issues were left vague, and both the U.S. and the North Korean regimes immediately staked out their own interpretations in the days following the agreement.

The parties, the agreement also states, "will negotiate a permanent peace regime on the Korean Peninsula at an appropriate separate forum" and "explore ways and means for promoting security cooperation in northeast Asia." This is a reference to the South Korean call for a peace treaty to finally end the Korean War. Both the U.S. and Japan (which was not a party to the 1994 Clinton accord) agree to normalize relations with the DPRK (North Korea).

The statement was hailed by the South Koreans and Chinese as a "breakthrough." U.S. negotiator Christopher Hill called it a "turning point," saying: "The problem is not yet solved, but we hope it can be solved eventually through this agreement."

## **Indonesian, Iranian Presidents Meet in New York**

Indonesian President Susilo Bambang Yudhoyono met with Iranian President Mahmoud Ahmadinejad on the sidelines of the UN Summit in New York in September, establishing several new energy deals between the two nations. The Indonesian President asked his Iranian counterpart to help Indonesia increase its oil production by investing in oil refineries in Indonesia. President Ahmadinejad promised to instruct the relevant ministers in his cabinet to take whatever appropriate action was possible to meet it. This development came in spite of Bush Administration efforts to separate the nations, by portraying Indonesia as "good Moslems," while demonizing Iran.

## **U.S. Makes Arrests in Philippine Spy Case**

The U.S. Federal Bureau of Investigation (FBI) arrested former Philippine National Police Senior Superintendent Michael Ray Aquino, and a Filipino-American FBI agent, Leandro Aragoncillo, for spying on behalf of high-level Philippine politicians. Aquino, known as an associate of Sen. Panfilo Lacson (a Presidential candidate in last year's election) fled the Philippines several years ago, amid rumors of connections to several political murders. He is now accused of passing on documents stolen by FBI agent Aragoncillo, documents concerning U.S./Philippines relations. Both were arrested Sept. 13.

Among the stolen documents was a secret contract signed by the Manila government with Venable, a Washington lobbying firm, to help sell (in Washington) President Gloria Macapagal Arroyo's scheme to change the Philippine Constitution to a parliamentary system, from the current Presidential system. The subsequent uproar in the Philippines over the hiring of a U.S. firm to promote such a purely sovereign issue, and in a foreign nation no less, has already forced the Philippine President to cancel the contract. The National Security Advisor to President Arroyo, Norberto Gonzales, has been detained by the Philippine Senate for refusing to reveal the source of the funds for the \$900,000 Venable contract.

Another of the pilfered documents is an April report by the U.S. Charge d'Affaires in Manila, Joseph Mussomeli, warning Washington of a military move to force Arroyo's resignation.

The U.S. is threatening to issue arrest warrants against three unnamed leading Filipinos, probably including Lacson, for participating in the spying. Some Filipinos, on the other hand, are demanding an investigation into whether some of the stolen documents were themselves the result of U.S. spying against the Philippines.

## **World Bank: Philippines Must Raise Taxes To Combat Poverty**

The World Bank reported Sept. 21 that the income gap in the Philippines is among the highest in Asia, with the richest 5% of households accounting for nearly a third of national income, while the poorest 25% of households earn only 6% of the income. The Bank's country director, Joachim von Amsberg, honestly states that the poor "are effectively excluded from social and economic development" of the country. Then, in classic World Bank form, Amsberg then blames it all on the government's failure to raise taxes. This economic hitman pontificates: "While sometimes perceived as anti-poor, raising more revenues through improved administration and policy adjustments, is in fact essential for building a strong state that is reliable and accountable in undertaking policies and programs that reduce poverty."

## **Africa News Digest**

### **U.S. Base Established in Southern Algeria**

The U.S. has established a base in southern Algeria, near Tamanrasset, housing 400 Special Forces troops, ostensibly for combatting terrorism, according to *La Canard Enchaîné* July 27. The article claims that the base has equipment capable of capturing communications by telephone (mobile and landline), satellite, and fax throughout Subsaharan Africa. Reports on the construction of the base had earlier appeared in some Algerian newspapers, but were denied by the Algerian government and the U.S. Ambassador to Algeria in March 2004. *La Canard* is quoted by *Liberte* (Algeria) Aug. 1.

The rationale for U.S. military interest in the Sahel and the Sahara—that they provide a good refuge for terrorists—is obviously false (they much prefer London, Paris, or Rome). This Cheneyite venture develops capability for more consequential thrusts in Southwest Asia now being planned, and could be used to keep a flood of desperate Subsaharan Africans from reaching Europe.

### **U.S. Presidential Delegation in Algeria**

A U.S. Presidential delegation in Algeria Aug. 18-19, led by Sen. Richard Lugar (R-Ind), the chairman of the Senate Foreign Relations Committee, included Gen. James Jones, Commander of EUCOM and Supreme Allied Commander, Europe. Algeria's *El Watan* Aug. 18, in covering the visit in an article titled, "Toward a Strategic Partnership," claimed that the project for so-called "peace and reconciliation" of President Bouteflika and the Algerian generals has "the major part in determining how closely the U.S. will attend to a country that counts as one source of energy security." *El Watan* refers to President Bush's "many conversations" with Bouteflika and Bush's constant emphasis on the importance of Algeria's anti-terrorist experience—namely, the generals' experience in prosecuting the dirty war of the 1990s.

### **'Dirty Peace' in Algeria To Consolidate Synarchists' Victory in Dirty War**

The Algerian synarchist coup of the 1990s, carried out in a dirty war by army figures who had once fought for the French *against* Algerian independence, is now to be consolidated by a "dirty peace." A referendum prepared by Algerian President Abdelaziz Bouteflika for Sept. 29 is a vote on his "Charter for Peace and National Reconciliation" to "enable Algerians to put a bloody past behind them." The charter will exonerate the killers and torturers in the army and those who directed them, forbidding investigation of their crimes. Reuters claimed Sept. 11 that the largest parties support a "yes" vote.

Bouteflika got Gen. (ret.) Larbi Belkheir out of sight by appointing him Ambassador to Morocco Aug. 23. Belkheir ran the dirty operation of the 1990s from behind the scenes as head of the Presidential cabinet. And some of Belkheir's key associates in crime—now aging—have been induced to resign or retire since then. That this could be done without a protest from "strongman" Belkheir (as it has), indicates just how pliable he has been in the hands of his international synarchist controllers from the beginning.

Key Algerians issued a statement Sept. 20 titled, "Not in our name, Monsieur Bouteflika," denouncing Bouteflika's charter as an attempt at a "dirty peace," and declaring that the authentic consolidation of peace requires truth and justice. Signators include former Army officers Habib Souaidia and Col. Mohamed Samraoui—both crucial in exposing the dirty war; former Prime Minister Abdelhamid Brahimi; and the former vice president of Sonatrach (the state oil company), Hocine Malti.

## **U.S.-Inspired Anti-Terrorism Conference in Khartoum**

A U.S.-inspired East African conference on fighting terrorism was held in Khartoum Sept. 21-22. Most of the conference was held behind closed doors, but the opening was televised throughout Sudan. Officially, CIA officials were only present as observers. Other observers included British and Chinese intelligence representatives. Sudan's President Omar al-Bashir, both Vice Presidents, and security chief Gen. Salah Abdullah spoke. The State Department still lists the government of Sudan as a sponsor of terrorism.

## **Unity Government Formed in Sudan**

Sudanese President Omar al-Bashir announced Sept. 21 the formation of a government of national unity in line with the Comprehensive Peace Agreement between the former Bashir government and the Sudan People's Liberation Movement signed in January. According to IRIN, Bashir's National Congress Party retained 16 of 29 ministries, including the energy, finance, and interior ministries. The SPLM had striven to obtain the energy (oil) or finance portfolio. It obtained the foreign ministry and eight other portfolios.

The *Monitor*, a Khartoum newspaper that expresses a southern point of view, responded to this news by calling for Salva Kiir, the southern leader who is now First Vice President, to step down. Other southern reactions are not yet known.

President Bush welcomed the formation of the government.

## **This Week in History**

### **September 27 - October 3, 1684**

## **Increase Mather Battles the British Crown To Save the New England Republics**

On Oct. 3, 1684, King Charles II of England revoked the Massachusetts Charter on the grounds that the colony would not tolerate the Church of England, and refused to enforce England's Navigation Acts. The degenerate King and his nobles and bankers were determined to bring all the American colonies under a centralized authority, the better to loot them, and the well-organized republican citizens of Massachusetts and Connecticut were the main obstacle to their plans.

The assault had begun more quietly in 1664, when the new King had sent commissioners to New England who were charged with "insinuating yourselves by all kind and dextrous carriage into the good opinion of the principal persons there, that so you may lead and dispose them to renew their Charters and to make such alterations as will appear necessary for their own benefit." The original charter of Massachusetts Bay had granted the settlers the right to govern their affairs in America, and not be subject to directives from London. Thus, the king at first was careful not to directly confront New England's independent status.

King Charles told his commissioners that their objective was "the general disposing that people to an entire submission and obedience to our government which is their own greatest security in respect of their neighbors and leading them to a desire to renew their Charters." This was indeed a difficult mission, since the Americans knew that the Royal Government had clandestinely encouraged the Indians to attack the settlers, and did nothing to defend them.

The objective of subjugating New England was so important that all looting had to be suspended for the moment, lest the sheer rapacity of the Royal minions alarm the colonists. "All designs of profit for the present seem unreasonable," said Charles, "and may possibly obstruct the more necessary design upon their obedience and loyalty." He continued that to the "sort of people which will be active in many projects for our profit and benefit, you must not be forwards too much, since most overtures of that kind are but airy imaginations, and cannot be put in practice by our own immediate power and authority, without manifest violation of their Charter."

By 1675, Charles had set up a new Privy Council committee which was called the Lords of Trade and Plantations, which would enforce the necessary looting policies. A Royal emissary, Edward Randolph, was sent to negotiate with the New Englanders. Randolph was also appointed as Collector of Customs, clearly demonstrating what his actual function was intended to be. He was rebuffed by the Massachusetts Bay Council, who treated him like a foreigner meddling in domestic affairs, and when Randolph demanded that Governor John Leverett answer the King's letter with all convenient speed, Leverett replied by asking "by what Order I made that demand." Randolph returned to London in high dudgeon and lobbied the Lords of Trade and Plantation for harsher measures against New England.

By 1682, the Crown brought a "quo warranto" against Massachusetts "for usurping to be a body Politick." When Randolph returned to Boston with the King's declaration, a Puritan minister named Increase Mather stepped to the forefront of the opposition to Royal rule. He issued a pamphlet entitled "Arguments against relinquishing the Charter," which was given to all the members of the General Court, (the Massachusetts Legislature) and also distributed to the general population. In it, Mather said that Massachusetts would "act neither the part of Good Christians nor of True Englishmen, if by any act of theirs they should be accessory to the Plot then managing to produce a General Shipwreck of Liberties."

King Charles finally revoked the Massachusetts charter in 1684, but died the following February. When his brother and successor, King James II, appointed Joseph Dudley as "President" of the Dominion of New England, Increase Mather and his allies continued to resist. Two years later, Mather was appointed President of Harvard College, and he and his republican circles succeeded in filling many offices under the new government. Edward Randolph, seeing that New England was still determined to resist Royal rule, now denounced Royal appointee Dudley as "a man of base servile, and anti-monarchical principle."

The monarchy's solution was to reveal the iron fist which wore the velvet glove — it appointed the despised Sir Edmund Andros to bring New England to heel. It was Andros who, as former Royal Governor of New York, had tried to conquer half of Connecticut and attach it to New York. Andros was also the son of the man who had driven Increase Mather from his post as chaplain on the Isle of Guernsey when Charles II came to power.

Andros soon eliminated the Massachusetts town meeting, except for one ceremonial meeting a year. The republican system of law was overturned by ending the printing of statutes and putting the colony under the arbitrary will of the

Crown. Under these repressive conditions, Increase Mather was secretly delegated to travel to London to plead the case of Massachusetts with the King. Word of this mission leaked out, and Edward Randolph had Mather arrested, but the jury let him go. Randolph tried again, but this time Mather, wearing a white cape, slipped by the Royal sentry watching his house and boarded a ship in Plymouth Harbor to sail for England.

Mather spent four years in England, from 1688 to 1692, and his initiatives on multiple fronts helped to develop a further basis for the future United States. He began negotiations with King James II on the Massachusetts charter the day after he arrived, for Mather was regarded as a person of consequence, and the king agreed to see him immediately. But within months, James was deposed by William of Orange, who invaded England with 15,000 Dutch troops in the so-called "Glorious Revolution." James was allowed to escape to France because he was the father of William's wife, Mary. The fact that Mary was next in line for the throne provided the rationale for William to be named King.

Mather worked with many in England who were favorable to the rights of the colonists. One of these was William Penn, whose colony of Pennsylvania would one day be the home of Mather's prot[\*233\*]g[\*233\*] Benjamin Franklin. Another was the Scottish Countess of Sutherland, a favorite of Queen Mary, who enabled Mather to speak directly to the Queen and ask for her help. Twenty years later, republican leader Jonathan Swift would obtain help for both England and the American colonies from Mary's younger sister, the future Queen Anne.

Although the rapacious and degenerate "Venetian Party" supported King William, the king was still too uncertain on his illegally-obtained throne to dismiss the support of the colonies. He met directly with Mather, and agreed to Mather's list of persons who should be appointed to Royal offices in Massachusetts. Although there was no way to avoid a charter which made Massachusetts a Royal Colony, Mather conducted a massive pamphlet campaign in England which argued for a large amount of self-rule. He succeeded in having the new charter guarantee the existence of the General Court, elected by the people and their representatives, and with the sole power to tax. The Royal Governor could use no funds except by the consent of the delegates.

But the new charter was only one of Mather's accomplishments in England. Writing of the year 1683 in Massachusetts, Mather said that "I promoted a design for a private philosophical society in Boston, which I hope may have laid the foundation for that which will be for future edification." His son Cotton called it "a Philosophical Society of Agreeable Gentlemen, who met once a Fortnight for a Conference upon Improvements in Philosophy and Additions to the Stores of Natural History." The society corresponded with scientists in Europe, including the English Royal Society, the French Academy of Science, Dutch scientists, and the circles of Gottfried Leibniz in Leipsig. It provided one of the models for Franklin's American Philosophical Society.

Increase Mather followed scientific developments closely, and when he reached London he met with his English correspondents. He spent many afternoons at the home of Robert Boyle, and the multifaceted scientist Robert Hooke, who was both Secretary of the Royal Society and an assistant to Boyle, would have been of special interest. Mather had used Hooke's work on the Comet of 1677 as a guide in his investigation of the visit of Halley's Comet in 1682. During Mather's time in London, Christiaan Huygens of the French Academy of Science and an associate of Gottfried Leibniz, visited London and met with many of the same members of the Royal Society that Mather was seeing almost weekly.

Mather had carefully read Hooke, Tycho Brahe and Johannes Kepler, and agreed with Robert Hooke that if exact observations of a comet's parallax could be obtained, the return of a comet could be accurately predicted. Mather pointed to the need of precise astronomical observations from several points of the earth, and wrote that comets move "in an higher Sphere" than the planets. Such European-American scientific cooperation would come to fruition in the next century when the Transit of Venus was tracked on both sides of the Atlantic, and one of the participating American scientists was Professor John Winthrop.

Also while in England, Mather said that he "procured in Donations to the Province and the College at least Nine Hundred Pounds more than all the expenses of my Agency came to." Conversations with his friend Thomas Hollis resulted in a large donation to Harvard College to establish, following Mather's suggestion, the Hollis Professorship of Mathematics and of Natural and Experimental Philosophy. The chair was filled by Professor John Winthrop, a prot[\*233\*]g[\*233\*] of Cotton Mather, whose research in electricity inspired Benjamin Franklin to study the subject. Winthrop's Harvard course taught classical scientific method, and included hydrostatics, optics, conic sections, spherical trigonometry, "with the general principles of Astronomy and Geography, viz. the doctrine of the Sphere." Winthrop's students included three leaders of the American Revolution — John Adams, Samuel Adams and John Hancock.

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