

# EIR

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2001: U.S. Economy's Bad Year Points to Worse Ahead  
U.S. Electioneering for Fall 2002 Begins in Denial  
Anglo-Americans Rattled by Argentine Bank Raids

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Washington Webcast of 2002**

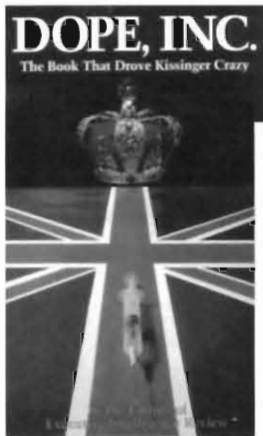


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## From the Associate Editor

All around the world, there are people at the very highest level of governments, who know that Lyndon LaRouche is right, in the two things he is saying right now that make people *the most nervous*: 1) that the Sept. 11 attack was a coup d'état launched by forces within the U.S. military and foreign policy establishment; and 2) that the so-called "recession" is actually a phase in a total, systemic collapse, like nothing any of us living today have ever experienced.

These people, and many others, were tuned in to LaRouche's Jan. 24 webcast seminar, our *Feature* in this issue.

There are some leading figures—mostly abroad—who are willing to say publicly that LaRouche is right. Read the important speech (p. 46) by Egyptian strategic analyst Dr. Mahmoud Khalaf, a retired Major General. At a conference in Cairo, he expressed his gratitude to LaRouche for stating forcefully and publicly what he himself believed must be true about the Sept. 11 coup: "Yes, there was a penetration of the security system and the U.S. Armed Forces, and I will tell you how." The basic question he raises, is a simple one, which no U.S. public spokesman has answered: How could the U.S. intelligence community, which had an Executive Order dating back to the Clinton Administration to monitor al-Qaeda, allow the group to "slip under their noses" and plan, *for two years*, an operation of the scale required for the highly sophisticated attacks of Sept. 11? Any honest U.S. intelligence specialist would have to admit that the official story simply "doesn't wash." Yet either they are in denial, or they fear to say publicly what they know to be the truth.

The same goes for LaRouche's economic forecasts. Fed Chairman Greenspan has now declared that the recovery has begun. Do you believe him? Does anybody? See our *Economics* section for a truthful picture of the U.S. economic collapse, and reports on how the crisis is hitting other nations.

As LaRouche emphasizes in his webcast, the real issue now is leadership. The crisis is hard upon us. The political parties in the United States and Europe are a hopeless mess, incapable of providing that leadership. For people of good will, it's time to come out of the closet (or wherever they listen to LaRouche's webcasts with the shades pulled down, so the neighbors won't see), and to openly support him in his fight for the solutions that are so readily at hand.

*Susan Welsh*

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Washington, D.C.  
from over the  
Lincoln Memorial.*



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2001 will be remembered as the year they had to admit, "LaRouche was right"—about Enron, about Argentina, and about the U.S. debt bubble. 2001 was a year in which the economic indicators which were designed to only go up, began—often inexplicably to the disciples of Economics 101—to go down. The "expansion" turned into a "recession," which is actually a depression.

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## 2001: The U.S. Economy's Bad Year Points to Worse Ahead

by Richard Freeman and John Hoefle

On Nov. 26, 2001, the National Bureau of Economic Research declared that the U.S. economy had gone into recession in March 2001, thereby ending what it described as a ten-year expansion which began in March 1991. According to the NBER, which is considered the official arbiter of such things, the 120-month 1991-2001 expansion was the longest on record, topping the 92-month 1982-90 expansion and even the 106-month 1961-69 expansion. In its statement announcing that the "Great Expansion" of the 1990s had ended, the NBER suggested that the newly discovered recession might well be nearly over, noting that "most recessions are brief and they have been rare in recent decades." In fact, the NBER stated, the average length of the nine recessions since 1945 was just 11 months; since the announcement came eight months into the recession, a recovery was, on average, "just three months away." So much for forecasting by statistical "trends."

During the 2000 election campaigns, the cornerstone issue for both the Republican and Democratic parties was the economy, with both sides attempting to claim credit for the supposed boom. In doing so, both parties took any serious discussion of economic matters out of the debate. In the Presidential race, Bush and Gore outdid each other in promising to keep the expansion going, were they to be elected.

The only significant economic reality injected into the race came from Lyndon LaRouche, who had challenged Gore for the Democratic nomination. LaRouche warned that all of the economic happy-talk was nonsense; that the U.S. economy—measured in terms of its ability to sustain and reproduce the human race, rather than loot the human race of cheap imports and wealth—had been declining for three decades and was in the process of collapsing. LaRouche also warned that the attempt to keep economic reality out of the discussion would backfire, with the situation deteriorating rapidly once the election was over.

LaRouche's warning was quickly borne out. 2001 will be

remembered as the year they had to admit, "LaRouche was right"—about Enron, about Argentina, and about the U.S. debt bubble. From an economic perspective, 2001 turned out to be a very long year, a year in which reality began to settle in like a noxious fog, and a year in which the economic indicators which were designed to only go up, began—often inexplicably to the disciples of Economics 101—to go down. The "expansion" turned into a "recession," which is actually a depression.

### Phase Shift Downward in 2001

During 2001, the underlying U.S. physical economy deepened its ongoing decline into depression. For the past three decades, the physical economy had been contracting at the rate of 1% to 2% per annum, but during the past 12 months, especially from the period of July-August 2001 onwards, it experienced a dramatic *phase-shift* downward.

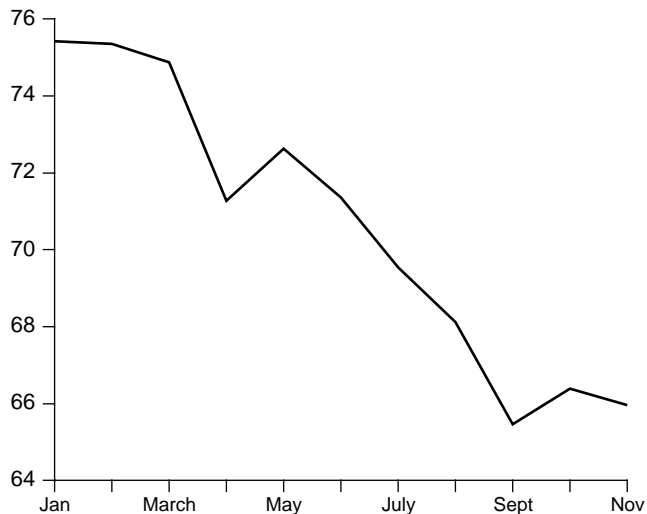
The root cause, in recent history, was the City of London-Wall Street financier oligarchy's imposition of a "post-industrial society" policy upon the United States in 1963-65. The policy instituted several ruinous changes. On Aug. 15, 1971, President Richard Nixon took the U.S. dollar off the gold reserve standard. This divorced financial flows from physical production, and built up speculative dollar markets. In October 1979, Federal Reserve Board Chairman Paul Volcker sent interest rates shooting up to a bank prime lending rate of 21.5% in November 1980. This permanently wiped out whole subsections of industry. The destructive effect was accelerated through the deregulation of the U.S. banking system in 1982.

Following the Russian government's move in August 1998 to declare a moratorium on its Treasury debt (GKO's), and the Sept. 23, 1998 melt-down of the Long Term Capital Management hedge-fund, which had over \$1 trillion in bad derivatives instruments outstanding, Federal Reserve Board

FIGURE 1

### Shipments Of U.S. Capital Goods Plunge Throughout 2001

(Monthly, Billions Of Dollars)



Source: U.S. Department of Commerce.

Chairman Alan Greenspan launched a “wall of money” policy. Greenspan turned on the printing press in an attempt to prop up the bankrupt world financial system. This began to launch a Weimar-style hyperinflationary explosion.

### Perverse Effects of Money-Printing

Throughout 2001, Fed chairman Greenspan cut the Federal Funds rate a record 11 times, increasing even the broadest money-supply measure at 13% annually in a frantic but futile attempt to flood markets, overpower an ongoing deflation of financial assets, and slow the rate of collapse of America’s agro-manufacturing base. But the policy produced the reverse effect, as LaRouche, at the outset of the year, had said it would. It encouraged *more rapid looting* of the underlying physical productive base in favor of “shareholder value,” sending the economy into a free-fall, as the following examples indicate.

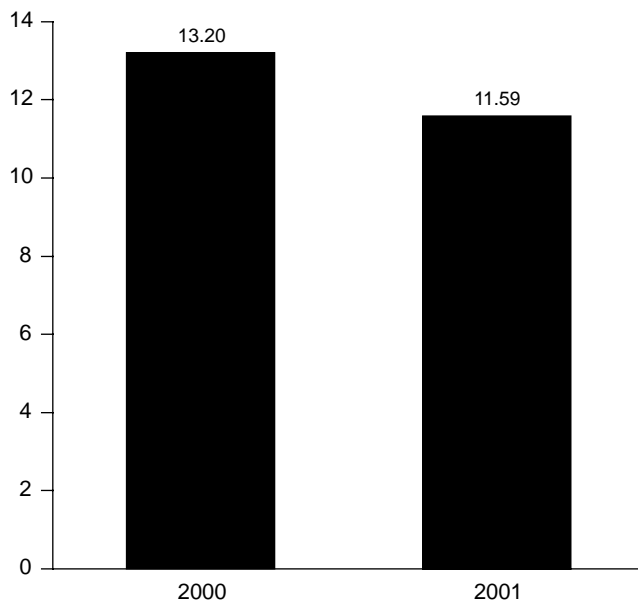
**Figure 1** shows monthly U.S. capital goods shipments. Capital goods are critical to an economy: for capital formation, industry purchases capital goods either to replace or upgrade its aging equipment. This should involve technological advance. The range of capital goods includes machine tools, tractors, cranes (also computers). Between January and November 2001, the monthly level of capital goods shipments fell from \$75.42 billion to \$65.96 billion, a fall of 12.5% in one year.

**Figure 2** shows North American auto production by the “Big Three” auto manufacturers—GM, Ford, and Daimler-Chrysler. From mid-September until the end of 2001, the Big

FIGURE 2

### U.S. ‘Big Three’ Motor Vehicle Production Collapses 12.2%

(Millions Of Motor Vehicles Produced)



Source: U.S. Department of Commerce.

Three offered zero-percent financing and other incentives to sell cars. Sales increased, but the incentives cut sharply into profits, costing the firms approximately \$2,000 per car. Despite higher sales levels than in 2000, Big Three auto production fell 12.2% in 2001. As the incentives become ineffective and are eliminated, production will be slashed deeply.

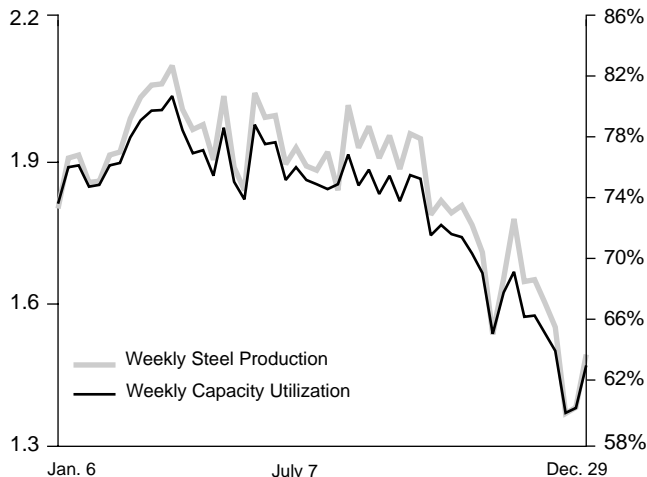
Major American steelmakers’ weekly raw steel production level, and their weekly capacity utilization rate, have both plummeted (**Figure 3**). For the week of March 24, U.S. steelmakers’ capacity utilization rate was an already relatively weak 82.7%, but by Dec. 29, it had plunged to 63.7%. **Figure 4** documents that annual raw steel production tumbled 11.5% from 2000 to 2001.

At the same time, the so-called high-tech sector was devastated. One example: according to consultant Gartner Dataquest, computer sales/shipments in the United States fell 11.2% in 2001, relative to 2000. In turn, U.S. computer production, by such giants as Compaq and Hewlett-Packard, fell by a similar magnitude.

The collapse of production lowered the United States’ ability to continue functioning; it also lowered profits. The U.S. Commerce Department’s report on corporate profits suffers from serious problems. The data include fictitious profits of many financial institutions, and even much of so-called industrial corporations’ profits come from real-estate and financial speculation, and from a variety of accounting tricks

FIGURE 3  
**U.S. Steel Production And Capacity Utilization Plummet Throughout 2001**

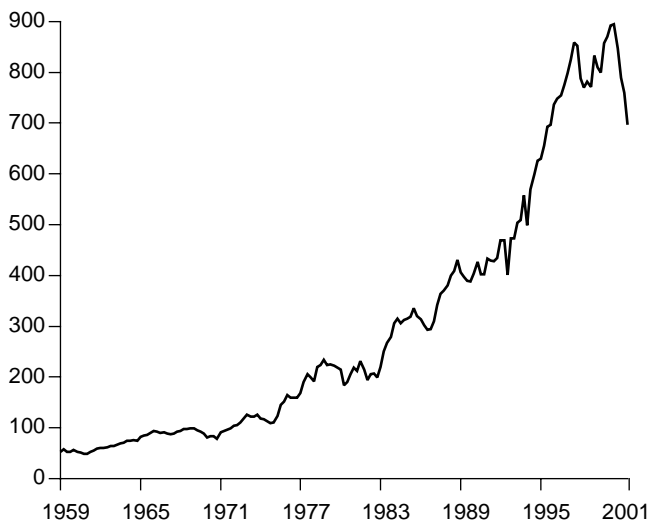
(Weekly, Millions Of Net Tons)



Source: American Iron and Steel Institute.

FIGURE 5  
**U.S. Corporate Profits**

(\$ Billions)

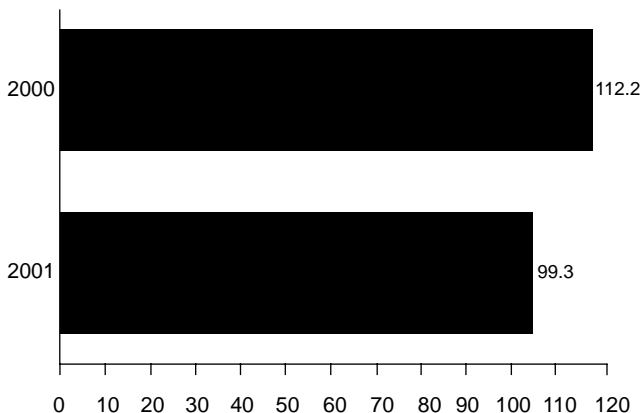


Source: Federal Reserve.

which are more of a reflection of the state of the bubble than of corporate health. Nonetheless, as **Figure 5** shows, the fiction of corporate profitability has broken down. And, as **Figure 6** shows for the year, the manufacturing companies—in this case, the manufacturers of durable goods—are falling faster than the financial companies, reflecting the manner in

FIGURE 4  
**U.S. Raw Steel Production Falls By 11.5% 2001 Compared To 2000**

(Millions Of Net Tons)



Source: American Iron and Steel Institute.

which financial looting is killing the productive economy, and ultimately the speculators themselves.

### Out of Work

How sharp a rise in unemployment flowed from the shut-down of U.S. production, in depicted in **Figure 7**. In December 2000, the Bureau of Labor Statistics reported that “official” U.S. unemployment was 5.653 million workers. The BLS official unemployment level leaves out major categories of unemployed. Nonetheless, by December 2001, even official unemployment had shot up to 8.259 million people, a stunning increase of 46% in one year. Note, that the greatest increase occurred after July, confirming *EIR*’s assessment of a dramatic *phase-shift* downward from July-August onward.

Between July 2000 and December 2001, a cumulative 1.527 million manufacturing jobs were eliminated from the U.S. workforce (**Figure 8**), with 1.322 million of them lost during 2001. Thus, of the 2.696 million workers who became unemployed during 2001 (**Figure 7**), half of those new unemployed were manufacturing workers. The manufacturing sector bore the brunt. This is the economic sector which produces that array of goods—from capital goods, such as machine tools, to consumer goods, such as food and clothing—which help sustain human existence. Thus, when manufacturing workers lose their jobs, the impact on their communities is multiplied by the loss of productive labor force/capacity for the United States economy. Most of that loss may never be restored.

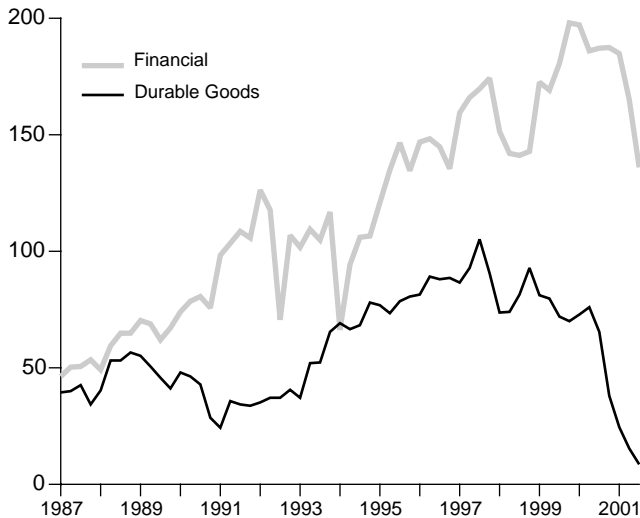
But the greatest impact of the 2001 U.S. slide on the global economy, is shown in **Figure 9**, charting the monthly level of U.S. physical goods imports. Between September 2000 and November 2001, the level of U.S. physical goods imports



FIGURE 6

### Corporate Profits: Financial Companies v. Manufacturers Of Durable Goods

(\$ Billions By Quarter, Annualized Values)



Source: Bureau of Economic Analysis, U.S. Department of Commerce.

tumbled by an extraordinary 15.3%. The reason for this is evident: As the U.S. physical economy contracts and living standards plunge, the United States cannot process and absorb the level of physical goods it used to. In recent years, the United States has functioned as the “world’s importer of last resort,” buying goods produced in other nations to compensate for declining domestic production; as global economic activity declined, these nations became increasingly dependent upon their exports to the United States for their survival. Thus the decline in U.S. goods imports reflects not just a domestic collapse, but a global one.

### Bubble Trouble

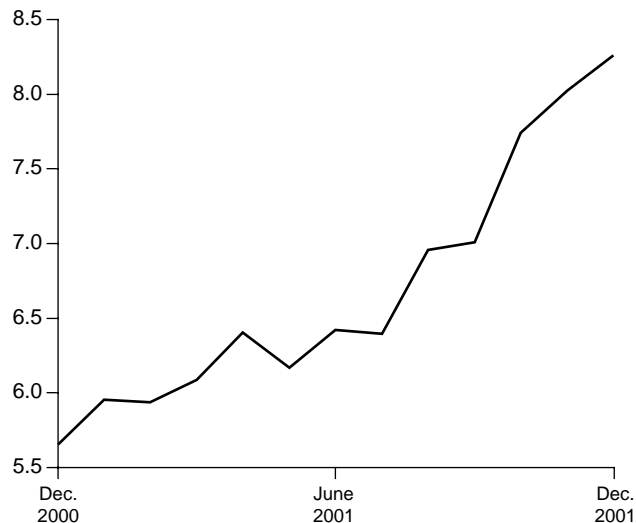
The global downshift during 2001 is also reflected in a number of financial statistics, particularly in the decline of stock markets around the world. **Figure 10** shows declines of 20% to 30% in most major countries, as measured by Dow Jones; the worst performances were elsewhere, but the 21% fall in the U.S. Nasdaq and the 13% decline in the S&P 500 reflect a much greater total “vaporization” of assets. For most of the major markets, 2001 represented a second, accelerated, year of decline.

The fall in stock values seriously damped the mergers and acquisition (M&A) market, since in recent years, wildly inflated stock prices had become the currency of choice for corporate takeovers, pushing that market to record levels. The dollar “value” of U.S. mergers fell by more than half in 2001: \$796 billion in 7,385 deals, less than half of \$1.8 trillion in 10,754 deals in 2000. Non-U.S. deals also fell sharply, to

FIGURE 7

### Official Number Of U.S. Unemployed Workers

(Millions)

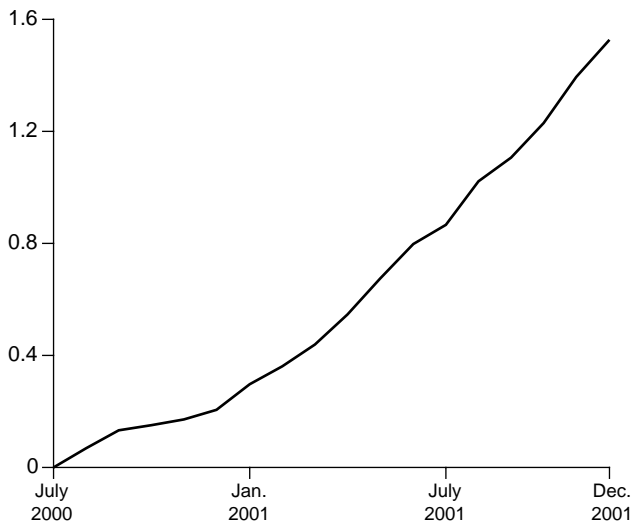


Source: U.S. Department of Commerce.

FIGURE 8

### The Cumulative Elimination Of U.S. Manufacturing Jobs Since July, 2000

(Millions Of Manufacturing Jobs)



Source: U.S. Department of Labor, Bureau of Labor Statistics.

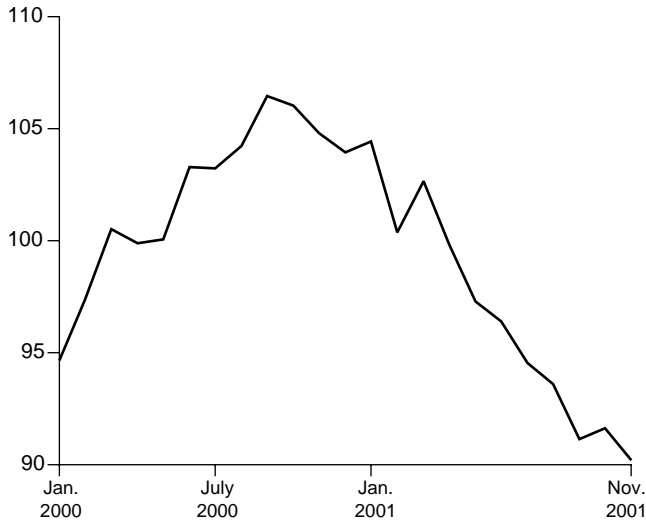
\$905 billion on 21,000 deals, from \$1.7 trillion on 26,000 deals in 2000 (**Figure 11**). Overall, the \$1.7 trillion in mergers announced was a 51% decline from 2000’s \$3.5 trillion.

2001 was also a bad year for Initial Public Offerings

FIGURE 9

### U.S. Is No Longer Able To Take in the World's Goods: Monthly Level Of U.S. Physical Goods Imports

(Billions Of Dollars)

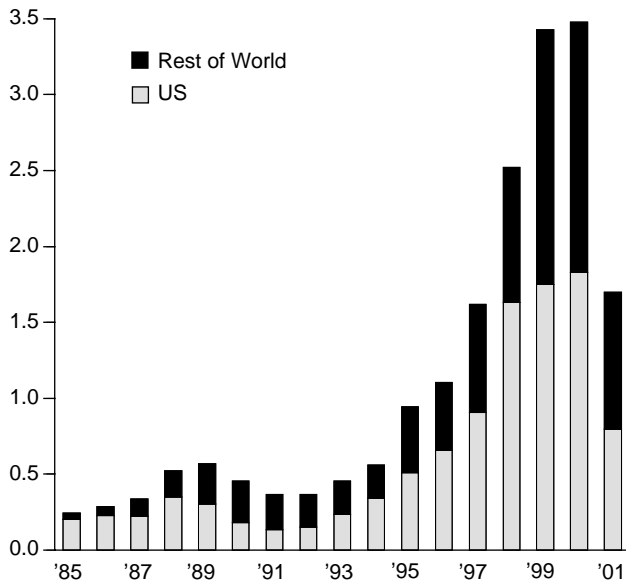


Source: U.S. Department of Commerce.

FIGURE 11

### Global Merger Frenzy Fizzles Annual Mergers & Acquisitions

(\$ Billions)



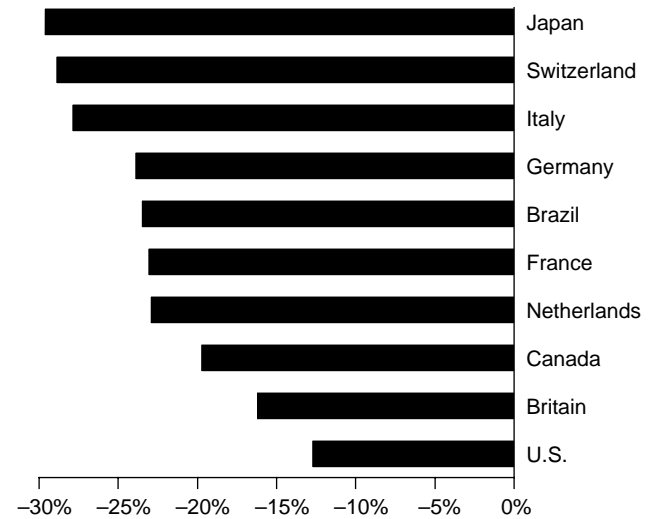
Source: Thomson Financial.

(IPOs), one of the most lucrative types of issuance from the standpoint of Wall Street investment bankers. The combination of the sharp drops in M&As and IPOs caused the dis-

FIGURE 10

### Global Stock Markets Fall In 2001

(Dow Jones Country Indices)



Source: Dow Jones.

closed fees of the Wall Street investment banks to fall to \$17.8 billion for the year, down from \$21.2 billion in 2000.

But the most dangerous of financial elements did rise in 2001. As of the third quarter, the latest for which statistics are available, the notional value of off-balance-sheet derivatives held by U.S. commercial banks, stood at \$51.7 trillion, an increase of \$12.9 trillion—33%—over the third quarter of 2000 (Figure 12). This gives the banks \$88 in derivatives contracts for every dollar of equity capital, a perilous condition in a financial collapse. Some \$24 trillion of those derivatives bets were held by just one bank, J.P. Morgan Chase & Co., with another \$9 trillion each at Citigroup and Bank of America.

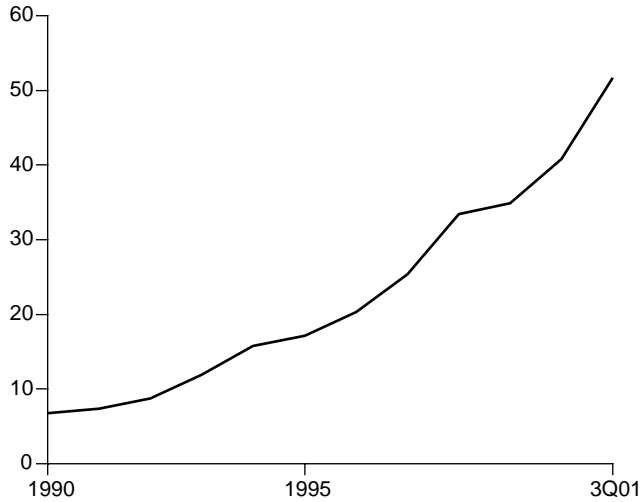
The dangers of such enormous derivatives exposures were suggested in J.P. Morgan Chase's fourth quarter financial report. At year's end, the bank reported \$694 billion in assets, an astonishing \$105 billion less than the \$799 billion reported just three months earlier, on Sept. 30. The bank's explanation was that the "majority of the reduction" in assets "reflects the resolution of the industry-wide clearing and settlement problems experienced in September." Since the existence of such industry-wide derivatives problems was denied after the Sept. 11 events, Morgan Chase's explanation raises far more questions than it answers.

Corporate bankruptcies and defaults also soared, led by the failure of Enron, the largest bankruptcy in U.S. history. In total, 231 public companies with \$250 billion in assets filed for bankruptcy during 2001, up from 176 companies and \$95 billion in assets in 2000. In the bond markets globally, a record 211 companies defaulted on \$115.4 billion of debt in 2001, up from 132 companies and \$42.3 billion in debt, the previous

FIGURE 12

### Derivatives Bets Soar At U.S. Commercial Banks

(\$ Trillions)

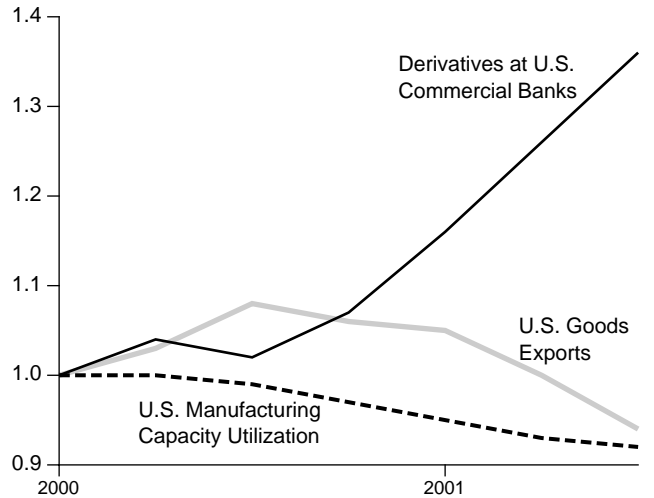


Source: FDIC.

FIGURE 13

### Derivatives Soar, Manufacturing Falls In 2001

(Indexed To 2001/1Q = 1.00)



Sources: FDIC, U.S. Department of Commerce, Federal Reserve.

record, in 2000. The default rate for all bonds hit 4% for the year, the worst year since 1991, while the default rate on junk bonds jumped to 8.6% from 5.7% in 2000. The record for junk bond defaults was 10.9% in 1991, following the collapse of Drexel Burnham Lambert.

### The System Is Bankrupt

The combination of rising financial claims such as debt and derivatives, the deflating value of paper assets such as corporate bonds, and the decline in the manufacture and trade of physical goods, defines a system which is hopelessly bankrupt. Greenspan and his G-7 counterparts have attempted to save the system with their wall of money, but flooding the markets with cash adds monetary hyperinflation to an already highly unstable system.

The utter failure of Greenspan's approach can be seen in **Figure 13**, which compares the rapid growth of the derivatives held by U.S. commercial banks to the declines in the utilization of U.S. manufacturing capacity and the declines of the exports of U.S.-produced goods.

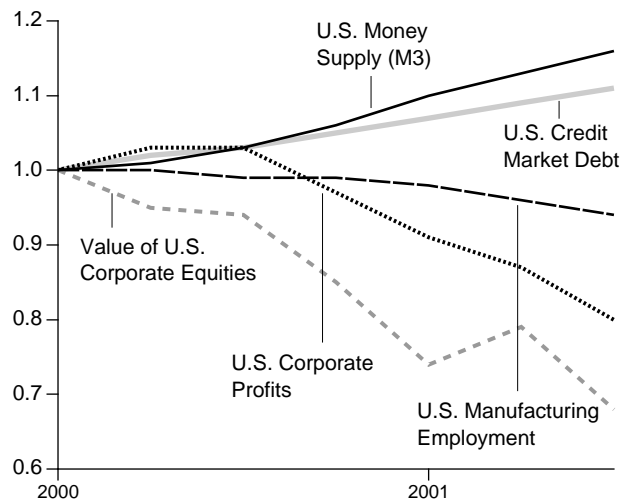
Another view of the collapse in progress is shown in **Figure 14**, which shows the rate of increase in the money supply (M3)—the result of Greenspan's money-pumping—which is outstripping even the rate of growth of U.S. credit market debt. This threatens hyperinflation, while corporate profits and corporate equities—the value of all corporate stock—are falling along with manufacturing employment.

The lesson of 2001 is that Lyndon LaRouche has been correct in his analysis of the nature of the problems facing the U.S. and global economies. Nothing the Greenspans of the

FIGURE 14

### Claims Soar While Ability To Pay Falls In 2001

(Indexed To 2001/1Q = 1.00)



Sources: U.S. Department of Commerce, Federal Reserve.

world are doing will work. 2002, despite all the “recovery right around the corner” nonsense, will be far worse.

The solution is to write down the financial aggregates such as debt and derivatives, while rebuilding the productive sector, including the manufacturing base and infrastructure. It's time to put John von Neumann out to pasture and return to Alexander Hamilton, and LaRouche.

# Anglo-Americans Rattled By Argentine Bank Raids

by Cynthia R. Rush

It must have been with a good deal of teeth-gnashing that London and Wall Street heard the news on Jan. 16 that Argentine police had begun a series of high-profile raids of several foreign banks in Buenos Aires, pursuant to two federal court investigations into large-scale, illegal capital flight, possibly in the range of \$30 billion. The raids were totally unexpected—a bombshell, to be more precise. The financial looting crimes alleged against the banks are enormous, like those of Enron but on a larger scale. While President Eduardo Duhalde tries desperately to buy time by promising to impose a “credible” austerity-based program—an impossibility—the bank raids hold the potential to throw a monkey-wrench into Anglo-American plans to force the country back into the International Monetary Fund’s (IMF) fold.

How? The entities raided weren’t just any banks. They represent the dominant international financial interests which moved into Argentina during the 1990s to loot it, through usurious practices, involvement in shady privatizations, capital flight, and money-laundering. Some 90% of “Argentine” banking is now foreign-owned. As the disintegration of the global monetary system accelerated, the looting became more frantic.

Among those raided were the HongKong and Shanghai Banking Corporation, Plc. (HSBC); Banco Francés, whose largest stockholder is Spain’s Banco Bilbao-Vizcaya Argentina (BBVA); Citibank; Bank of Boston; Banco Río, majority owned by Spain’s Santander Banco Central Hispano (SBCH); and FleetBoston Financial. The offices of American Airlines were also raided, as was the Argentine Central Bank.

## Whose Fault?

Moreover, several of the targeted banks are key players in the international drug-trafficking and money-laundering apparatus known to *EIR* readers as “Dope, Inc.,” whose branches operate worldwide. Given their individual pedigrees, it would come as no surprise that these banks would be accused of facilitating and orchestrating capital flight from Argentina, as a result of the investigations initiated by Norberto Oyarbide and María Servini de Cubría, the federal judges who ordered the raids. That massive capital flight which accelerated especially between August and November 2001, including in the form of generous bank loans to privileged clients, ultimately forced the government to impose

capital controls and freeze bank deposits on Dec. 3, to avert a total collapse of the banking system. The savings of ordinary citizens were confiscated, while the big boys got away with highway robbery.

If these banks’ involvement in capital flight, money laundering, and looting of Argentina’s economy is proven in the courts’ investigation, how can the IMF or any other creditor argue that the country’s debt and financial crisis is Argentina’s “own fault”?

Look at just a few of the banks involved, to understand what’s going on:

### **HongKong and Shanghai Banking Corporation, Plc.:**

As *EIR* has documented in many locations, HSBC, the fifth largest bank in the world, is the flagship bank of the global drug-trafficking enterprise properly known as Dope, Inc., with branches all over the world. It was founded in the middle of the 19th Century to serve as the backbone of the financial network of the British East India Company. It financed London’s Opium Wars against China in the 19th Century, in which the modern narcotics trade began. Since that time, HSBC has served as a kind of rediscount facility for laundering dirty money from the drug, gold, and diamonds trade. In the mid- to late-1990s, it moved aggressively into Ibero-America, taking special pride in buying out Brazil’s Bamerindus, which it saw as a way to establish a beachhead in that country.

**BBVA (Banco Bilbao-Vizcaya Argentina):** This bank has a 67% stake in Argentina’s third-largest bank, Banco Francés. BBVA seems to have a predilection for shady associations, including with Syrian arms- and drug-runner Monzer al-Kasser, who also enjoyed a special relationship with former Argentine President Carlos Menem. According to accounts published in Germany, a June 20, 1986 document of the West German Federal Criminal Bureau reported that “Al-Kassar holds 51% of the capital of this bank,” referring to the Banco de Bilbao (which two years later merged with the Banco de Vizcaya to form BBV). The document adds that Syrian General Duba, Syrian dictator Hafez-al-Assad, and his brother and heroin kingpin Rifaat al-Assad, all maintained multimillion-dollar accounts at the Banco de Bilbao, which were used to launder their drug- and weapons-trafficking proceeds.

**BSCH (Banco Santander Central Hispano):** This bank owns 97% of Argentina’s Banco Río, the country’s second largest bank. In its July 1996 report, “Britain’s Dope, Inc. Grows To a \$21 Billion Business,” *EIR* reported on the statements of Rachel Ehrenfeld in her book *Evil Money*, that Banco Santander is one of the banks “which the members of the Medellín drug cartel use” to launder money. Ehrenfeld also mentions Lloyds Bank, headquartered in the Bahamas, in the same context.

**Citibank:** Between 1989 and 1993, it was Citibank which wittingly facilitated the transfer of at least \$100 million in dirty money belonging to Raúl Salinas de Gortari, brother of Mexican President Carlos Salinas de Gortari, into bank



*Argentine Congressman Mario Cafiero, an organizer of the Pope's Jubilee Debt Program, and Congresswoman Elisa Carrió, have set in motion criminal investigations of the biggest international banks, for outright stealing of \$30 billion of Argentines' bank accounts from the country.*

accounts in Switzerland, London, and the Cayman Islands, using false names. It was reported that Citibank knew that it was dealing with a false identity for the President's brother.

In February 2001, Elisa Carrió and Gustavo Gutiérrez, Argentine legislators from the Alternative for a Republic of Equals (ARI) party, presented a dossier to the U.S. Senate Permanent Subcommittee on Investigations, headed by Sen. Carl Levin (D-Mich.). The dossier carried extensive evidence of Citibank's money-laundering activities, carried out in collusion with the political and financial networks around former President Menem in Argentina, particularly his close associate Raúl Moneta.

During a Jan. 5 debate in the Argentine Congress, it was Congresswoman Carrió who quoted U.S. 2004 Democratic Presidential pre-candidate Lyndon LaRouche on the existence of a global financial collapse, and his proposals for national banking and creation of a sovereign currency in Argentina (see *EIR*, Jan. 18, 2001).

### **A \$30 Billion Heist**

There are currently two investigations under way on the foreign banks' role in illegally sending money out of the country. Acting on information compiled by Radical Party lawyer Juan Carlos Iglesias, federal judge Norberto Oyarbide authorized at least 30 raids of foreign financial entities, including HSBC, BBVA-Banco Francés, Citibank, and Bank of Boston, in which computer files, and other documentation on capital transfer out of the country, were confiscated.

Of particular interest is the charge that 385 armored trucks transported billions of dollars in cash to Ezeiza International Airport in Buenos Aires at the end of November, to be sent to the United States, while money sent to smaller airports ended up in Paraguay and Uruguay. The Central Bank is also being scrutinized, for failing to adequately supervise the financial system. Oyarbide is looking into capital flight of an estimated \$25 billion, and has hinted that the heads of HSBC and BBVA-Banco Francés could be charged with "misappropriation of funds, fraud against the State, and illicit association."

A second investigation by Judge María Servini de Cubría

is based on information presented by ARI Deputies Elisa Carrió and Graciela Ocaña. They charge that not only did \$20 billion flee the country prior to Dec. 3—the date on which banking and capital controls were imposed—but that another \$10 billion left illegally *after* Dec. 3, for a total of \$30 billion. Servini de Cubría is said to be considering charging former President de la Rúa, his Harvard-trained Finance Minister Domingo Cavallo, and other former cabinet members with "economic subversion."

Aside from the bank raids, ARI's information prompted Judge Servini de Cubría to order the arrest on Jan. 23 of Carlos Rohm, top executive of the Banco General de Negocios, as he was attempting to leave the country from Ezeiza Airport. Rohm is a big fish, part of former President Menem's intimate circle of shady business associates known to hobnob with former U.S. President George Bush, among others. Rohm's arrest is not only related to the present money-laundering and capital flight investigation, but also to the ten-year-old investigation into money-laundering by the Bank of Credit and Commerce International (BCCI) and Saudi magnate Gaith Pharaon in Argentina. Judge Servini has also requested Interpol collaboration to arrest Rohm's brother, José, who managed to escape the country, and is reportedly in Brazil.

Exactly how foreign banks and their local allies stripped banks of their deposits, was described by Congresswoman Carrió in the same Jan. 5 speech in which she quoted LaRouche. She reported that the top 10-15 "debtors" of the bankrupt banks—loan recipients—turned out to be companies linked to the banks themselves. These front companies transferred the money "loaned" to them by the bank, out of the country, first to shell companies in neighboring Uruguay, and from there, "to Citibank," or other foreign banks. "So, there you will find our billions, outside the country," in the foreign parent banks which own the "Argentine" banks, Carrió charged. And, she continued, the money, comprised "of the deposits of decent people who believed in the banking system and in the country," was then seized through the Dec. 3 deposit freeze, to save the banks from collapse. Hence, we have "poor banks, rich bankers."

Two days before Argentine police raided banks in Buenos Aires, another ARI legislator, Mario Cafiero, was in London making the same point at the press conference launching the Jubilee Debt Program. Cafiero accused HSBC, Lloyds TSB, and other foreign banks of looting his country through usurious interest rates, under the currency-board regime created by former Finance Minister Cavallo. "Wealthy individual Argentines, helped by foreign banks like HSBC and Lloyds, have been able over ten years to export \$130 billion of wealth through the capital flight mechanisms that both foreign and local banks provided," he said, calling on the Bank of England to investigate the two banks' role in this scheme.

A reliable City of London maverick has told *EIR* that Cafiero's remarks provoked considerable hysteria in various quarters, with banks and financial think-tanks labelling him

a “fruitcake” of scant credibility. Back in Buenos Aires, a similarly unnerved *Ambito Financiero*, long the voice of British economic liberalism in Argentina, feigned “surprise” at Carrió’s using “as a model” in her Jan. 5 speech “the U.S. politician Lyndon LaRouche, who is accused of anti-Semitic tendencies, and more than once has called for the freeing” of imprisoned nationalist, Mohamed Alí Seineldín.”

The hysteria is lawful. As the head of the Jubilee 2000 Commission in Argentina, Cafiero worked not only to promote Pope John Paul II’s debt forgiveness initiative, but also to expose the illegitimacy of Argentina’s foreign debt. Aside from doing his own thorough investigation of his country’s foreign debt, in August 2000 Cafiero organized congressional hearings on the topic, under the aegis of the Bicameral Jubilee 2000 Commission. Among those giving testimony were then-Buenos Aires province Governor Eduardo Duhalde; Italy’s ambassador to Argentina, who spoke on the Italian Senate’s debt-forgiveness action; and La Plata Archbishop Héctor Aguer, whose Open Letter on the foreign debt *EIR* published in its Jan. 18 issue.

The Anglo-American financial elites clearly fear any combination of LaRouche’s and the Pope’s campaigns against debt-slavery. And the work done by Carrió and Cafiero in exposing the money-laundering and capital flight carried out by dirty international financial networks to destroy Argentina, is getting close.

## Berlin, The Open Wound of Germany

by Rainer Apel

The swearing-in of Berlin’s new “left-left” coalition government on Jan. 17 was met by loud street protests, in which the shutdown of the city’s Benjamin Franklin Clinic, became the focus of general unrest over Berlin’s—and Germany’s—economic collapse. A nasty sense of *déjà vu* was added to the demonstrations, by the fact that the Deputy Mayor in the coalition is Gregor Gysi; he who ran the last pretense of an East German Communist government that was swept “into the dustbin of history” by Germany’s reunification in 1990. In the protests, Social Democrats burned their party membership cards, enraged at the coalition—whose sole purpose is to enforce austerity, layoffs, closures, etc.—with Gysi’s “post-Communist” PDS party.

Nurses and other medical staff of the Benjamin Franklin Clinic demonstrated against the planned shutdown of their hospital, and many thousands of Berlin citizens were signing a petition to save that hospital, which is also affiliated with the Free University of Berlin.

Making the point that the German capital is not like any other state in the country, Helga Zepp-LaRouche, national chairwoman of the BüSo (Civil Rights Movement Solidarity) party, has declared Berlin a forefront of the political campaigning of the LaRouche movement, immediately, and through the coming months, until the September elections for national parliament. Zepp-LaRouche has challenged Chancellor Gerhard Schröder and opposition Christian Democratic (CDU/CSU) Chancellor candidate Edmund Stoiber to a national debate on the economic collapse, stating that only a New Bretton Woods system can stop it.

Germany’s entire economy is shrinking as of the last quarter of 2001, its vital trade and investments are falling, unemployment rising to more than 4 million; consequently, the gap between huge indebtedness and falling tax revenues is devastating the German states, led by Berlin. In a single year, the combined budget deficit of the German states has tripled to 25.6 billion euros; Berlin’s deficit has quadrupled from 2000 to 2001.

### Unions Also Forced Into Action

Union protests continued on Jan. 21, after their first “round-table” meeting with Berlin Mayor Klaus Wowereit (SPD) and Gysi, who confronts the unions as the man in charge of “Economic Affairs.” Union leaders declared they

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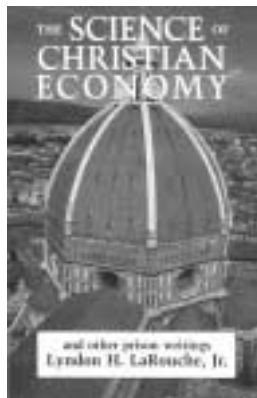
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did not intend to drop their opposition to new, deep budget and jobs cuts in the public sector, in daycare centers, in other sectors of the Berlin economy. Gysi's remarks that the Berlin Senate would welcome "temporary" wage cuts, as an alleged "alternative" to job cuts, have made labor unionists particularly angry.

On Jan. 22, the joint initiative of university staffs, students, labor unions, and concerned citizens to save the Benjamin Franklin Clinic announced that within only two weeks, they had gathered 100,000 signatures—far more than the 25,000 that are constitutionally required to have, to initiate a Berlin-wide referendum. The jobs of 800 medical specialists, about 4,000 medical students, and 2,500 employees and workers at the clinic itself are threatened by the Senate's plan to downsize Berlin's hospitals.

Cutting Senate funds to the Franklin Clinic's university-

related functions, and reducing it to the status of an urban district hospital, would only be a prelude to the final shutdown, in the not distant future. The same fate struck the renowned Moabit Clinic a year ago, a crucial hospital serving the central district of Berlin, which was put on a black list of "facilities to be abandoned" for budget reasons. The Moabit shutdown was rubber-stamped by the previous coalition of Social Democrats with Christian Democrats, which governed Berlin before Mayor Wowereit overthrew it by a no-confidence vote on June 16, 2001. Acting as chairman of the SPD group in the Berlin parliament, Wowereit fully backed the decision then, and he is as much committed to continue the policy today.

Faced with the 100,000 signatures to keep the Benjamin Franklin Clinic open, Wowereit conceded that there might be "alternatives" to the planned budget cuts. But his statements

## Zepp-LaRouche Says: Face The Global Crisis

*This challenge for a national debate of the German Federal Chancellor candidates, was issued on Jan. 21.*

Chancellor Schroeder, Candidate Stoiber: I challenge you to debate me! The axioms on which both of you have based your electoral strategies, will be completely swept away by reality, within a few months. . . . To be fair, I should add that you are not the only ones to blame for arguing on the basis of wrong premises. Unfortunately, the governments and leading parties of all G-7 states and many other countries have so far demonstrated their inability to find an answer to existential strategic problems.

1. The global financial system, which is associated with the International Monetary Fund (IMF), the World Bank, and the World Trade Organization (WTO), is in the terminal phase of a systemic collapse. The list of countries, where the IMF's policy has utterly failed, is growing daily: Argentina faces ungovernability; in Japan, a banking crash could happen tomorrow, the country has been in a depression for a long time. . . .

2. Do you both really believe, that the situation is workable, when the policy of "globalization" is dramatically broadening the gap between rich and poor in the world? Is there a future for a system which aims to have relatively good living conditions for a "Golden Billion," while the rest of humanity goes under? And what is your answer, Mr. Stoiber, to the dramatic appeal of Munich Archbishop Wetter, who said, in his year-end sermon: "It is high time to act. Should the tensions between rich

and poor explode into a storm of violence one day, we will not recognize our earth again."

3. What do you have to say about the fact, which is now being publicly discussed, even by established politicians (Andreas von Bülow, et al.), that the events of Sept. 11 were not the deeds of Osama bin Laden, but of military and intelligence circles in the U.S.A.? How can you not realize that, in the United States, a group of followers of a utopian military concept is fighting for hegemony, when articles appear, even in the *New York Times*, which openly propagate an American world empire? . . .

4. What is your position in respect to the real alternative of the Eurasian Land-Bridge, which I have proposed for ten years, as a means of overcoming the economic crisis? Since then, this proposal has become more than a mere idea; many nations, such as China, India, Russia, South Korea, Malaysia, and others, have taken up concrete projects of infrastructure integration. In early December, South Korean President Kim Dae-jung spoke in front of the European Parliament in Strasbourg, appealing to Europe, to collaborate with Asia in building the "New Iron Silk Road." Russian President Vladimir Putin and Kim Dae-jung have passed a "Moscow Declaration" to this end. Are you ready for this collaboration?

All these questions are relevant for Germany's existence and future. Therefore, I challenge you both to discuss them, in a public debate. Not in a debate which is orchestrated and manipulated, American-style, by the media, but in a real debate about ideas.

For this reason, I also challenge you, to debate, with me, the moral principles and lawfulness, which must be the foundation of a way out of the crisis. I am convinced that only a government solely committed to the General Welfare is legitimate.

—Helga Zepp-LaRouche, Jan. 17, 2002

sounded all the less credible, when Deputy Mayor Gysi declared in a radio interview on Jan. 23, that “Berlin cannot afford more than one university clinic,” and that the other one, the renowned Charité, would be the one to survive. Taking into account the scope of investments that urgently have to be made in the Charité, after decades of non-investment in crucial departments, even its survival is not secured, as long as budget-cutters run Berlin.

### **Budget Cuts Increasing the Deficit**

The insanity of budget cuts, as an ostensible means of reducing fiscal problems, were exposed, on Jan. 15, in an interview on Inforadio station, with Dietrich Vesper, of the Berlin DIW econometric institute. Vesper said the budget-balancing approach was extremely shortsighted, as the fundamentals of the Berlin economy were totally neglected by the Berlin Senate’s politicians. Cutting funds for a crucial institution of the Berlin science-research sector (such as the Benjamin Franklin Clinic) was suicidal, he said.

That sector, funded by the Senate with 1.1 billion euros (roughly \$920 million) per annum, generates economic incentives of altogether 3.4 billion euros, through the hundreds of highly specialized, small and medium-size firms that work for Berlin’s science and research institutions, Vesper said. All these firms pay corporate taxes, and all their employees and workers pay income taxes, to the city-state. Therefore, budget cuts like the planned 100 million euros for the Franklin Clinic will put an estimated 300-400 million euros in tax revenue at risk, and instead of balancing the budget, the planned cuts will unbalance it, Vesper warned.

Another aspect of the picture, is the role of the national government, in denying extra funds for the city-state of Berlin on grounds that it was “just a state like any other of the 16 states of Germany.” However, Berlin is the national capital, with special functions that none of the other big cities has. Obsessed with keeping its cash-box closed, and with strictly observing the budget criteria of the European Union’s 1992 Maastricht Treaty, the German government has watched Berlin’s debt grow to more than 40 billion euros (at the end of 2001), without acting during the past years.

The only action by the SPD-run German federal government, has been to push the Berlin SPD into breaking the coalition with the CDU last June, and entering the coalition with the PDS. This was done to give the planned new round of Berlin budget-cutting a “leftist” aura and thereby make it more acceptable to the labor unions. This is not working well, however, as one can see: German labor is mobilizing against the Berlin Senate, as it is mobilizing against the national collapse with factory occupations beginning in the east of Germany.

And hardly had the new SPD-PDS Senate been sworn in, when rumors were leaked to the public that more of the hidden debt would soon come to light. For example, there was mention of another black hole of 200-250 million euros at the Bankgesellschaft Berlin, the default of which had luckily been

postponed last Autumn, when the Senate coughed up an extra firefighting fund in the range of 1.9 billion euros. As this adds to the impoverished city-state’s debt, the taxpayer assumes the burden.

This also implies that the Senate will soon call on the Berlin citizens, not only to accept the layoff of 4,000 workers of the 16,000 employed at the Bankgesellschaft (a step already decided), but also to accept new budget cuts to “balance” the new debt. The next step would then be to propagate the sale of the state-owned Bankgesellschaft to some private consortium like Texas Pacific, an American group that has tried to take over the bank and pay the Berlin Senate up to 2 billion euros for it.

Labor unions, frustrated and enraged SPD party members, medical personnel, and other sections of the Berlin population have begun to mobilize against that final sellout of the German capital. The programmatic intervention of the LaRouche movement’s BüSo party for a bankruptcy procedure and debt reorganization, plays a crucial role in making sure that this political and economic struggle is successful.

## **French Banks Target Israeli Money Laundering**

by Dean Andromidas

Société Général and Crédit Lyonnais, two of France’s largest banks, announced in January that they will no longer accept checks from their Israeli correspondent banks. The move is in reaction to the fact that Israel has now been officially designated as one of the biggest money-laundering centers in the world. This fact has been known for decades, as Israel’s own homegrown mafia and financial institutions have been an integral part of Dope, Inc. for decades. It is also well known that the key promoters of the career of Israeli Prime Minister Ariel Sharon are major international organized crime figures. This latest move is an indication that French authorities, perhaps with a nod and wink from the French government—which has taken the lead in European attempts to prevent a Middle East war—are taking the lead in applying sanctions against Israel.

The decision by Société Général follows the recent arrest of its chief executive officer, Daniel Bouton, because of the bank’s involvement in a criminal money-laundering scheme involving hundreds of millions of dollars channelled through Israeli banks. According to sources close to the investigation, which began in 1998, the case involves French accountants transferring checks from clients to money-changers in Israel and the Palestinian Authority, who then cashed them in Israeli banks, and sent the proceeds back to the accountants in France. The case also involves allegations of insurance fraud.



Three of Israel's largest banks are involved: Israeli Discount Bank, Bank Leumi, and First International Bank of Israel.

Israeli Discount Bank is owned by the Recanati family, one of the oldest banking families in the Levant, which exercises considerable influence in Israeli business and political circles. The bank specializes in financing the Israeli diamond industry, Israel's second-largest export earner after weapons and military equipment; this industry is notorious as an integral component of the international money-laundering cycle.

Bank Leumi, whose origins date back to an initiative of Theodore Herzl, the founder of Zionism, is among the world's largest banks. Last November the Swiss Federal Banking Commission ordered the dismissal of Bank Leumi's Swiss branch manager for violation of money-laundering laws. The Swiss had discovered that the branch held several bank accounts which contained a substantial portion of the \$110 million that former Peruvian President Albero Fujimori's intelligence chief, Vladimiro Montesinos, had allegedly stashed away. The Swiss authorities accused Bank Leumi of flagrant violation of Swiss money-laundering laws.

The First International Bank of Israel is owned by the Safra family, whose patriarch, Edmund Safra, died in a mysterious fire that destroyed his Monte Carlo penthouse. Although a servant was arrested for the crime, it was widely rumored that the fire was arranged by his clients, the Russian mafia.

### **Israel Is on List of Money-Laundering States**

Even more significant is the decision by Cr dit Lyonnais, to stop accepting checks from Israeli correspondent banks and other companies that are on the blacklist of the Financial Action Task Force on Money Laundering of the Paris-based Organization for Economic Cooperation and Development (OECD). Israel was placed on this list of 19 countries back on June 22, 2000, along with other notorious money-laundering centers, including Panama, Cyprus, the Cayman Islands, the Bahamas, Russia, and Liechtenstein. Although some have been removed from this notorious status after implementing credible anti-money-laundering laws, Israel remains, high on the list.

In an interview shortly before Israel was put on the list, Commander Yossi Sedbon of the Israeli Police Investigations Division had warned that Israel was becoming a center of money laundering. "Israel is a promised land for money launderers; it is easy to become a citizen. You need a Jewish mother, but if you don't have one, you can create one," he said. He pointed to the Israel banking and real estate sectors and the diamond industry as key facilitators of money laundering. After the fall of the Soviet Union, Israel welcomed Russian immigrants, especially members of the Russian mafia and "tycoons," many of whom claimed to have Jewish mothers. According to U.S. Congressional testimony, during 1995-96 alone, \$1 billion a month on average of Russian mafia-linked money was laundered through Israeli banks. The situation is believed not to have changed.

To send a clear message to the Israelis, the announcement that Cr dit Lyonnais had cut off Israeli banks was made while Yehuda Sheffer, the head of Israel's anti-money-laundering authority, was in France trying to convince French authorities that Israel had enacted new laws to prevent money laundering. It is expected that other French banks will take similar action, which could seriously affect the financing of bilateral trade. France is one of Israel's leading trading partners.

### **Jail the Money Launderers**

According to reports, OECD officials have told Israeli authorities that they are not impressed by Israel's simply changing the law, but would take Israeli efforts more seriously if they started to put some money launderers in jail. The problem for the Israeli authorities is that the most obvious place to start would be from among members of Sharon's government.

Minister of Infrastructure and ultra-right-winger Avigdor Lieberman has been the target of an Israeli police investigation for his links to the Russian mafia. Lieberman, who is a Russian  migr  and was the right-hand man of former Prime Minister Benjamin Netanyahu, is said to be particularly close to top Russian mafioso Grigori Lerner. Lerner is currently sitting in an Israeli jail after being convicted of bank fraud. Lieberman, who is also the darling of the Jewish settlers, has become infamous for his extremist statements, including calls for Israel to bomb Cairo and Tehran, if Egypt and Iran continue to support Palestinian Authority President Yasser Arafat.

Israeli Interior Minister Natan Sharansky, the head of the ethnic Russian Yiseral B'Aliyah party, also has connections to the Russian mafia. Non-profit organizations affiliated with his party reportedly received \$100,000 from the Russian mafioso Lerner.

But the real investigation must start with Sharon himself, whose major financial backers are among the top executives in Dope, Inc. These include American Jewish "philanthropists" Max Fischer, Meshulam Riklis, and Edgar Bronfman. None of them have seen the inside of a prison, yet they head companies that have all been suspected of, or investigated for, involvement in money laundering or drug trafficking. It was under Sharon's initiative, in the 1980s, that Israel implemented changes in banking laws that facilitated the massive transfer of money of questionable origins into Israel. Sharon funnelled billions of dollars into the Jewish settlements in the West Bank and Gaza. Some of it even found its way into helping him personally purchase a 1,000-acre farm in the Negev. It is these laws that Sharon helped to get passed, that the OECD is demanding be changed.

Sharon is currently under criminal investigation for financing one of his election campaigns with funds from foreign donors, a criminal offense under Israel's election laws. According to an investigation by the Israeli Comptroller's office, he used a front company, Annex Research, to launder the money into his campaign. The money came from American donors who are under investigation.

# Russia's Economy 1999-2001: Strong Growth, But Exhausting Its Foundation

by Jonathan Tennenbaum

At the end of last year, the Western economic press sounded a chorus of praise for Russia's "extraordinary economic boom" over the last three years. Commentators pointed, above all, to a growth of Russia's Gross Domestic Product (GDP) of over 5.5% in 2001, following increases of 5.5% and 8.3% in 1999 and 2000, respectively, and sustained in 2001 despite the sharp downturn in the world economy as a whole.

As any competent economist ought to know, increase in GDP by itself tells nothing about the real health of an economy. At the same time, however, there is clear evidence of a significant revival of physical production and investment in Russia. According to official statistics, in 2001 Russian industrial production grew nearly 5%, construction by 9.9%, agricultural production by 6.8%, and investment in the productive sector by almost 9%. The machine-building sector, which suffered particularly severely from the post-1990 collapse of capital investment and the transformation of Russia's economic structure to "Third-World-style" export of raw materials, shows signs of coming back to life. Aside from a partial, but significant revival of the domestic investment cycle, from 2000 to 2001 there was a 21% increase in exports of machinery, equipment, transport vehicles, and other products of the Russian machine-building industry.

Meanwhile, last year the average real disposable income of the population went up by over 6%, following an increase of about 10% in 2000 (compared with 1999); while average real monthly earnings of workers rose 19.8% in 2001, following an increase of 23% in 2000.

## An Economic Locomotive?

At first glance, the growth figures, which can hardly be attributable just to an increase in energy export revenues, seem almost too good to be true. By some sort of miracle, that same country, which was devastated over almost a decade by perhaps the most drastic collapse of production and living standards of any nation in modern times, is now joining China and India as one of the few nations experiencing continued growth of production; while the United States, Europe, and most of the rest of the world slide into a deepening depression! Some even speak of Russia as a new "locomotive" for the world economy.

We do not doubt, that Russia indeed has the *potential*

to become such a locomotive in the future, under a suitable economic policy. However, Russian economists, familiar with the reality behind the figures, offer a more sober evaluation about the present situation and its difficulties. An article in the new magazine *Russian Entrepreneur* aptly captured the situation with the following comparison:

"Today's Russia is really very different from the Russia of 1999. The country could be compared with a patient in a hospital, who has been moved out of the emergency care unit, into the ward for normal patients. The patient is no longer in total agony, no longer suffers from pre-death convulsions, but at the same time she is still very far from being healthy."

Although this characterization referred to Russia's social-political situation as a whole, it certainly applies to the economy itself, and to the *relative* nature of the improvements which, undeniably, have taken place since the end of 1998.

Firstly, it must be emphasized that despite the recent "upswing," the basic living conditions of the vast majority of the Russian population—including housing and employment, health care, and educational opportunities—are still very much inferior to those which prevailed before 1990. Having nearly doubled in real terms since 1999, the present average monthly workers' wage at the end of 2001, according to official figures, stood at 4,295 rubles, equivalent to only about \$140. However, respected Russian economists have raised serious suspicions about the government's figures on the rate of improvement of the population's real income.

At the very least, the distribution of income and income increases are extremely unevenly distributed among the regions of the country and layers of the population. Without doubt, much of the increased buying power is coming from the relatively prosperous layers, while the lower, approximately 30% of the population continues to live near or below the level of mere subsistence. After a lengthy televised dialogue between President Putin and a cross-section of Russian citizens at the end of the year, Putin acknowledged that very many Russians have experienced little or no significant improvement in their living circumstances.

## Russia Survived IMF Poisoning

Secondly, the encouraging production and investment figures, cited above, must be judged against the reality of the



*Russian President Vladimir Putin (foreground, third from left) meets with U.S. Export-Import Bank Chairman James Harmon (right) and other participants in the signing of loan guarantees to Russia's Tyumen Oil Co. The oil and gas sector lies at the core of Russia's unbalanced, raw materials-oriented export economy, but increased investment in that area has nevertheless provided a certain stimulus to capital-goods production.*

ongoing depletion of the productive base of Russia's economy, as a result of: 1) the gradual exhaustion of the over-aged stock of agricultural and industrial machinery; 2) the exhaustion of vital transport, energy, and urban infrastructure; 3) the decline of Russia's scientific-technical cadres through aging, increased illness and death rates, emigration, and related causes.

Even a very rough estimate of those losses, demonstrates that the present levels of physical investment into the Russian economy are still very far below the minimum level, needed to compensate for the depletion of the productive base. The noted economist and Duma Economics Commission Chairman Sergei Glazyev, estimates that Russia's production base is presently shrinking *three times as fast* as new productive capacity is being introduced through investment; and that the current level of investment into the productive sector would have to be at least *doubled*, to arrive at a mere physical "break-even" situation in the economy. That is probably a conservative estimate.

Thus, the last 38 months' "upswing" has at best only slowed down, but not reversed, the gradual erosion of Russia's economic foundations. This being said, one cannot ignore the strategic significance, of the marked positive change in the *subjective mood* in many parts of the country, connected with the revival of domestic investment, and with a certain general sense, that Russia under Vladimir Putin will continue to exist as a world power.

To return to the cited analogy: Having somehow survived the incredible destruction unleashed by International Monetary Fund (IMF) shock therapy—a medicine designed to kill the patient—Russia has become much more hopeful about

the future. She looks across the hospital hall and notices how other nations, who were supposed to be "models of robust economic health"—including not only nations such as Argentina, but even the United States itself—are now being carried off, one after the other, into the emergency room! Under such circumstances, Russia is likely to choose her *own* economic medicine in the future, rather than listening to the malicious foreign advice which nearly killed her during 1990-98.

### **Background of the 1999-2001 'Mini-Boom'**

The economic liberals in the present government of Prime Minister Mikhail Kasyanov, and their foreign backers, would naturally like to take credit for the 1999-2001 upswing, as being the long-delayed fruit of Russia's "market reforms." Ironically, the post-1998 recovery of production and investment in Russia is better suited to demonstrate the life-saving advantages of *protectionism* and the crucial role of the state in economics!

In this case, it was the sudden devaluation of the Russian ruble following the financial collapse of August 1998, and certain crucial actions by the Yevgeni Primakov government which served in the period immediately following that crisis, which created the *effect* of protectionist policies—independently of the will of the IMF-supported "liberal reformers"! There is hardly any argument about the fact, that it was the devaluation of the ruble, despite the hardships suffered by the population, which under Russia's concrete circumstances made the upswing of domestic production possible. Overnight, the prices of imported goods, which had been flooding the Russian market, increased by a factor of three. Suddenly it became profitable again to produce in Russia, and to sell

domestically produced food and industrial goods, despite the well-known quality problems and unfavorable cost factors affecting Russian producers.

But there would have been no recovery of domestic production, had the Primakov government not intervened, to prevent the country from sliding into chaos after the financial collapse of August 1998, and to establish certain key conditions for a recovery of production. This included measures: 1) to establish a minimum of public confidence in the government; 2) to pay out a crucial portion of the enormous backlog of unpaid salaries, pensions, and other social benefits, alleviating what had become an untenable situation for broad sections of the population; 3) to stabilize the currency and what remained of the banking sector; 4) to promote a gradual monetarization of the physical economy, entire sections of which had gone over to barter and payment in kind in order to survive under conditions of shock therapy; 5) to provide for an inadequate, but still crucial margin of flow of credit to the productive sector; and 6) to restrain the growth of prices of energy and services of the so-called “natural monopolies,” including rail transport, which play a key role in determining the profitability of domestic producers.

To varying degrees, Primakov’s stabilization and consolidation policies have been carried forward under Putin, with a strong emphasis on restoring the authority of the state, while at the same time seeking to expand the scope of private enterprise.

Also crucial to the survival of Russia’s economy, was the rejection of proposals to introduce a currency board regime and other features of the so-called “Argentine model” into Russia, in the period immediately following the August 1998 collapse of the Russian financial system. Lyndon LaRouche’s main collaborator in Russia, the late Prof. Taras V. Muravivsky, played a key role in refuting the massive propaganda campaign around the “Argentine economic miracle,” whose domestic sponsors included the present Economic Adviser to the Russian President, Andrei Illarionov.

Not surprisingly, now the collapse and default of the “Argentine miracle” has caused great nervousness among Russia’s radical liberal reformers, many of whom had strongly associated themselves with the Argentine model less than three years ago.

### **‘Strategic Triangle’ Foreign Policy**

Primakov also initiated certain important foreign policy thrusts, which have been continued with some success by Putin, and which are closely connected with the potential for a real economic renaissance of Russia. Foremost among these is a qualitative strengthening of relations with the two “giants of Asia,” India and China, recalling the Soviet Union’s role as a prime supplier of capital goods, know-how, and training for the industrial development of both nations; and the conception of a “strategic triangle” “Russia-China-India.” In addition, there is the strengthening of relations with another

crucial Asian nation: Iran.

Implicit in Primakov’s diplomacy, but now an explicit policy of Putin, is Russia’s central role in the development of transcontinental infrastructure corridors linking Europe and Asia—including the revival of the Trans-Siberian Railroad, its future linking with the Korean peninsula and Japan, major pipeline projects to the east as well as the west, and the pursuit of “oil-and-gas-for-technology” agreements with Europe (see “The New Eurasian Land-Bridge Infrastructure Takes Shape,” *EIR*, Nov. 2, 2001).

Among other things, this policy-thrust has led to a significant improvement in the export prospects for Russia’s machine-building and science-and-technology-intensive industries, sectors which suffered relatively the most from the post-1990 collapse. Concrete results have included major arms-export deals and aerospace contracts; Russia’s emergence as the number-one world exporter of nuclear power stations; and some major infrastructure projects. While still limited in scale, these developments have provided a crucial margin of income to a number of strategically decisive industrial sectors of the Russian economy.

It is important to stress, finally, that the positive measures of Primakov and Putin could never have led to a noticeable recovery, *unless* a sizable portion of the agro-industrial structure in the economy had somehow been preserved relatively intact through the years of collapse, looting, and destruction which followed the institution of shock therapy. As economist Alexandr Anisimov wrote in a recent article: “The fact, that Russia’s industry still functions, albeit after a collapse of production in most sectors by several times over, is a true miracle. For this miracle we can thank our entrepreneurs and directors of enterprises” who—despite the sudden collapse of demand and investment, the ruble hyperinflation at the beginning of the 1990s, the virtual disappearance of credit and even the minimal amounts of liquid money, and a huge accumulation of debts among producers—“managed to keep the apparatus of production in working condition.” The extraordinary resilience of Russia and its population, has been demonstrated once more.

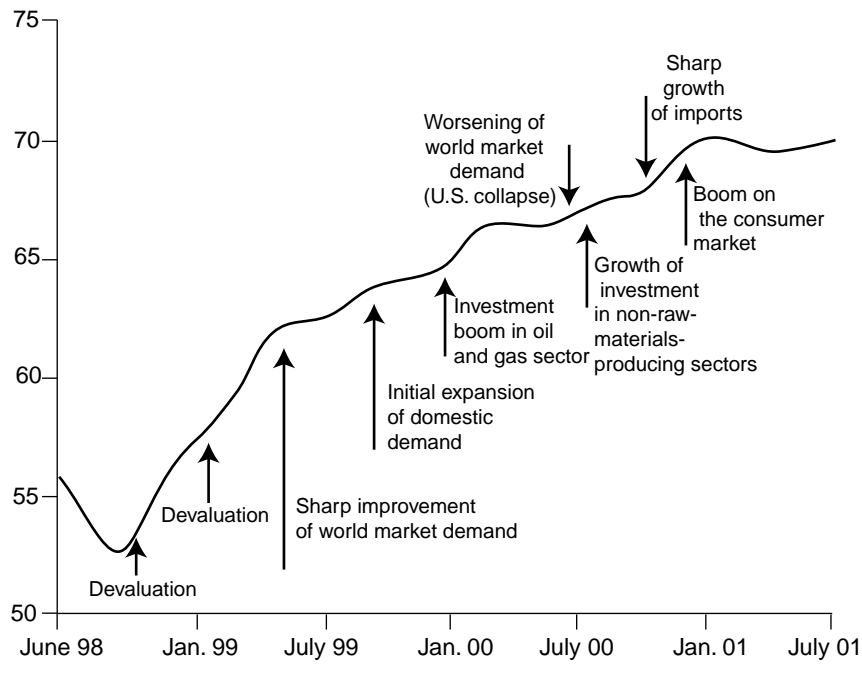
### **Revival of the Internal Market**

Russian economists emphasize, that for the first time since the onset of the disastrous shock therapy, thanks to the special circumstances mentioned above, Russia could experience an approximation to a normal investment cycle: increased demand, increasing production, increased investment, and increased wages, leading again to increased demand. Authors Tatyana Gurova and Aleksandr Ivanter described this situation in a recent article in the journal *Ekspert* as follows:

“More important than the [growth] figures is the essential change, which occurred in the nation’s economy. Firstly, [in the last 38 months] the Russian economy went through its first normal conjunctural growth, in which thousands of economic entities operated, not under the brutal pressure of external

FIGURE 1  
**Index Of Russian Industrial Production**

(January 1993=100)



Source: Center of Data Analysis GU-VShE.

circumstances, but guided by their own plans for market expansion. And in this way the economy began to incorporate a real mechanism of development. Secondly, in this period, Russia began to shift away from its orientation toward an economic model based on export of primary energy and raw materials, and for the first time *felt* the potential of its own internal market.”

The authors’ choice of expression, “felt the potential,” underlines the subjective nature of the improvement: In reality, as we mentioned earlier, the Russian economy is *still* declining in *net* physical terms, and is still monstrously dependent on primary-materials exports—raw materials make up about 50% of Russia’s exports, and in turn, total exports constitute over one-third of Russia’s GDP. But for the first time, not only economists, but a broad layer of the population active in agriculture, industry, and other sectors of the economy, got a foretaste of what normal economic life might be like.

Gurova and Ivanter’s chronology of the 1998-2001 “mini-boom” is worth briefly excerpting here, although it does not go much beyond the mere surface of the phenomena: “The devaluation began to work immediately and extremely effectively. . . . The index of industrial production already went up to a yearly rate of 3% in September 1998. By October 1998 the yearly growth rate was almost 15%, and in November

rose to 20%. The main reason for such a strong increase in domestic production was the sudden liberation of the internal market from imports—already in the fourth quarter of 1998 the flow of imports had decreased from \$5-6 billion to \$3 billion per month.”

The production increase was further supported, in 1999, by a substantial increase in export earnings, as oil prices rose and the world market boomed under the influence of the United States-centered financial bubble. Gurova and Ivanter wrote: “The sharp increase in exports (in 1999 the monthly turnover of exports grew from \$5-6 billion at the beginning of that year to \$8 billion at the end of the year) supported the high tempo of domestic production. . . . From the beginning of the post-August 1998 crisis period until January 2000, the index of industrial production grew by 20%.

“In 2000 the export orientation of the Russian economy continued to work, but now through stimulating *investment*. The rate of investment reached 17.2%—and there was an unprecedented growth of domestic accumulation unseen since the whole ten

years of reform. Two-thirds of this internal accumulation occurred in the oil and gas complex.”

Although the oil and gas complex lies at the core of Russia’s unbalanced, raw materials-oriented export economy, increased investment in that complex did provide a much-needed stimulus to sections of the capital-goods-producing industry. But by Fall 2000, this export-driven phase of the Russian “mini-boom” began to run out. Why, ask the authors, did the production growth continue beyond that, into 2001?

“The key difference between 2001 and the two preceding years,” these authors say, “is the fact, that in that year the Russian economy . . . ‘tore itself away’ from developments on the world market and began to expand on the basis of a growth of internal demand. In that year, the legend of the colossal potential of the internal Russian market became reality.” Exports rose only slightly, with the real value of the ruble returning to levels comparable to the pre-August 1998 levels. Nevertheless, levels of production, which had stagnated at the end of 2000, began to rise again sharply, reaching an annual growth rate of 10% in August-September 2001. “The only macroeconomic parameter, correlating with such an increase in production, is the real income of the population, which by the Fall had grown at a yearly rate of 15-17%. Just this unexpected increase in real income of Russian citizens



*Aircraft production during the Soviet era. Russia's machine-building and science-and-technology-intensive industries suffered most from the post-1990 collapse, and have yet to regain their previous levels—although some progress is being made.*

became the basis for the consumer boom in the middle of 2001. . . . The second important factor was domestic investment, which increased by 8.8% in 2001, this time mainly in sectors connected with the internal demand.”

These developments were accompanied by a notable rise of *optimism* in many layers of the Russian population, compared to the bitter fatalism which characterized the atmosphere three years earlier. But, as the experience of the Western and other countries ought to teach us, a “consumer boom” is neither a very healthy form of economic expansion, nor one that can be sustained for very long, even under favorable circumstances!

Toward the end of 2001, the signs of a potential new crisis in the Russian economy have been multiplying. These include an ominous buildup of inflationary pressures, and the flattening-out of production growth in the face of a renewed flood of imports. Shifts in the internal price structure have gradually cancelled out the “protectionist” effect of the ruble devaluation, and in the absence of serious, systematic government measures for the protection and support of domestic producers, many of the latter will once again face the danger of extinction at the hands of “free trade.” Apart from that, the simple fact remains, that the rates of public and private invest-

ment—even at the peak of the “mini-boom”—remained far below those needed to seriously rebuild the nation’s productive base, and above all, to revive the vital functions of scientific research and development, which are the key to Russia’s future.

Before coming back to these problems in conclusion, let us briefly examine one of the most interesting and encouraging features of the 1999-2001 period, which is the revival of Russian agricultural production.

### **Agriculture Growing, But Exhausting Capital**

Some of the best news in Russia’s economy is coming from the agriculture sector, which at the end of last year could celebrate a grain harvest of 83 million tons, compared to an average harvest of 65.2 million tons in 1996-2000 and a disastrous low of only 47.8 million tons in 1998-99. Last year’s yields were so high, that the grain output could not be absorbed by the internal market, and Russia suddenly came into the position of being able to export as much as 4-6 million tons to the world market. Russian Agriculture Minister Aleksei Gordeev declared, rather optimistically: “The present result is not to be seen as a record, but rather as the beginning of a gradual recovery of agriculture and the *rebirth of Russia as a world power in grain.*”

In fact, although exceptionally favorable weather was the main factor in this latest harvest, it comes on the background of a steady growth of overall production and investment in the agricultural sector going back three years. Russia’s total agricultural output grew in 1999 by 4%, in 2000 by 6%, and in 2001 by 7-8%.

One of the special reasons for the strong food production growth was the role of large Russian companies, including metallurgical, energy, and raw-materials companies, which in recent years began to diversify into large-scale agricultural operations. Realizing that conditions existed for making major profits in the production of food, these companies rented large plots of land and made significant capital investments in machinery and equipment.

Another factor was government-supported programs for the leasing of farm equipment, for supply of credit, and provision of fuel supplies. The government also made some efforts to support farm prices.

The upswing of domestic agricultural production, in turn, stimulated a dramatic revival in the production of farm machinery. Russian production of tractors nearly doubled from 1998 to 1999, and increased again by nearly a third in 2000. Production of harvesters (combines) doubled in 1999, and grew by 2.5 times in 2000.

However, as in practically all areas of the Russian capital goods industry, the increased levels of production of farm machinery are still disastrously low, compared both with earlier levels, and with the monstrous cumulative deficit of physical investment in the agricultural sector.

Above all, production is lagging far behind the rate at which worn-out, obsolete machinery is going out of service.

In the year 2000 the number of newly produced grain harvesters (combines) was *four times* smaller, than the number which permanently stopped functioning due to excessive age. The overall machine stock of Russian agriculture, estimated at about 50% of the required norm, continues to shrink, despite the recent “boom” of agricultural machinery production. That “boom” is itself very modest, having barely reached the levels of 1995, which were in turn only a fraction of the production at the beginning of the 1990s, when the all-out collapse began. The agricultural machinery sector is still operating at an estimated 20% capacity.

Despite the recent, significant increase in food production, and the vast inherent potential of Russian agriculture, the present total output level, while recovering somewhat from its collapse to less than 50% of 1990 levels, remains far below what Russia would need to adequately provide for its own population. Last year’s “bumper harvest” of 82 million tons of grain, assisted by excellent weather, should be compared with an average harvest of more than 104 million tons in 1986-90. Beef and poultry production is now at 45% of the level of 1990, and milk production at 58%. Ominous is the fact, that in spite of the significant improvement in some branches of agriculture, cattle herds continue to shrink.

### **Trouble Ahead?**

The example of agriculture underlines the key reality which we stressed at the beginning of this article: Even at the height of the recent “boom,” overall rates of real investment in the Russian economy remained *far below* the absolute minimum level needed to compensate for the gradual exhaustion of the nation’s productive base, and the losses of skilled manpower and scientific cadres. In some respects, the revival of production, in the absence of adequate large scale infrastructure investment, has actually *accelerated* the exhaustion process of Russia’s productive base.

There is no way that this situation could be reversed through reliance on “market forces,” even under the most favorable internal and external circumstances. What is required is a radical change in government economic policy, breaking entirely with the prevailing IMF-style “fiscal austerity.” Instead, state credit-generation and state investment must be used on a large scale, to finance a mobilization recovery based on modernization of Russia’s vast infrastructural base, the channeling of massive amounts of low-interest credit to private and public enterprises in the productive sector, and crash programs of scientific and technological progress.

So far, there is no clear sign of a readiness to adopt the sort of radical measures just indicated. On the contrary, the Kasyanov government continues to hold on to its “neoliberal” policy formulas, and even to pursue certain measures—for example the partial privatization of the Russian railroads—which could have absolutely disastrous consequences for the future of the country.

It is not the purpose of the present article, to go into the

present economic policy debate in Russia, or the decisions of the government and the Russian Presidency, which are often ambiguous and even contradictory. Economist Dr. Glazyev, whose judgment is to be taken seriously in these matters, has emphasized that the partial recovery of 1999-2001 occurred not *because* of government policies, but *in spite* of them. Above all, Glazyev argues, existing liberal policies are reinforcing Russia’s role as a “Third-World-style” energy and raw materials exporter, and preventing the scale and kinds of investment into Russia’s productive base and science-intensive production, which are necessary for a real recovery of the economy.

### **Warning Signs of Crisis**

On the other hand, there are many signs of a developing internal crisis in the Russian economy, which may *force* a radical shift in economic policy. Here are some examples:

1. Production showed a marked slow-down toward the end of last year. Meanwhile, the drop in oil prices has caused a major decrease in export income and state revenues, as well as threatening to stop the necessary expansion of money supply, which has been occurring mainly through Central Bank printing of rubles to purchase foreign exchange earned by oil and other exporting companies. The combination of these two could have devastating effects on the economy, and were the subject of a number of emergency consultations, held in the Kremlin at the end of last year.

2. Russia faces a massive buildup of inflationary pressures, particularly connected with continuing price hikes in energy and essential services. In 2001, the production price index rose by 10.1%, while the price of coal increased more than 21%, the price of natural gas by more than 144%, of electricity by over 28%, and of transport by over 38%. A new round of drastic price increases is planned for the beginning of 2002. Unless the government takes strong, dirigistic action to stop this process, the profitability of production will rapidly drop below zero, living standards will fall, and a new social crisis will be unleashed.

3. The “consumer boom” of 2001 was accompanied by an explosion of *imports*, which grew at over 28%, or about six times faster than domestic production, demonstrating the extreme vulnerability of domestic producers. Without adequate protectionist measures, the expansion of domestic production cannot be sustained.

4. Finally, the chronic inadequacy of investment means not only a virtual inability of enterprises to invest in improving products and modernizing production; it also means serious breakdowns in essential infrastructure, as exemplified by the disastrous breakdown of urban heating and energy systems, particularly in the North and Far East of Russia.

It is estimated that in the “boom” year 2001, total capital investments in Russia constituted only about 17% of the GDP, compared to 25% in the United States during the 1950s and 1960s, and 30-50% in Western Germany and Japan during the post-World War II recovery.

# Putin's Warsaw Visit Focusses on Economics

by Our Special Correspondent

"From mutual grudges, Moscow and Warsaw are arriving at close economic cooperation," concluded Russia's RTR news service on Jan. 17, following President Vladimir Putin's visit to the Polish capital. "Today, Polish business is revising its interests toward the Russian market."

In Warsaw, Putin called for joint Russian-Polish infrastructure projects. On Jan. 14, before leaving for Paris and then Warsaw, he had spoken about Frédéric Chopin, and about Polish and Russian Classical culture. He told Polish journalists in an interview, "Thinking about Poland and Russia, I always think about the friendship of [Adam] Mickiewicz and [Alexander] Pushkin, and the constant struggle of Poles for independence and freedom from both their Western and Eastern neighbors."

Projects discussed by Presidents Putin and Alexandr Kwasniewski included joint production of passenger buses, on the basis of the Kaliningrad facilities of the Avtotor plant (which today assembles BMWs), with participation of Polish parts producers Bus Trading, Autosun, and Grupa Zasada. In the Russian-Polish economic forum, timed to coincide with Putin's visit, Russia's Vneshtorgbank (Foreign Trade Bank) and Poland's Bank of Support of Agroindustry signed an agreement on cooperation.

## Russian Energy Exports at Center

On Jan. 15, Poland's Finance Minister, Vice Premier Marek Belka, said in an interview with ITAR-TASS that "Warsaw completely agrees with the idea of the gas pipeline for transport of Russian gas from Yamal Peninsula to Western Europe" (via Belarus, Poland and Slovakia, circumventing Ukraine). The difference in approach between Russia and Poland, which had remained until Putin's arrival, concerned the amount of gas transit: The Polish side, simultaneously negotiating with Norway and Denmark, was ready for a contract for Russia's state gas company Gazprom for a period of 27 years, but suggesting an annual amount of transit not exceeding 9 billion cubic meters. The agreement now in effect with Russia, scheduled till year 2010 (and to be extended), suggests an increase to 12.5 billion cubic meters.

Putin noted that Poland and Russia should be mutually interested in development, above all, of trade and energy connections, which currently are at a level of about \$5.5 billion a year. He said that the two nations' cooperation could become very effective if it concentrated in the domain

of economic infrastructure, including transport. "In this sense," said the Russian President, "Poland can take the position she always has taken in history—as a bridge between the East and West in the best sense of the word, using her position in an effective way and from the standpoint of the development of energy programs between Russia and Europe, as well as . . . transport projects; and also raising to a new level certain branches of the economy of both Poland and Russia. I have in mind both agriculture, mining and metallurgical industry, and so on."

The construction of the Yamal-Europe gas pipeline, whose most favorable route would be through Poland, was believed to also have been a major topic of Putin's immediately preceding discussion with France's President Jacques Chirac.

Putin also made a proposal regarding Russian compensation to Polish victims of Stalin's regime, which was well received in Warsaw.

## Poland a Bridge, Not a Wall

In his own interview on Jan. 16 with the Russian newspaper *Kommersant*, Polish President Kwasniewski emphasized that the decisive positive turn in Russian-Polish relations took place after Sept. 11. "Our relations acquired a new quality when both countries chose the same side of the barricade," he emphasized. "Today, Poland does not want to serve as a wall between the East and the West. . . ."

"Geography itself demands close Polish-Russian cooperation," said Kwasniewski. "Poland is obliged to, and is ready to establish a secure transit for Russian goods to Western Europe. This is the shortest and the cheapest transit route for Russia. That concerns both commodities, passenger lines, and information. We need friendly relations between our border services, and conveniences for travellers. We need new infrastructure of electric energy and fuel, as well as new railroads, and this has to be favorable for both sides. We are also ready to increase cooperation in military industrial technologies, on the level of the defense ministries of the two countries."

While in Poland, Putin was questioned intensively about the political situation in Russia. Among other things, he remarked: "Many say, the generals in Russia are displeased with what the President is doing. I can tell you, that our generals are in no way different, nor worse, than the civilians. They are intelligent people and in no way less intelligent than their colleagues in other countries. They understand well, what confrontation and military clashes mean. . . . To provide a military establishment at a high level, one needs a high level of development of the economy. And for developing the economy, we absolutely need a favorable external environment. For this reason we must develop our relations with Europe, with the U.S.A., and with nations which are far from Russia's borders, as well as our traditional partners such as Poland. . . . There are no serious opponents in Russia to the development of Russia's relations with the leading nations of the world."



# Poland's Achilles' Heel: The Budget Deficit

by Alexander Hartmann

While the financial crises in Argentina and Japan dominate the news, the global economic depression threatens to unleash a financial implosion of Poland. But as yet, no politician in Poland dares say this. The last one who did, then-Minister of Finance Jaroslav Bauc, was immediately fired by then-Prime Minister Jerzy Buzek.

Bauc had warned that Poland's budget deficit in fiscal year 2002 may reach 88 billion zlotys (some \$21 billion), and that 40% of the budget was not covered by revenues. A hasty investigation proved Bauc right, but he was fired anyway, because he had warned of the payment crisis "too late."

That occurred last August. The Buzek government is gone, but the problems remain. Apparently, there is an agreement to not speak about the upcoming crisis. Nevertheless, nervousness is rampant, as the government's unprecedented demand that the National Bank of Poland lower rates by at least 5% within three months, attests.

The background to this is, that the current very high interest rates—they are at 11.5%—prevent Poland's industries from investing. Thus, the demand that interest rates be lowered, is absolutely justified. The other argument is, that the high interest rates drive the zloty up, crippling the competitiveness of Poland's exporters, and this drives Poland's exports down.

Indeed, Poland's exports are going down. Polish exports to Russia have essentially vanished, while Poland still needs to import Russian oil and gas. As a consequence, Poland's trade deficit, both in 1999 and in 2000, was more than \$13 billion, creating a current account deficit of \$11.5 billion in 1999, and of slightly less than \$10 billion in 2000.

## Foreign Investment Drying Up

This deficit was covered by a massive inflow of foreign capital. According to the UN Conference on Trade and Development's *World Investment Report*, foreign investors directly pumped more than \$7 billion into Poland in 1999, and about \$10 billion in 2000. Mostly, this money bought former state properties and companies, when they were privatized. In other words, Poland sold its silverware, in order to pay for its imports.

But this source of money is in the process of drying up. First of all, there are not that many state enterprises left that could be privatized. Second, the international "investors" have run out of money, being in a crisis themselves. Poland

will be lucky, if these investors are not forced to pull their money out to pay their debts elsewhere. On the other hand, those who have invested in Poland in the past, want to see returns—creating an outflow of funds.

In the meantime, the monthly trade deficit has come down, mostly because of the low oil prices in recent months. But, it is not only the import volume that shrinks—exports are going down, too, because of the economic crisis in Western Europe, especially in Germany. Many factories in Poland are part of the "production chain" of Western multinationals, and when these cut production, they buy less from their affiliates or suppliers in Poland. Hence, unemployment in Poland has risen to 17.4%, a record in the post-Communist era. That Germany's imports from Poland have gone down less than German imports from Western countries, is little of consolation, under these circumstances.

This will soon affect tax revenues—which will serve to exacerbate the budget deficit. At the end of 2000, public debt amounted to \$76.4 billion, of which some \$33 billion was foreign debt.

With a budget deficit of 40%, and sinking tax revenues, Poland's government will not be able to finance its debt; it is in a debt trap. If the zloty stays high, tax revenues will shrink, if the zloty weakens, the foreign debt will rise by the same factor. This, of course, will not only affect the government's debt, it will also affect the \$39 billion in private foreign debt, and aggravate the internal economic crisis in Poland.

This is the reason why this favorite recipe of the International Monetary Fund (IMF)—devaluation of national currencies—has ended in a failure, wherever it has been applied. In fact, the aim of this medicine was not so much to increase the ability of the affected countries to pay, but to provide ever-cheaper imports for the formerly industrialized countries in the West, to ease living conditions there.

Last Autumn, Argentina was in the same situation. President Fernando de la Rúa and his Finance Minister Domingo Cavallo tried to manage the crisis by imposing ever more brutal austerity measures, cutting pensions and salaries of state employees to finance the debt, at an accelerating tempo. This, in turn, destroyed the domestic market. In the end, it did not work: Despite (or because of) several IMF bailout packages, the government was forced to admit it was bankrupt. The devaluation of the peso, in January, has made matters worse, despite the debt moratorium declared by then-President Adolfo Rodríguez Saá.

Poland's government is moving along the same path. Once the government can no longer pay its debt, foreign investors will pull out. Once this avalanche is triggered, the zloty will collapse, with catastrophic consequences.

The only move which can prevent this scenario from playing out, is to turn away from the monetarist credo. The question arises: Are Poland's elites more courageous than those of Argentina, who deserted President Rodríguez Saá, when he wanted to do just this?



# A Unique Institute Charts Russia's Future in Space Science

*Dr. Nikolai A. Anfimov was born on March 29, 1935 in Moscow. He graduated from the Moscow Institute of Physics and Technology in 1958, and became a Research Engineer with the Research Institute of Thermal Processes, now the Keldysh Research Center. Since 1973 he has been at the Central Research Institute of Machine Building (TsNII-Mash), and became director in February 2000. Dr. Anfimov is the head of the Coordinating Scientific and Engineering Council of the Russian Aviation and Space Agency (Rosaviakosmos), which oversees the basic and applied research investigations on board the Russian segment of the International Space Station. Dr. Anfimov has authored and co-authored over 100 scientific works in aerogas dynamics, heat transfer, thermal protection, the ground testing of spacecraft and rockets, and the integrated analysis of prospective space transportation and space systems. He is a member of the Russian Academy of Sciences. He was interviewed by Marsha Freeman on Oct. 30, 2001, in Washington, D.C.*

**EIR:** The history of your Institute is a very long one. It is my understanding that it has been involved in every program since the start of the Soviet missile program.

**Anfimov:** In recent years, the military and civilian programs have been separate, but we had civilian programs at all times. Before 1992 we had no official space program for civilian purposes, only some scheme, but no long-term public documents. I'd like you to understand that there are two branches of our institute. Originally it was united, joint. It was Research Institute No. 88. Its task was to develop and to produce the first Soviet long-range ballistic missiles.

In 1956, Sergei Korolov, together with all the designers, and all the factories, separated from the Institute and became independent—Special Design Bureau No. 1. This was the design branch. Today this is Energia Rocket and Space Corp., headed by Yuri Semyanov, general designer and president.

The second branch of the Institute was research. From the earliest days, we did research in materials, aerodynamics, the strength of rockets, and so on. After 1956, Research Institute No. 88 became involved only in research. We changed the name to TsNIIMash in 1967, and it became the research institute, which does not design or develop any flight hardware. Of course, we participate in different design

and development programs. We really follow all of the rockets, launch vehicles, and spacecraft designed and produced in the Soviet Union and Russia, because we are responsible for scientific investigations, ground testing, expertise at different levels, and so on.

**EIR:** Is it not the case that you also have input into the plans of the Russian Aviation and Space Agency, although you are a research institute? This is very different than in the United States.

**Anfimov:** Yes, it is very different. In fact, our Institute is very unique. All visitors from the United States and other countries say that there is no analogue in the world, because we combine very different activities and responsibilities. We are responsible for proposals for all the space activities. We prepare the draft of the Russian Federation space program. We receive, of course, proposals from many organizations, but we combine, analyze, and prepare a single draft. After this draft is discussed in the Russian Aviation and Space Agency, there are meetings at different levels, and we present this report to the Agency Board. After this, the space program is signed by the head of the Russian Space Agency, and is presented to the Russian Federation government for approval. Lower-level plans, yearly plans, are also prepared.

**EIR:** This means that your space plan is based on technical evaluation and scientific capabilities. In the United States, we start with a political evaluation.

**Anfimov:** First of all, we make a draft of the space plan with other institutes, because we are obligated to come up with joint programs also for other specialized institutes, so we work together. And the economic institutes are responsible for cost evaluations.

But here are a lot of political aspects. Our Institute and the Russian Aviation and Space Agency (Rosaviakosmos) are involved in discussions with the State Duma [parliament] in different committees. We talk there very often, and I personally have discussions and make some presentations because we consider that different committees in the Duma need to learn more about the problems of space activities—the pluses and minuses of space activity. Rosaviakosmos delegated our Institute to work with the Duma. Of course,

officials from Rosaviakosmos are also working there, and their input is the most important; but we assist them.

For example, when leaders of Rosaviakosmos have to give different speeches in the Duma, we prepare preliminary materials. Personally, Mr. Yuri Koptev, the director of Rosaviakosmos, works very hard himself, but we prepare drafts.

Other very important decisions are political. The most striking example, was the situation with the Mir space station. When we decided to stop the flight of the Mir station, there was a political and public storm. Those people who didn't give money for the manned space program, now said, "It is Russia's pride . . . don't kill it; don't make it descend. It is a national treasure." I heard a lot of speeches on our TV, and it was a purely political debate, of course, because last year, we had no other choice. From the technical and economic point of view, the Mir station had to descend.

This discussion started three years ago, and if there had been money for the support of the Mir station, it would have been possible [to save it] then. It could have flown several more years. It would have been possible to make repairs, the cosmonauts could have changed some devices. But there was no money, and no repairs, so the Mir station went to its end. It was a political story.

**EIR:** In addition to evaluating specific proposals and developing an overall plan for the space program, how are you involved in space science and technology?

**Anfimov:** Our second task is to apply our expertise to all the proposals and prospects in Russia for rocket and space technology. Each project from each organization is sent to our Institute and we must evaluate it. It may involve some other organizations that are specialized—for example, in rocket engines, the Keldysh Research Institute—but general conclusions are made by our Institute. Other organizations may sign or not sign, in different cases, but our signature is necessary.

After that, we participate in some design work. There are a lot of science and technology programs, and we are involved with many. Academy institutes are also involved. We are especially involved in ground testing, because we have unique facilities to test real hardware and simulate flight conditions.

An important part of our responsibility is the certification of rocket and space systems before the first flight.

**EIR:** So nothing flies unless you certify it?

**Anfimov:** Yes, we give the final permission to fly. We also collect permissions from leading organizations, for example, Energia Rocket and Space Corp., for manned flights. After that, we prepare the conclusion. According to Russian law, we need to have permission and certification for only the first flight of space systems. But for the most important missions, such as each manned space flight—including the Soyuz transport vehicle, the unmanned Progress cargo vehi-

cle, some distinct module—we prepare permission for every article and every flight.

**EIR:** How many people work at the Institute?

**Anfimov:** Today, about 4,600. Twelve years ago, it was approximately 12,000. (We have shrunk to the point that we were two and a half times larger then.)

**EIR:** Over the last year, it seems that President Vladimir Putin has put more emphasis on investment in economic infrastructure and rebuilding parts of the Russian economy. There also seems to be a policy to revitalize Russia's scientific manpower. Do you see any change in policy?

**Anfimov:** There are no big spurts. But really for ten years, we had a shrinkage of the space budget. Two or three years ago, the space budget was stabilized. It may have been slightly increased, but there was some inflation which ate the increase. In 2002, we have a draft budget, where we have a more serious increase.

It is necessary for our space industry to cooperate with foreign countries. We have income from commercial contracts, and this enables Russian space enterprises to survive. For example, at the Khrunichev Space Center, they did not do as well as they would like, but they did get good money from launches. Energia Corp. also gets commercial inputs. They do this to compensate for the deficit of government money.

**EIR:** A NASA official said recently that, in the West, you look at developing a new reusable launch vehicle, and it would cost about \$5 billion. No individual company could do this, only the government could do it. But in Russia, the new Angara rocket and Baikal reusable first stage are being developed, even though the economic situation has been so bad.

**Anfimov:** The Angara expendable launch vehicle is being developed mostly from commercial money (aside from Angara's rocket engines). Khrunichev Center uses its profits from commercial flights. A very small part is from our government.

Baikal, the reusable fly-back booster, is being developed *only* with commercial money, without any government support. Khrunichev Center is interested in using new technology to be competitive in the world market. They use their own money for this purpose. Khrunichev Center is a government company. It has no stockholders, so it can invest money in its future, advanced projects.

Recently there was a very interesting decision, by Yuri Koptev—by the way, this was published in *Space News*. There was a special decision of Energia Rocket and Space Corp., Khrunichev, and TsNIIMash, and approved by Koptev, for commercial activity on the Russian segment of the International Space Station. The sense of the decision is that commercial activity is done jointly, not done sepa-

rately by each organization. And the money from commercial activity must be deployed back into the Russian segment of the International Space Station.

**EIR:** Do you know how much of the money that Russia will need to meet its responsibilities for the ISS, will have to come from commercial activity on the station?

**Anfimov:** We need approximately a twofold increase, for Russia to meet all of its responsibilities. The government money is enough only for the most-needed, immediate work, not for next year, and the year after. So the commercial money will have to match the government budget money.

For example, a Soyuz transport vehicle is under production for one year and nine months. To launch Soyuz vehicles in 2003, we need to begin producing this hardware now. Usually, Energia Corp. asks for credit for this purpose. But in the future, they need to pay for this credit.

This is a very delicate question, of course.

**EIR:** When the fight was going on between Russia and the other partners on the ISS, about launching space tourist Dennis Tito to the station, most news stories never mentioned that Russia needed the money he was paying for the flight, in order to meet its responsibilities to the partners and the program.

**Anfimov:** We talked about it, but Western officials didn't understand it; the Congress of the United States . . . Representative Sensenbrenner, a very "dear friend" of Russia, was permanently against Russian initiatives.

**EIR:** But since the Russian government policy has been changing, it may be more possible to increase cooperation.

**Anfimov:** Russian government policy was very good all the time, in words; but not in budget payments. There were many holes in our Russian budget.

**EIR:** Your predecessor, Dr. Vladimir Utkin, played an important role in the U.S.-Russian cooperation during the Shuttle-Mir program. Do you play an active role in the U.S.-Russian cooperation?

**Anfimov:** Yes, we are continuing this work. There is a very special joint, bilateral commission, for the safety of flights to the International Space Station. Gen. Tom Stafford (ret.) is the chairman from the American side, and I am the chairman from the Russian side. We provide a special analysis and prepare a recommendation, for Mr. Goldin—up until now—and Mr. Koptev, before each new crew flight to the ISS. Next week, the American commission will be in Moscow at our Institute and we will work toward the mission for the Expedition 4 crew flight, at the end of November. Messrs. Goldin and Koptev have approved the work of this joint commission, and due to recent events, consider it very important for the interactions between the United States and Russia on joint space flights.

By the way, before the Tito flight, we worked together very hard to come to a decision on this flight. We signed a joint decision. The American crew departed from Moscow on Saturday at 11 a.m., and we signed the joint decision on Saturday at 1 a.m., after midnight.

**EIR:** Regarding Sept. 11, it was quite extraordinary, that after U.S. forces were put on alert, the first foreign leader whom Bush spoke to was President Putin. In previous times, the Russian military would also be on alert, but President Putin said that the Russian forces would stand down, because he understood the security threat to the United States. It would seem that there are changes in the U.S.-Russian relationship, after Sept. 11.

**Anfimov:** We are seeing the first positive steps in this direction, of a closer point of view, and a mutual understanding. I hope this understanding will be closer. It's very important, from our point of view, that before Sept. 11, there was no understanding from American, and Western organizations, of the events in Chechnya.

They conceived this as a battle of the Chechen people for their independence, but the roots of these two events are the same. Terrorism was financed by the same bin Laden, and there are a lot of foreign fighters among the Chechen troops. We see that now in the United States there is a much better understanding of the unity of these two problems. Of course, there is a big difference. Chechnya is a part of Russia, and always will be an area of Russia. For you, bin Laden is far from the United States and you are not fighting on your ground, but in another country. This is the difference. But the roots are similar.

**EIR:** There have been a number of joint military R&D projects, some of which were not being funded adequately in the United States. Are they continuing?

**Anfimov:** I can't answer your question, because our Institute is not involved in military projects with foreign countries. There are other people in the Ministry of Defense who work with foreign companies. We work with the Ministry, for Russian military forces, but not jointly on American military projects. They worked independently from us.

I know the RAMOS [Russian American Observation Satellite] project. It is led by Academician Anatoly Savin, former head of Cometa, a scientific production organization, which is involved in developing satellites which watch areas of potential missile launches—special early warning spacecraft.

Our Institute is involved only in some scientific projects, such as the investigation of the radiation of rocket plumes, because a launch is detected by the radiation of the plume. This is our specialty—the investigation of physical processes, such as radiation.

**EIR:** One technology moving now into flight testing in the

United States, is hypersonic technology. What research is being done in Russia in this area?

**Anfimov:** We cooperate with Americans in scientific conferences in hypersonics. For many years, I was a member of the committee of the American Institute of Aeronautics and Astronautics, which arranges these conferences. I represented Russia there. Now another man from our Institute is a member of this committee.

At TsNIIMash we have supersonic and hypersonic wind tunnels, a unique piston gas-dynamic facility with multi-cascade compressions (PGU), and high-temperature electric arc facilities. One of our first commercial projects with the United States was with the GASL—General Applied Science Laboratory—under NASA, which is on Long Island in New York. We did special testing in a PGU for a hypersonic vehicle. It was the first testing of a model hypersonic ramjet engine with a supersonic combustion process. It was six or seven years ago.

**EIR:** What are the most important projects that the Institute is working on now?

**Anfimov:** Perhaps our cooperation on future launch vehicles. We are working hard investigating new technologies for future launch vehicles. I can mention also new technologies for small spacecraft, among which are very effective electric thrusters, so-called ALTs (anode layer thrusters). By the way, last year ALTs developed and produced at TsNIIMash flew on an American research spacecraft.

**EIR:** Are you looking at reusable or expendable launchers?

**Anfimov:** We are looking at both. We are looking at the modernization of expendable launch vehicles; new fuels, such as methane, liquid natural gas; and also in the reusable direction. We are responsible for systems analysis and the total program. We invite other organizations to participate.

For example, we always do the work with materials. We are testing samples for vehicle construction and for thermal protection, and construction elements in various test facilities, which simulate flight conditions and the space environment. We don't develop new materials, but work with other research institutions that develop them.

**EIR:** How is the technical data transferred from your Institute to an organization, such as the Khrunichev Design Bureau?

**Anfimov:** Khrunichev Center designs vehicles themselves, but they often use our preliminary results to design their vehicles. It was our finding, for example, that it was the most important for Russia to have a reusable first stage, for a future Russian reusable launch vehicle. This was the conclusion of our research, over several years. Khrunichev Center is using this idea for designing their Baikal boosters. In addition, they then ordered a lot of different partial investigations and testing from our Institute. They asked for re-

search concerning gas dynamics, acoustics, etc.

We used their money, among other things, to pay our staff.

**EIR:** What is the advantage of the Baikal, the reusable liquid fly-back booster?

**Anfimov:** A reusable first stage will have the advantage of a lower total cost. But more important is the environmental situation. Your launch site is at the ocean shore, so you have much less of an environmental problem of spent boosters and stages falling down on land.

We have continental cosmodromes. Our first stages cross over the land of Russia, Kazakstan, and Turkmenistan. In 1999 we had a lot of problems due to accidents with two Proton launch vehicles. Kazakstan forbade launches of Protons from Baikonur for some period. That is why we are interested in not having the first stage fall down, but fly back to the launch site.

We could use other launch areas, such as Kapustin Yar, on the Volga River near the Caspian Sea, if there were no possibility that the first stage would fall down. But if it is a fly-back stage, other launch sites may be used. It is much more flexible.

**EIR:** Do you plan to have launches from Australia?

**Anfimov:** Some agreements are signed. There must be a new launch vehicle developed, the Aurora, which can be considered a modification of the Soyuz launcher. It will have a new central core stage, with NK-33 rocket engines, which were developed and produced in the 1960s-70s for the Russian Moon rocket, the N-1. Our Institute is involved in some testing, and is providing expertise on this project.

**EIR:** What do you see as the longer-term goal of space exploration?

**Anfimov:** A manned expedition to Mars is the dream of rocket technology pioneers. Now it is time for conceptual and feasibility studies of such an expedition. Such research is now under investigation in Russia, at the Keldysh Research Center, Energia, TsNIIMash, and other organizations. The main questions under investigation are the mission scenario, power/propulsion complex, etc.

Today we can forecast manned Mars expeditions in 2015-25.

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## LaRouche's First 2002 Webcast: 'And Now, A Year Later'

*On Jan. 24, Presidential candidate Lyndon LaRouche's first Washington webcast in six months was attended live by 200 people—including embassy representatives of 15 nations—and by missions of a dozen other nations at a satellite meeting in New York City. LaRouche's presentation, and the international question-and-answer dialogue which followed it, were broadcast live on his campaign website, [www.larouchecampaign.org](http://www.larouchecampaign.org), as well as on [www.larouchepub.com](http://www.larouchepub.com), and are archived for access on those sites.*

*LaRouche began by reference to his extraordinary series of four international webcasts during the post-Presidential election crisis in the United States, between Nov. 12, 2000 and Jan. 27, 2001, wherein he forecast the economic crisis which has hit the Bush Administration and the targetting of Washington by international terrorism, and declared war on Enron and the "Southern Strategy" it represented.*

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### Lyndon LaRouche

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It's important in what we're doing here today, to recognize that we have to say what we think is going to happen, or could happen, sometime ahead, and we have to ask ourselves: How do we know we're right? Therefore, my record in forecasting is on the table, as an integral part of any discussion of this question.

For example, between the middle of November and the end of January of the previous year, between the process of the breakdown in the election itself, and the inauguration of President Bush, I made a number of statements and forecasts and characterizations on economic and related questions, and also on strategic issues of crises which we could expect. A year later, it would appear that what I said, what I forecast, is correct. And I think it's fair to say that my forecasts on all of these points were somewhat unique, and in totality, were uniquely accurate. And therefore, I ask you to consider that, in considering what I warn you about, and propose, now.



*Lyndon H. LaRouche, Jr. addresses the Washington webcast seminar by teleconference on Jan. 24. "I am leading the fight for what is a continuation of the principle of the American Revolution, against a fascist gang, typified by Brzezinski, by Kissinger, by Huntington. . . . Because if we don't fight them . . . we're not going to have a country, and we probably will have a dark age throughout this planet."*

We can understand the future. We can not understand always, or predict, what *events* will occur, but we can foresee the conditions into which we're heading. And we can discuss the conditions, what they mean, how we should deal with them, and what the likely response is to these various proposed actions. And that's what I shall do today.

### **No Way To Save the Present System**

Now, there are two major categories—actually three, but two on the table for forecasting. One is the economic issue. As I forecast, and had forecast earlier, but forecast in particular for this year—this past year—the world's present monetary-financial system is in the process of disintegration. Despite all efforts at denial, there is *no* way that any present mode of IMF policy can prevent a disintegration of Argentina. Only a repudiation of the policies of the IMF—of Freddie Krueger's sister Annie Krueger—could save Argentina.

We're now in the middle of a crisis in Japan, in which a virtual default is in progress, at the same time the government is *denying* the existence of a default—that is, the present Prime Minister's government. But it is a default. Poland is on the edge. The zloty's about to go. The enactment and implementation of the euro in Europe, a united currency, and the spread of that into countries in Eastern Europe, ensures a major crisis. Inflation and tax rises are already on the way in Europe, as a result of the euro. It *can not* work, and *will not* work. I can safely forecast that the euro, in its present form, will be a great disaster for all of Europe. Because under the

present Stability Pact, and under the Maastricht agreements, it is *impossible* for the governments of Europe—or unlawful under the present conditions—to attempt to generate the state-backed credit necessary, in any case, to revive a collapsed economy from a collapse.

The remedy for a collapse is not to cut, cut, cut. The remedy is not to cut credit. It is rather to *increase* credit, especially state credit, but to channel it, under strict regulation, and strict conditionalities, to ensure that the credit goes into no place but increase of production, and other useful things—such as more employment in infrastructure, reactivating idle capacity of industry, meeting obligations in health care, meeting pension obligations, meeting other obligations which are essential for the political and social stability of society, as well as the basis of the recovery.

Under the present Maastricht agreements, this is impossible.

### **The Sept. 11 Coup d'État**

The rest of the world is in a crisis of another type, typified by the Sept. 11 events.

Now, let me say flatly: There are some people, even at a high level, whom I respect, who are desperately trying to say there's some alternative to my assessment of what happened on Sept. 11. But nonetheless, they will be frustrated, and they'll find out—and they're serious people—as they conduct their investigation, they'll find out I was absolutely correct. *There is no other possible explanation than what I gave.* The



*President George W. Bush at the Pentagon, with (left to right) National Security Adviser Condoleezza Rice, Defense Secretary Donald Rumsfeld, and Vice President Dick Cheney. The military coup plotters failed in their attempt to wipe out the nation's top leadership, which kept the situation following Sept. 11 from going totally out of control.*

facts are all there.

The essential facts I presented in that radio broadcast on the 11th of September, in the morning, are the essential facts. Other facts have been disclosed since then, but the facts I stated, are sufficient to prove the case, *if* you take into account the circumstances under which these events occurred.

What happened was this: Three things happened simultaneously on the 11th.

First, there was a military coup attempt against the Bush Administration, Bush government, by a faction in the U.S. military. And I'll talk some more about that, and I've addressed that in other locations.

Secondly, this attack, which was not fully successful—a couple of things went wrong from the standpoint of the coup plotters, so it was not as deadly as it should have been. The President is not dead; Vice President Cheney is not dead; Donald Rumsfeld did not die in the Pentagon. And these were obvious indicated targets of the military coup plotters, who ran the operation.

Also, there was an escalation, a thermonuclear security alert, which went up automatically on the basis of these attacks, especially the attack on the Pentagon. When somebody attacks the Pentagon in that fashion, which threatens to wipe out the military command in Washington, that is the alarm signal which automatically guarantees that the United States

goes on a full-scale thermonuclear alert. That's the only thing that happens.

Now, that *did* happen. It was referred to by President Bush on several occasions later, including his address in Crawford, Texas, where Putin was standing beside him: stating that while he was on the phone to a thermonuclear second-strike base, Offutt, in Nebraska, that he had a conversation with President Putin of Russia, and that President Putin in effect said to him, "I know you're in trouble. I know the United States has put up its thermonuclear alert system. I'm taking down ours"—that is, the Russians', which was doing a practice alert—"in order to help you get out of this mess."

So the President, of course, in that circumstance, under these kinds of conditions, was the only person who had the authority to shut down, or order the shutdown, of the alert. And he was alive and able to do it. That prevented the crisis from going totally out of control. The fact that Cheney wasn't killed, the fact that Rumsfeld wasn't killed, were factors which also helped in keeping the situation from going totally out of control.

## **The 'Clash of Civilizations' War**

But that was only one part. That is not the coup. Trying to find out what Sept. 11 was about, *as such*, will not tell you *why* it was done. What's the motive? What's the outcome?

Well, the outcome became immediately obvious. The obvious thing was to implement, immediately, a state of global warfare, which is described many times by Huntington, by Brzezinski, and their associates, as a "Clash of Civilizations" war. This had the central feature of a plan of a religious war against Islam, which was intended to throw the entire world into chaos, and bring about certain utopian goals, which are the goals of the crowd with which Brzezinski and Huntington are merely puppets and lackeys.

The third element of the coup, was in Israel. You have an IDF [Israeli Defense Forces] crowd, under military control, which has a favorite puppet, who's called the Prime Minister, Ariel Sharon: a known killer, but he's not really a fanatic, he's just a killer. He's just a thug. He's got a record as a thug. He's a thief, and a thug, and a political animal. He's not an ideologue. But some of the people in the IDF, and behind them, are fanatics, they're ideologues. They're determined to set off a religious war. How? By conducting a war against Islamic peoples, beginning with the Palestinian population and beyond; attacking Iraq, attacking Iran, and other countries, to set forth the basis for a religious war throughout Eurasia.

The other thing they intended to do, and they've intended to do that, is to go to the top of a hill in Jerusalem, on which is located the [third]-holiest place in Islam, and to *tear it down*, to put up what's called the Third Temple. That is the sufficient pretext for launching a religious war, on a global scale, comparable to what happened in Europe generally in religious wars between 1511 and 1648, and specifically, the Thirty





*The Nazis came to power thanks to a coup d'état, backed by Anglo-American interests, that ousted Chancellor Kurt von Schleicher. A similar danger is arising today. "The danger is, when people who have obsessions, and who have great power, see that power threatened, they are likely to go, as they say, 'ape'..."*

Years' War of 1618-1648. Religious war, and wars like religious wars, once started, *can not be stopped*. They are self-inflammatory. They lead humanity into Dark Ages.

So, the implication of the three events—the attack on the government of President George W. Bush; the launching of the continuing escalation of demands for extended war, Clash of Civilizations war, by the friends of Brzezinski, Huntington, Richard Perle, etc., etc., etc., and Democrats such as Lieberman and Gore's friends, and so forth; this kind of thing is part of the operation. The third part is the role of the present Israeli dictatorship—and it is a dictatorship—over the objections and warnings of sane Israelis, such as the martyr Rabin, who understood that Israel can not survive unless it reaches peace agreements with its Arab neighbors, especially the Palestinians.

So, every sane Israeli *knows*, you must have a peace agreement with the Palestinian people, and the Arab neighbors in general. Otherwise, the future of Israel is non-existent. But these are madmen who are determined to do it anyway. Religious fanatics, or worse.

So, those are our essential problems. The three problems go together. This is our problem.

### **The Nazi Precedent**

Now, this comes at a time which reminds me, as I've said before, of the events of January through March of 1933 in Germany—and also, then, of course, a year later, in the Summer of 1934.

The Nazis had been defeated in their aspirations for power, in the Autumn of 1932. A new government had come into place, a ministerial government, headed by Kurt von Schleicher. Behind the Kurt von Schleicher government were policies which were like those which were actually implemented by Franklin Roosevelt, once he was inaugurated President. Remember, Franklin Roosevelt *was* elected President, in November of 1932. In the same period, the forces behind Adolf Hitler, from the United States and Britain (more than Germany), were defeated in support of their Nazi puppet.

What happened was, that British interests, headed by the former head of the Bank of England, supported by the Harri-man interests of New York—that these interests planned to put Hitler in power. They pulled a coup d'état, which, on the 28th of January of 1933, resulted in the retirement of the Chancellor of Germany, Kurt von Schleicher. On the 30th of January, a good-for-nothing tyrant, a Nazi, Adolf Hitler, was appointed Chancellor of Germany by the President of Germany.

This was not the end of it. People said, "This is a bad joke, because Hitler does not have the base to hold power." But then they fixed it: Less than a month later, the Reichstag [fire] occurred. The Nazi regime declared emergency rule, and established a dictatorship, and started the concentration camp system. The following month, in March, [Hjalmar] Schacht, who was one of the key plotters behind putting Hitler into power, for Anglo-American interests, became the president of the Reichsbank of Germany. And U.S. and British bankers,

and others, poured the credit into the hands of Schacht, for the purpose of Germany's being rearmed to start a war with the Soviet Union.

A year later, in 1934, von Schleicher had been murdered by the Nazis. Hindenburg, the President, was dead. Hitler declared himself the eternal dictator of Germany, and World War II was inevitable. Maybe it turned out differently than it might have turned out, but the war itself was then inevitable.

And the danger is, we're getting to a point like that. It's not exactly identical. But here we come to a point that the international financial system in its present form is doomed; the IMF system as we know it, is doomed. Nobody could save it in its present form, except a lunatic—and they couldn't succeed. But the danger is, when people who have obsessions, and who have great power, see that power threatened, they are likely to go, as they say, "ape." They are likely to make coups, coups d'état, to establish dictatorships, to commit mass murder, all kinds of crimes, in a desperate attempt to hold on to their power, hell come or not. And that's the situation that we face.

### **The Political Parties Are Worthless**

Now, there are solutions to the economic and related problems we face. The problem is, that we don't have, in Western Europe or in the Americas, anywhere today, a government which is worth a hill of beans. The political parties, the political parliamentary parties of Europe, and of the Americas, are worthless, just like our own Democratic and Republican parties. They both, right now, are absolutely worthless. There are people *in* these parties, who are perfectly capable of doing useful things, as individuals. Combinations of such persons, from each of the parties, or a combination of both, could represent a competent, intelligent leadership for this nation, on the parliamentary side, or the Congressional side, and as public figures.

But the parties in their present organization, particularly the Democratic Party under the influence of the DLC [Democratic Leadership Council], *can not possibly play any useful function.*

We've seen, since March-April of this past year, we've seen the Democratic Party, once it had a grip on the majority in the Senate, has been incapable of doing anything useful. And if you look at what's being said from those quarters today, and the performance of leading Democrats, who represent that Democratic Party, on both the House and Senate side, they just are not capable of doing anything useful in response to this kind of situation we face today.

The government—that is, the government of George Bush—is not much better. Bush responded in a wrong way, but also, in a sense, in a responsible way, to the attack on *him*, on the attack on his government. The bombing of Afghanistan was a mistake. Anybody who's studied military science, and has studied the history of the wars in Afghanistan, knows that's absurd. *Bombing mountains in mountain warfare is the*

*most idiotic thing that anybody ever dreamed up.* The Soviets got wind of doing that sort of thing when they got desperate, and it didn't do any good, it just made everything worse. We're not doing anything in Afghanistan that is going to do us any good.

The significance of Afghanistan, was that as long as the United States was attacking Afghanistan, and *tied up* in Afghanistan, then the pressure on the White House to go for an attack on Iraq, and Iran, and so forth, could be held back. So, what Afghanistan has been, is a sacrifice, a human sacrifice, a throwaway, in order to tie up the resources of the United States—and I understand we're running out of bombs—to tie up the resources of the United States, in fighting a phony war in Afghanistan—it's a nasty one, but a phony one—as a way of not going to an attack on Iraq, and Iran, as people in the Democratic Party, and in the Republican Party, and in the Bush Administration itself, are demanding.

Powell is to be given credit for what he's done on this thing. *We have not yet gone to that war*—the Clash of Civilizations war they want. But the problem is, if you look at the subcontinent of Asia and elsewhere, what the United States government is doing in Afghanistan, is actually *contributing* to the environment in which a war of that type becomes more likely.

### **The Monetary-Financial Problem**

You look at Europe, as I say, the parties in Europe. There's not a parliamentary party in Europe in government, which is capable of addressing any of these problems. The problems are soluble. But we now have a crisis of government, a crisis of leadership, in which solutions exist, but in which there's no one *in charge* to deliver the solutions. We would hope, with the peculiarities of the American System—that is, our Constitutional system—that even a President that may not be *much*, but under our system, because he represents an institution, may do his job for the institution, in carrying the ball to get us through this crisis.

I'll indicate some of the things that are involved here.

First, what are the solutions, which these parties are in the way of? The DLC crowd, the Democratic DLC crowd of Al From and company, is having a session right now, at this time. They're a pure waste of time. There's nothing they're going to do, there's nothing Al Gore could have done, or would do, to help this country, or help the world. These people are a *problem*, they are not part of the solution.

The problem is, we don't have—. We have people in this country who *could* be part of the solution, including seasoned political figures, if they were brought together as a force. But we don't have them together at this time, and one of the things I'm trying to do today, is to *shame* them into moving in that direction. Step forward, and begin to show the kind of leadership this country needs for this crisis. Bypass the two parties. Just give some leadership outside the two-party framework, and then come back and reorganize the party system on the

basis of a show of leadership, by showing a leadership which can rally the American people in support for this kind of alternative.

What are the matters?

What we have are two crises, apart from this military crisis.

First of all, we have a monetary-financial crisis. Now, this is an old crisis. When Nixon, in 1971, took a system that had *worked*—the post-war system, the old Bretton Woods system, based on fixed exchange rates—a system which had worked very well, with imperfections and so forth, but you get that; it worked well: *We destroyed it*. We destroyed it partly with racism, with President Nixon's racist campaign for the Presidency, when he met with the Ku Klux Klan down in Mississippi, in 1966, to get his Presidential campaign going. And that taint of racism has stuck with Nixon throughout, and other policies as well.

Nineteen-seventy-one destroyed the system.

Carter came in. Carter was *worse than Nixon* for the economy. Nixon was bad, but Carter was worse. Or maybe it wasn't Carter; maybe it was the guy who controlled him, Brzezinski, who's a real certifiable madman.

Carter did more to destroy the U.S. economy than anybody in the 20th Century, in just four years in office. This death of Cyrus Vance recently, the former Secretary of State, speaking of his quarrels with his—people referring in his obituary to his quarrels with Brzezinski—typifies that situation.

So, what we have is, we have a financial-monetary system, which was started, essentially, by Nixon's actions of mid-August 1971, the so-called floating-exchange-rate system, which has destroyed our neighbors in the hemisphere, has destroyed much of the world—Africa, and so forth. Since 1971, there has been *no hope* for black Africa—none. Why? Because of that system. Because Africa policy is dictated by that system. And until you've changed the policy, there's no hope for Africa. So, don't talk about Africa! If you don't want to *change* that system, there is *no hope for Africa!* We should have learned that lesson.

All right. So, we have an economy which we have collapsed. A perfect example of that was in 1979, toward the end of the Carter Administration, I studied the matter, and determined that we could *no longer* have built the space shot, the Moon landing, of 1969, by the end of the 1970s. That is, we had *destroyed* the potential for that kind of accomplishment. That typified a general destruction of infrastructure, of everything, in this nation, in this economy. So, the new monetary system, and the philosophy that has gone with it, has destroyed the economic potential of the United States.

For example, take the case, since 1977, since Carter became President: Look at the lower 80% of family income-brackets in the United States. They used to represent the whopping majority of the total income of the nation. Now, the lower 80% of family income-brackets are a shameful mi-

nority of the total income of the United States. We have destroyed our people. We have destroyed our industries. We have destroyed *everything* in our economy, all for the sake of this crazy, ideologically ridden monetary and financial system.

So, we could solve the problem. There are several things we would have to do.

### Think Like FDR

We would have to think a little bit like Franklin Roosevelt, and we should look back to some of the things that he did, back in the 1930s—between 1932, when he was running for President, and 1933, as coming in as President. The actions that he took, within the framework of our Constitution, without ever violating the Constitutional system, to mobilize this nation in an emergency, to save it from pure hell—those are lessons which deserve to be learned afresh today. We could do those kinds of things.

Here's what we could do: We are still, despite all the bad things we've become—we are still the leading nation of the world. We, the United States, through our President, have the ability to call together leading nations of the world, and say, "We're going to put this crazy, bankrupt monetary, financial system into reorganization." The IMF is not an independent authority; the IMF was created by governments, chiefly the government of the United States. And if the United States government says, "You're bankrupt, we're going to shut you down and reorganize you," then they shut down, it's over. The party's over.

The United States has the authority, with the agreement of other nations, to put this stinking monetary system into emergency financial reorganization, and get this economy moving again. *That must happen*.

And it is a matter of the will. Are we willing to save our nation, and civilization, or are we not? Are we going to say, "No, we have to stick to the IMF system"? Are we going to sit in hell, saying, "We came to hell. Why? Because we had to go along to get along!"?

No, we're not! We're going to say, "We're going to save the nation; we're going to save the other nations of the world." And governments around the world tell me, that "if you can convince the G-8, or the G-7, to make this reform, we'll support it!"

Now, if the government of the United States will support my policy, I guarantee you this reform will occur. The nations will assemble; they will create, in a very short period of time, a new monetary system, based on the best features of our experience in the 1945-1963/64 system—and it will work.

We also have to have an economic recovery program, not only for ourselves, but for the planet in general. We also have come to the point that we recognize: This world needs a new conception of the order of affairs among nations. Well, this conception is not itself new. It was proposed by a famous man in the 15th Century, the man who was responsible for



*Supreme Allied Commander Gen. Douglas MacArthur signs the Japanese surrender document, Sept. 2, 1945. Contrary to the utopian faction in the U.S. military, MacArthur understood that the purpose of warfare, among civilized nations, is not perpetual war, but is to establish a just peace, to make possible the emergence of a community of principle.*

designing what became the modern nation-state. His name was Nicholas of Cusa, Cardinal Nicholas of Cusa at a later point. He wrote a book, called *Concordantia Catholica*, which set forth the basis for a system of perfectly sovereign nation-states, bound together by a community of shared principle. Now, today, you would call that a “[multi]-polar world.”

The same proposal was made for the Americas by U.S. Secretary of State John Quincy Adams, in 1823, to say that we didn’t have the power to kick the British out of the Western Hemisphere at that time, but when we did, we should: in order to set up a community of perfectly sovereign nation-states in the Americas, as a community of common principle.

What we have to do at this time, is give up all these ideas of Anglo-American empire, and other kinds of silliness, and say we are going to launch what will become in fact, a [multi]-polar world, a community of perfectly sovereign nation-states, which will agree on certain common principles, which correspond to the idea of the General Welfare, which is the basis for our government, actually, at least Constitutionally. And we will do, for each of our nations, what is good for the common welfare of that nation. We will also work with other nations to serve what is in the general interest, the common welfare of nations as a whole. We should use a monetary reform, of the type I’ve indicated, as the way to do that.

### **The ‘Military-Industrial Complex’**

Now, let’s look at the enemy. No, don’t look at all of it; let me just summarize some of the things that are most

important for you to know.

As some of you recall, in the course of the 1950s, and spilling over into the 1960s, there were a number of voices of senior figures in the United States, who warned against what some called a “military-industrial complex.” Among these were President Eisenhower, who spoke from knowledge, and he spoke correctly, though often people said silly things about what he had said. The same point was made by MacArthur, Gen. Douglas MacArthur, General of the Army MacArthur: the most efficient warrior of the 20th Century! The man who won more territory, and lost fewer lives, and killed fewer people, in a shorter period of time, over a greater area, than any other man in history. (And there was no need to drop bombs on Japan, because Japan was about ready to surrender.)

And, as anybody who understands military science, who has learned the great lessons from the Classics, [knows]: *You never invade and attack an enemy who is already defeated.* You may force him to fight again. Never attack a defeated enemy. Negotiate peace. The purpose of warfare, among civilized nations, is not *war*. It is not perpetual war. The purpose of warfare, if it is justified, is to establish *peace*, including a peace satisfactory to the defeated nation, thus rebuilding the foundations for future collaboration, the emergence of a community of principle. The function of war is to *end* war, not by perpetuating war, but by fighting for durable forms of peace, and not overlooking those things that have to be decided upon to bring about durable peace. This was our tradition. This is what Eisenhower, with all the criticism made of him, during World War II, represented. This is what MacArthur repre-

sented. This is what the best of the American military tradition represented: *the tradition based on the citizen-soldier*. You had great professional leaders, military-trained leaders. But the gut of our fighting capability was that of the citizen-soldier, the citizen who volunteered to fight in wartime. And the citizen-soldier *fought* as a citizen, not as a killer, but as a citizen, and fought for a purpose, for a justified purpose. The principle of military policy was *not* the kind of thing that you're hearing lately—that, Eisenhower attacked, and MacArthur attacked.

All the great commanders in modern warfare: Lazare Carnot, the greatest genius of French military science—who was the inventor of the *levée en masse*, one of the most brilliant commanders in history; who took the leadership of a French army that was about to be defeated—defeated by hordes of armies coming from all of Europe to cut up and dissect France. And starting with virtually nothing, he organized the force that defeated and expelled all of those enemies within a period of two years. He advocated the policy of *defense*, not aggression. When Napoleon was going to march on Russia, he said, “Napoleon’s a fool. Don’t do it. You don’t fight wars, except in defense.” The founder of the German military system, Gerhard Scharnhorst, a man who was educated under the influence of Moses Mendelssohn, at a school set up by a fellow called Wilhelm von Schaumburg-Lippe: the same thing. It was Scharnhorst and his friends who set up the idea of the citizen-soldier system, as opposed to the perpetual army.

So, all the great commanders in modern civilization have fought for the idea that military science should be based on these principles: We fight only justified war; we fight to establish peace; we fight to establish a durable peace, in the interests of ourselves and the defeated adversary; we fight as a nation, and for national goals.

## The Opposition: A Utopian Military Policy

Now, let’s look at the opposite side.

You have a group in the United States, which have gathered around large institutions, powerful financial institutions, such as the H. Smith Richardson Foundation, the Olin Institute, the Foreign Policy Research Institute, based in Philadelphia, the Mellon Scaife Institute, and so forth and so on, the Rand Corporation, up and down, which have gathered around people like Henry Kissinger, Zbigniew Brzezinski, Samuel P. Huntington, and others. These people, with certain military figures included, set forth a policy in the 1950s, which is what Eisenhower and MacArthur warned against. It was called, in that time, a “utopian” military policy. The idea was to set up an American-dominated, Anglo-American world empire, like the Roman Empire, based on the so-called professional soldier.

Now, if you read the books and articles and discussions that these crumb-bums (if you want to give them the right name) have written, their policy is to eliminate the nation-

state, set up a Roman-style world empire, under their rule, and create a military force, which, in point of fact, is modelled immediately on the Nazi Waffen-SS from the end of World War II: that is, troops recruited from all kinds of nations into a force, as a killer-force, to conduct perpetual war, just like the Waffen-SS. So, these guys are *real Nazis*. These are the utopians. These people are associated, as the H. Smith Richardson Foundation, and the Olin Institute and so forth, the American Enterprise Institute, and so on and so on—they are associated with wealthy financier institutions of the same type, from the United States, and from London, who put Hitler into power in Germany in 1933-1934, who made World War II inevitable. *This is the enemy!* It is the enemy *within*, and the enemy without is of minor significance compared to the enemy within.

Now, what I’m saying makes some people with strong nerves, who understand exactly what I’m saying, makes them shake and tremble a bit. Because the people who conducted the coup, the military agencies, the military faction of Utopians, of people who think like Brzezinski, who think like Kissinger—these people have not been arrested! These people, who organized the military coup against the United States government, have not been arrested! They’re still at their posts! They’re still in power! They still have international influence.

People are *terrified* of them, and they won’t fight. They’re afraid. And they’re not afraid because they’re scared bunnies; they’re afraid because they know what this is. They know it’s a killer. But I say: I have to lead the fight against it, because *somebody* has to lead the fight against it. And my qualification for leading the fight, is I understand it: These are the people who’ve been my enemies in the United States, in the courts, and in the press, and everything else, for over 30 years. So, I’m entitled to fight them.

But, these guys—if we don’t defeat these guys, we don’t have a nation, and we don’t have a civilization. *Somebody has to stand up and take the leadership, and say: We are not going to give this country to these people!* We are going to restore this nation to the sense of purpose *entrusted to it* by people in Europe and elsewhere, in the 18th Century and later: the hope that the United States would be a republic, which was described by Lafayette as a beacon of hope and a temple of liberty; to inspire the rest of the world to reach the kind of society which we aspire to build here in our own nation. As Lincoln said in his Gettysburg Address: What is at stake here, is a form of government, a form of civilization—just as he expressed in that address.

Some of us *must lead the fight*. I am leading the fight. I’m leading the fight for what is a continuation of the principle of the American Revolution, against a fascist gang, typified by Brzezinski, by Kissinger, by Huntington, by the H. Smith Richardson Foundation, the Olin Institute, and so forth and so on. Because if we don’t fight, even though their military flunkies are still in positions of power—if we don’t fight them,

we're not going to have a country, and we probably will have a dark age throughout this planet. *We have to fight.*

## The Courage To Fight

Now, the problem here is: How are we going to find the courage to fight?

Well, as you get older, you may realize that some of the ideas about your self-interest you had when you were younger, are rather foolish—shall we say, “adolescent.” That you thought that your immediate family and community interests are what's important. You thought that your savings are what's important; you thought your ownership of a house was what's important, the mortgage; you thought your pension was what was important. But you're all going to die. Therefore, what is the meaning of your self-interest, if you look at yourself from outside that interval between birth and death? What does your life mean? What is your self-interest? Your self-interest is what you as a human being represent, what makes your birth and your living of importance to humanity, your purpose in existing, your purpose in having a mortal existence. That's what's important to us all—if we know it.

And therefore, we see everything which is important to humanity in jeopardy. We find in ourselves *then*, the strength and the courage to fight, because you can say, “You can kill me, but you can't take away my purpose in living, or the dedication I have to it.” And if we can get people to understand things that way, we can win. And my hope is—and I can say much more, but let's leave that to the questions and discussion you want to raise.

But that's what I have to say. We've gone through this crisis. I can offer you the credibility of my success as a forecaster, which is—I can promise you, I can assure you—is unmatched. I can offer you my dedication to what I've told you I'm dedicated to. I can offer you my knowledge and commitment to try to attempt to use the influence of the United States, to bring about a reorganization of a worthless, bankrupt monetary system. I can promise you the use of my knowledge, and that of others I can rally to me, to bring about the economic mobilization to restore this nation, and other nations, to what they should be. I can promise you that I am committed to not an empire, but to what some people call a [multi]-polar world: a community of principle among perfectly sovereign nation-states, which I think is the only way this planet can be managed. And I can promise you that I'll fight now, and I'll fight until I die. I will not quit.

Thank you.

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## Dialogue With LaRouche

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*We publish here excerpts of a two-hour question-and-answer dialogue between Lyndon LaRouche and the webcast audience, moderated by Debra Hanania-Freeman, spokeswoman for LaRouche's Presidential campaign.*

**Freeman:** I'd like to start with some questions that were submitted by Dr. Mustafa Ali. He is the economics editor of *Al-Arab International*, which is a newspaper that is published in London. He says, “First and foremost, that he would like to send greetings and express the admiration of his Arab readers of Mr. LaRouche's daring and courageous positions. And also his thoughts, especially as they relate to the Palestinian cause, and all other issues regarding the Arab world.” He says, “First, Mr. LaRouche, you talked about the September 11th events, and their political-economic-strategic and historical background. But the question is still: What would have been the reaction of a Democratic U.S. Administration, rather than a Republican one? Would it have taken the same path against terrorism, that you now call a suicidal policy?”

**LaRouche:** I think that if Al Gore had been President, the reaction would have been far worse than it has been under Bush. The DLC crowd, Lieberman and so forth, on record, would have gone whole-hog where Bush has hesitated and dragged his feet, and resisted. We would probably have today, a full-scale clash of civilizations war in progress.

Now, the problem with that, is there's another side. If Bill Clinton had been President—but he wasn't eligible; he couldn't run for a third term, because of that amendment that was made, the anti-Roosevelt amendment made at the end of World War II. Bill Clinton, I think, would have been a different proposition, and would have been useful.

There are other—as I said, in the Democratic Party, there are many good people in it. The trouble is, they keep going along to get along, and that's the way you get along to hell. And Clinton's mistakes were, he kept capitulating. You know, Bill Clinton was probably among the most intelligent Presidents the United States has ever had. And that's not a statement of admiration; that's a statement of protest, because he never lived up to what I thought was his potential. He would compromise at points I thought he shouldn't compromise.

## Power or Principle

As you may suspect, I'm strong on principle. Some people would like to do something with power for the good: I think Bill's one of them, but they would struggle to keep the power first, and serve the principle second. And I'm the kind of guy who would probably give up the power, risk the power for the sake of the principle. And I think that's what was needed. . . .

I think it's moot now. I think the thing to learn from this, is that the Democratic Party was a disaster. The reason that Bush was elected was that the Democratic Party candidate, and the coalition around him, was an unmitigated disaster. And people were not attracted. . . . The fact that people voted at all for the Democratic Party was because they somehow wished that maybe that would mean that Bill Clinton would still be there in Washington on the day after the next inauguration. But if Bill Clinton had not been, in a sense, behind the ticket of Al Gore, I think that Al Gore would have made [Alf] Landon look like a winner.

So, I think that's . . .—the Democratic Party is a mess. And I wouldn't put any confidence in the Democratic Party at this time, except by scolding it. As I scold it. And say, "If you're any good at all, change your ways! And do it now! Because you are the laziest, most good-for-nothing bums, collection of bums, I've seen in a long time." Unless I look over at DeLay and the other part of the Republican side—you've got a bigger bunch of bums over there. But these Democrats, by pretending to be something nice, they're worse than the worst Republicans. The worst Republicans at least admit they're dinosaurs! The Democrats pretend to be nice guys, and they're more evil than the dinosaurs.

So, I think my answer to the question is implicitly clear. It's not going to be a choice of existing institutions—on the *Al Arab* question. The question is: Can we in the United States and other countries organize a force to replace what is now that worthless collection of fools called the Democratic Party leadership? A bunch of fools among whom there are many good people, but as long as they continue to work with one another the way that they do, they act like a bunch of fools. And it's terrible. So, I think if the Democratic Party were to come to power now, under what is called the present leadership of the party, with people like Lieberman and Gore as leading contenders—and people who don't agree with them, but who are opportunists, supporting them—the Democratic Party would rush into war, where Bush and Powell and others would hesitate.

**Freeman:** A follow-up from Dr. Ali. He says, "Mr. LaRouche, you always emphasize that the American violent policies have British political minds behind them. Do you expect that there will be American independence soon, from the British intellectual and political pressure?"

**LaRouche:** Well, that's what the fight is about in the United States. Now, I represent not something unique or really strange, from the American standpoint. I represent probably one of the last, important representatives, intellectually, of the American Intellectual Tradition. And on the other side, the people who disagreed with me in high places—like the major news media and so forth, the entertainment media, much of the banking community and so forth—they represent something which I call, which President Roosevelt, Franklin Roosevelt, called, the "American Tories." So, we have a treasonous pack of American Tories, which dominate our mass media, which dominate our financial system, which dominate now, through the utopians, the military arm of our power. But that group—that American Tory policy—has carried the United States down to destruction, through the crazy economic policies we've adopted, especially over the past 35 years.

So, we've come to a breaking point, where one of two things is going to happen: Either the United States is going to destroy itself, or it's going to dump that American Tory policy. Now, I can not guarantee either result. I can only guarantee that, if we don't get rid of the American Tory policy,

we're not going to have the United States to worry about. So therefore, I would say that if the United States is going to survive, it's going to change. And my function is to try to bring about that change by setting an example and setting a pace for other people to join in on.

## What Japan Must Do

**Freeman:** We have a question that was submitted by a retired Finance Ministry official from the nation of Japan. He says: "Japan has severe problems with its own economy. However, it also appears to be under political attack from external forces, located at places like the American Enterprise Institute and Goldman Sachs, who are trying to organize a run on our banking system. Some people in Tokyo are beginning to realize that such a foreign political attack cannot be defended against using domestic monetary measures. We were alarmed to read in the interview by Dr. Makin of the American Enterprise Institute, that the 'Washington consensus' assumes that Japan has no guts. What are the measures that you recommend to Japan to resist this attack, both in the short term, and in the longer term?"

**LaRouche:** Well, Japan has to—I think there are senior people who would understand this. I think the problem is among the younger leaders in Japan—under 65, under 70, under 55—the younger leaders, because they've been educated in U.S. universities, have assimilated these ways of thinking, these Americanized ways of thinking, don't think the same way; and have a Japan version of the same kind of problem that we find commonly in the U.S. age groups, of the same type. . . .

That here you have—Japan faces an existential crisis. Japan's existence is on the edge, just as much as Argentina's is right now. Japan has been, for a long period of time—especially since the period of Kissinger, on the issue of Japan's Iran policy; Brzezinski on the issue of Japan's Mexico policy, and so forth—Japan has been destroyed in what had been its rich potential emerging in the 1960s, when Japan was engaged in exporting technology to developing countries, and actually making a very important contribution.

As for example: You have Professor Nakajima of the Mitsubishi Research Institute, [who] exemplified an entire stratum in Japan that I knew in the 1980s, who still had those values. That Japan's mission was to find—especially among its neighbors in Asia—was to find the possibility of doing good, and going into these countries and working with these countries to develop them: not simply as markets for Japan exports, but as Japan's defeat in World War II exemplifies this—Japan is an island-nation, with very limited natural resources, which has developed an excellent industrial potential—or had. Japan, therefore, depends upon finding ways of securing the raw materials and so forth, that it requires from outside, by exporting to countries things that they need that Japan can produce.

Now, Japan has available to it a vast amount of potential

in northern Asia, in Russia. Japan has, throughout Eurasia, all kinds of opportunities to engage in long-term agreements of technology, or processed raw materials and so forth. So, Japan could have a future. Japan's major role is actually, properly, in Eurasia. And of course there are historical difficulties—a history of conflicts with neighboring countries, dating especially from 1894 on, as with China, Korea, and so forth. But these problems can be overcome; they should be overcome.

## Defending Dollar System Has Bankrupted Japan

Now, the system is coming down. Japan has been used, during the 1980s—especially since the middle of the 1980s, and beyond—has been used as a towel-boy for Wall Street and London. Japan has been printing money, and doing all the things that the United States and Britain told it to do, in order to subsidize the Anglo-American system. Now, when the pumping system occurred, that is, the financial pumping system occurred, in the 1990s, Japan began using the creation of its currency to subsidize the U.S. financial markets. This is their big problem!

Japan has now reached the point that it is technically bankrupt. The banking system of Japan: technically bankrupt. It is implicitly in the same kind of situation as Argentina. If Japan goes under—and it can go under momentarily. It is in default, which may not be declared, but is there. Don't wait for the official declaration of a default in Japan. The default is now in process. It is now inevitable. It is not something that might happen. It *will* happen, unless there's a fundamental reorganization of the world financial system quickly.

So, Japan has really *nothing to lose*. Really. By facing that reality. *There is no possibility for recovery or survival of Japan under present conditions*. When Japan goes, the U.S. dollar goes, because without the support of Japan, the U.S. dollar would collapse very soon. Whether in weeks or months is not important. It would collapse. It would be doomed. And you get two or three more countries, like Japan and Argentina, going under—such as Poland or Turkey, a few others that are highly eligible on the list—they go under: *The whole system is gone!* . . .

I think the only solution is, we have to have, outside of, and parallel to government relations, we have to reach a closer understanding among people of influence in various countries, who can then jointly operate to bring their nations that they also represent, together around these things. See, the problem is: The people in the United States don't understand Japan. They don't understand Japan's problem as I just summarized it. They don't understand the problems of China; they don't understand the problems of Korea; they don't understand the problems of Southeast Asia; they don't understand what happened to Indonesia; they don't understand it at all. They have no understanding! They sit there; they copy opinions from these fools like the American Enterprise Institute and others—these babblers, these idiots, the State Depart-

ment mouthpieces, mimeograph machines! They don't understand anything about it.

We have to make clear to the American people what the problem is. Because, I'll tell you—and there are others who can tell you: If Japan goes down, as it's on the edge of doing, right now, with these idiots like the American Enterprise Institute pushing it—if it goes down, tell me how many major banks in the United States are going to go down, and right away. And who's going to fix that, with O'Neill at Treasury, and an ideologue like Lindsey as the economic adviser to the President—and the Democratic Party, the pack of fools that it is in the Senate, and the pack of fools that is, largely, in the House of Representatives. . . .

More of us must say it jointly together, what the problem is. And maybe some of my foolish fellow Americans will wake up to realize that what we're saying is real: You keep pushing Japan the way it's being pushed now, with no discussion about options for avoiding this catastrophe, and you're going to find out—somebody sitting in New York or Washington saying: “Look Mama, America has, not no pants, but no banks”—and it might be no pants, too.

## Clinton Impeachment, and Sept. 11 Coup

**Freeman:** I have a question from a former member of the Clinton Administration. This is a question from Washington, D.C.: “Mr. LaRouche, shortly after President Clinton began a discussion of a new financial architecture, his Presidency was destabilized. Was the apparatus that you've identified as behind the ongoing coup d'état against the Presidency, the same apparatus that was involved in the assault on the Clinton Presidency? What are your thoughts on this?”

**LaRouche:** Yeah, sure. There's no question of that. For example, the major operations against President Clinton, from even before he was President—I think it dates from about August of 1992—but he was immediately targeted by circles associated with the Mellon Scaife Foundation. Now, the Mellon Scaife Foundation is the same thing as the H. Smith Richardson Foundation, which is on record as one of my enemies; the Olin Institute, and so forth and so on. So this pack—and also, if you look at the Israeli side, the same people on the Israeli side, who are operating against the President, are also an integral part, and allies of the same crowd that Smith Richardson, Olin, etc., Mellon Scaife, are part of. So, there's no question of that.

Look, what happened? Take the sequence of events: 1996, I warned, we're in the end-phase of the system—the collapse I've been talking about—we're in the end-phase, the last period. And there was a lot of talk in the Democratic Party, at the time, about what I said. And people said, “Well, no. Maybe you're exaggerating.” Or they were saying, “Maybe there are ways to fix it. Maybe we don't have to do it your way. Maybe we can do it our way.”

Then, you had what was falsely called the “Asia crisis,” which was not an Asia crisis: When somebody comes up and



shoots a guy with a bullet, the crisis is not caused by the guy who's taken the bullet, but rather by the guy who shot the bullet. And that was the nature of the Asia crisis. The Asians didn't cause it. The people like George Soros caused it. . . .

So then you had a follow-on: You had a swindle which was pulled by friends of Al Gore, which is the [Russian] GKO crisis of 1998, or the LTCM crisis, which almost blew out the entire U.S. financial system right then and there with the hedge-fund collapse.

Now, at that point, is the point that the President [Clinton] had indicated in September [1998] in New York, his indications about looking at a new financial architecture for the international system. And I believed at the time that he meant it. I believed that his Secretary of the Treasury was capable of dealing with that kind of issue in his official capacity. That that was the way to go. That simply, the U.S. Treasury Department, under the authority of its President, incumbent President, meeting with people in other countries, should enter into the kind of discussion which had been avoided in the 1975 meeting of the international leadership, G-7 group. And that something—we could start something then.

The President backed down. I don't know why he backed down. I rather suspect that he was frightened by some of the information he had about how serious the LTCM crisis really was. Then when it came to October, the President, after walking into Wall Street—the jungle, where lions and snakes and things roam—had gone in there and said, “Gentlemen, I'm going to change your system.” And then he walked away and said, “I didn't mean it.” That is the worst thing you can do in the face of that kind of enemy. If you threaten them, and then run away scared, they're gonna come and kill you! Particularly, if you're in a powerful position.

## The Camp David Negotiations

And they did. They had the operation already set up, already in place, and they went ahead with this Lewinsky scandal. And the reason they did that, and the people who did that—. Look at the agency in the White House which controlled the White House internal communications. Who is that agency? What foreign power controls it? And what is the political interest behind that foreign power? And there's your answer.

Then you take the same thing with the question of the President's dealing with the Camp David negotiations. Now, that was a good idea. I think the President made a mistake in the way he handled the concluding part of the thing. I was afraid of the way the thing was going, because if you don't have an economic angle to this, the Oslo Accords could not work. And then, when Barak came in with his threat: “You give me,” in effect, “you give Israel the [third] holiest place in Islam, as a place for a new temple, or else!” Arafat had no choice but to say “No, I can't buy that.” I think the rest of the package was a good package. It was a good negotiation. It may not have been adequate, but it was a good negotiation,

and could have been a step toward another, a follow-up implementation which might have provided the real solution.

But then, remember, what happened? You had, in the period of the Clinton Administration, you had Rabin, who had been key in the Oslo Accords—he was assassinated and nobody did anything about it. President Clinton tries to do this now with Barak, which I think turned out to be a mistake, but I wasn't really aware of how much of a mistake that was, so I can't take credit for that. But then, he was suckered by Barak. And then he said—he made a mistake. The President should have said, “We had a good agreement, but the Israelis made an unreasonable demand, and therefore, that's why it sunk.” If the President had said that, I think we would have been able to manage the situation, and we would not have the present Sharon phenomenon in the Middle East.

But this Sharon phenomenon, and the friends of Sharon in New York, who are the financial angels behind Amdocs [Corp.], are part of the same thing. Exactly the same thing as this Sept. 11, the same thing as this present Israeli operation in the Middle East, and the clash of civilizations warfare. Look at the list of people who want a bombing of Iraq, who want a bombing of Iran, who want to go into Somalia, who want to do this, who want to do that, who want a clash of civilizations. So, what the President was faced with is the fact that he constituted a potential threat to these utopians' scheme, for their utopian future.

And as I know them—I've been there—remember, I did a couple of things in my life, on the SDI and so forth. I stuck my neck out on that and a few other questions, against exactly the same enemy: Smith Richardson, Mellon Scaife, Heritage Foundation, Mont Pelerin Society, Henry Kissinger, Brzezinski—the same mob. And the same mob came after me that went after Clinton. And they'll always do it. They were going to kill me. They didn't kill me; they threw me into prison instead. But that's the way the American political system works under the influence of these thugs. And under our present mass media. And they did the same thing to Clinton. And I was happy that I was able to make some contribution to prevent them succeeding in the impeachment effort they planned. They wanted to get Gore in there real quick. If they'd gotten Gore in there real quick in 1999, then you would have had hell on earth right away. . . .

**Freeman:** Lyn, we have a question from Wall Street. The question is: “Mr. LaRouche: Today, Alan Greenspan said that the U.S. economy is no longer in decline” [laughter]. “Mr. Greenspan said, that although unemployment is increasing, the rate of increase in unemployment is decreasing. Therefore, the Federal Reserve will no longer decrease interest rates. Nokia has reported earnings increases. My question is: Is the economy on the mend? Is Alan Greenspan lying? Or is he incompetent? Or both?”

**LaRouche:** Well, I think Alan Greenspan is, frankly, insane! But, he also is lying, and he's also telling the truth. But, this is what you expect from an insane person, this combina-

tion of things; you have to sort it out. In terms of, is he going to stop the decline in interest rates? I think that's true. I think the statement was issued, as a package, in order to make that announcement. Why? Well, you know what happened in Germany? What happened in Europe? On the first of the year, the German deutschemark went out of existence—according to law, permanently. Germany no longer has a currency. It has a share—or maybe so—in a currency called the “euro,” or in Germany the *euro* [using German pronunciation]. The thing is sinking in value, by the day. The taxes have gone up, and prices are shooting up throughout Germany, simply as a coincidence of this change in the currency. If this process continues, Germany's going to be destroyed.

Now, recently, another fact: in the case of the German budget. The Eichel cut in the German government budget, was reported as causing a greater loss of tax revenue, than the amount conserved by the cuts in the budget.

We are in a situation, globally, since the Summer of the year 2000, approximately—2000-2001; 2000, in which the use of monetary aggregate to try to pump up financial markets, has reached a critical crossover point, corresponding to that reached in Weimar Germany in June-July of 1923: the point at which the attempt to bail out a financial market, by monetary pumping, costs more money in monetary emission, than you conserve in the debt you're protecting, by that bailout. Now, that's the situation the U.S. is in. What has been demonstrated, is that the Greenspan policy, of monetary pumping, to bail out a sinking U.S. economy, with this succession of cuts, has *utterly failed*. Not only has it utterly failed, but we're now entering a period of a potential hyperinflation—monetary hyperinflation—and a demand for increased tax rates, contrary to previous trends.

So, what we're looking at, is a point at which the interest rates will tend *not* to be cut, not because Greenspan had a stroke of genius, but because, his fault, his policy of *cutting* interest rates, has proven itself cumulatively, to be a disaster! It's also a period, in which the pressure will be on, in a period of *tax cuts*, to increase taxes greatly.

I have answers for that, but that goes into a longer kind of question, as to what *should* be done. But, the point is, I think the answer is: No, the economy *is* collapsing. That's a lie: It's not rebounding back. It will never bounce—dead bankers don't bounce. The Federal Reserve decision on interest rates, not to cut them any more? I think that's understandable; it's understandable, because we're now entering a period in which the hyperinflationary danger—monetary hyperinflation—is now a very major danger. Is there any sign of growth, in the economy? *None whatsoever*. . .

So, we're in a situation, where the policies—there *are* possibilities for reviving the U.S. economy. But, *none* have been proposed so far, by government, or by Alan Greenspan. And, Alan Greenspan is, as I say—he's an interesting kind of nut; he's a follower, a disciple of Ayn Rand, and you know what kind of a nut that means. But, what is true, is that he's

made a decision not to cut interest rates any more, because it was a bunch of foolishness in the first place.

**Freeman:** We have a question from Sen. Joe Neal, who is a senior member of the Nevada State Legislature; he is a Democrat. “Mr. LaRouche: How does the collapse of Enron display the position that you've taken on the U.S. economy and what should be done about it? Could you talk a little bit about what we face, as a result of the crash of Enron, and what caused it?”

**LaRouche:** I would go backwards, and go from the end-result of the crash of Enron, rather than trying to, say, re-write the history of what Enron's history should have been. First of all, we face a major energy crisis in the United States. The severity of this crisis is hidden by the fact of the collapse of our industries. . . . People don't realize that we have been exporting our industries: In shutting down whole sections of the functions of our economy, we have *lowered* the requirement of energy! If we were to try to *restore* the economy, to what it was at, say, 1980 or earlier, we would have to have a large amount of new energy.

So, therefore, we have the need for a national energy recovery program, which would cover, inclusively, the problems which are illustrated by and posed by Enron, and similar institutions. That means that we have to repeal deregulation; go back to the system of regulation we used to have. I think we'd just go back to that; that's adequate, because it would *work*: There are precedents; the machinery is all understood—it would work; just do it.

But, set, also, into motion—See, President Bush is trying to find out ways of *stimulating* the economy, and he doesn't know how to do it. Well, this is one of the ways of doing it. If you take Federal money, and use it, not just as Federal printed money, but Federal credit; and you put it into a national *energy* program, which is going to fix the national energy grid system, to make it more usable and to improve its performance: That, in itself, is a good way to make the economy grow. And, it's typical of the various measures which government *can* take, which are largely in the area of infrastructure and special projects; not in the private sector, as such, but in those areas alone, which will cause the economy to grow.

And, therefore, I think that what we need, at this point, is a conception, of going back—. Let me just shift gear, Joe, on this one. Look, one of the problems here, is this word “capitalism,” which was almost invented by Karl Marx, ironically. Now, the United States is not, in inception, a capitalist economy. The United States was founded as the kind of economy described by the first Treasury Secretary, Alexander Hamilton, in a series of reports, on credit, debt, banking, and on manufactures. And, the model of the U.S. economy, as intended under our Constitution, is that described by Hamilton, in his *Report on the Subject of Manufactures*. That kind of economy defines a relationship between a public sector, which includes—today, in modern times, a government-backed sector, which is *infrastructure*; basic economic infra-

structure, soft and hard: transportation, power generation and distribution, water management, education, health-care systems in support of the general health care. One area.

The other area, is the relationship between the urban and rural areas; the development, through the aid of infrastructure, of the means of promoting entrepreneurship in ingenuity of people—he called it, “artificial labor,” essentially. This is the American System. It is not a *capitalist* system—that’s a British idea; that’s Marx’s idea—that’s not ours. The *American System*, as an American System: the conception that, we’re a nation. We’re committed to the promotion of the General Welfare, which requires several things: We promote public infrastructure, as necessary to develop and maintain the land-area and the population. At the same time, we promote and encourage entrepreneurial investment in applied ingenuities, to give us greater productivity and greater benefit in progress.

That’s the American System. We construct laws, protectionist measures, which *protect* and support that policy.

So, if we look at it from that standpoint, we say, “We’re going away from capitalism, as Marx defined it, back to the American System.” And, I think, if Americans get that idea, of *what the American System is*, what the United States represents, historically, in terms of the way it was created; what its achievements were; what its betrayal of its own character has been; and how, every time we betrayed our natural inclination as a nation, we’ve suffered. And how we’ve come out of these crises, by returning to our national inclination, as typified by what Alexander Hamilton described as the “American System of political-economy.”

So, I would say that, probably, what is needed, philosophically, is a discussion, of the distinction between capitalism, as defined by Karl Marx; and the American System of political-economy, as described by, among others, Alexander Hamilton.

**Freeman:** . . . A question from a group of college students, [listening at] the University of Rochester: “Mr. LaRouche, as students preparing for careers in our respective fields, and as citizens of the world, concerned for the economic downturn our own nation is facing, how can the United States become a consistent world force in economics and politics, if everything around us is so terrible?”

**LaRouche:** Anyone who’s a student today, in a university, knows that the greatest problem in the university, today, is getting the university itself, to accept the idea of truth. Or the idea of truthfulness. That, people take courses, and pass them, on the basis of trying to pass a multiple-choice examination or the equivalent. They do not consider themselves morally responsible for knowing what they’re talking about, and knowing the answer. But, only giving a learned answer, which will win them approval, and give them certain opportunities in the future.

Therefore, the issue of the fight for a better world, by a student today, has to be a fight *within* the student, and among

the students—to begin with—to establish a standard of truthfulness, for themselves, and *in* themselves. Not to believe, or act upon things, that they don’t know to be true. And to discover what the methods are of determining truth from falsehood. That’s the basic question! If you got out in life, and you know, inside you—the little man inside you knows—that you really don’t know a damned thing you’re talking about; you’re just saying it, because you learned it, and you passed your multiple-choice examination; or because you picked up the information from some guy on the street corner! People who do that, *know* they’re doing it! They know that they’re essentially dishonest! *Can they really believe in themselves?* Who is going to tell them the truth? Who is the little guy, inside them, who is going to tell them the truth? . . .

How can they have any hope, for themselves? They’re going to inherit the Earth. They’re going to run this Earth, if there’s anybody around to run it, in the time to come. Will they do a better job, than the clowns that are teaching them now? The world that’s running it now? There’s no guarantee. The key thing, is: *Everybody likes to gossip about everybody else!* They should gossip about *themselves* once in a while! And that would do a lot more good—I mean: How often do you lie? How often do you insist you know something, you don’t know a damned thing you’re saying? How often do you say something, simply because somebody told you, that you will be approved of, if you said it? How many times do you say, “Well, I read it in the *Washington Post*, and therefore, it must be true!” unless you prove it otherwise? That’s a liar for you. That’s a man who has no self-respect!

So, the problem we have in the American population, is a kind of syphilis, known, not as *pox populi*, but *vox populi*. A syphilis of the mass media! Of popular opinion! Everybody wants to be on the inside, with popular opinion! They want to know the guy, who’s got the *inside dope* on what popular opinion is today! And, whatever it is, they want to find it; and the minute they find out this information, they’re going to rush out, and assert: They got the latest scoop, is on what popular opinion is really thinking.

How can you have any morality, when you’re like that? The essence of this life, is that people are not believable to themselves, because they did not establish a commitment to *truthfulness*, in the sense that Plato, with his dialogues, defines truthfulness. And, therefore, they can’t trust themselves. And, since other people who share their opinions, also are not trustworthy, then how can they trust anybody? How can they have confidence in anyone? The result is, utter pragmatism. It’s the “Now Generation.” What do you get your “kicks” out of, today? Who puts the cash in your pocket, this morning? Truth and morality vanish. . . . That is the American way of life.

That’s the answer. It’s to recognize the corruption, and stupidity, in the individual members of this society; and stop gossiping about other people, and start gossiping about yourself.

## Argentina: A Lesson From Lazare Carnot

*Lyndon H. LaRouche, Jr. submitted this paper to a meeting entitled "Brazil-Argentina: The Moment of Truth," held on Jan. 18 in Passo Fundo, Brazil.*

I transmit the following message of greeting to the esteemed meeting of citizens from Argentina and Brazil:

As a U.S. Presidential candidate, I have a grave patriotic concern for the danger which my nation is inflicting upon both itself and the world at large. This danger is as much through the consequences of my republic's own continuing follies, as any plausible external adversary. I express that same concern for those natural hemispheric partners of my republic, such as the republics of Argentina and Brazil.

We have, each and all among us, lately entered into the most perilous period of the history of globally extended European civilization since the 1648 Treaty of Westphalia. As the most consistently successful economic forecaster of the recent thirty-odd years, I assure you that the crisis into which we have entered this year, is not a mere world economic depression, but a threatened general breakdown of civilization as a whole, a breakdown which threatens, rather immediately, to bring a prolonged new dark age upon this planet as a whole.

Inevitably, the recent months' onset of the terminal phase of collapse of the post-1971 world monetary-financial system, has plunged us again into a new period of intensified global warfare and related homicidal strife. The events of Sept. 11, 2001 and the rising tide of warfare since, are, echoing the Adolf Hitler coups d'état of 1933-34, to be recognized as a lawful expression and correlative of the collapse of the present IMF monetary-financial system.

These crisis-developments intersect the insurgency of a long-prepared military policy, a so-called "utopian" military policy, that associated with U.S. figures such as Zbigniew Brzezinski and Samuel P. Huntington, modelled upon the immediate historical precedent of the internationalized Nazi

Waffen-SS.

The recently attempted, Sept. 11th military coup against the government of U.S. President George W. Bush, and the efforts to bring the U.S. into a utopian form of military alliance with the present military dictatorship of Israel, to launch genocidal global religious-ethnic warfare, are the reality within which the present threats to Argentina and Brazil are also immediately situated. It is the military threat from those treasonous utopians, against the U.S. Constitution and other targets, which constitutes the special characteristic of the present deadly situation.

How shall we deal with the military component of this threat? I introduce an observation which should not be overlooked in these circumstances.

Since U.S. President Harry S Truman's firing of General of the Armies Douglas MacArthur, Anglo-American and NATO military policies, have been transformed into rejection of the principle of the citizen-soldier, upon which the great improvements in Eighteenth- and Nineteenth-Century military philosophy had been premised. These traditions, which won U.S. Independence, the U.S. Civil War of 1861-1865, and World War II, have been largely uprooted, subverted, and replaced, increasingly by a new military and related strategic doctrine.

Indeed, these perversions of military policy were denounced publicly by MacArthur himself, as by U.S. President Dwight Eisenhower, the distinguished U.S. Senator William Fullbright, and others.

These perverted, so-called "utopian" military doctrines, as defended by Samuel P. Huntington in his 1957 *The Soldier and the State*, are an avowed attempt to revive the imperial doctrine and practice of the pagan Roman imperial legions. That Roman imperial tradition, was echoed by the private armies deployed by the British East India Company, and was the model used to establish the first modern fascist state, that of the Emperor Napoleon III. The fascism of Napoleon and

of his imitator Benito Mussolini, was copied by Adolf Hitler. The tradition of the Roman legions was echoed by that internationalist evolution of the Nazi Waffen-SS. That pagan Roman tradition, and the Nazi Waffen-SS precedent, has served as the model for the doctrine of universal fascism taught and practiced today as the military doctrine of the U.S.A. utopians such as Zbigniew Brzezinski and Huntington, and promoted by institutions such as the Smith-Richardson, Olin, and Mellon-Scaife foundations, and others.

That utopianism is presently the immediate threat to the continued very existence of Argentina and Brazil as sovereign states, as to the entirety of Central and South America, and to civilization at large.

The build-up of this transformation in U.S., Anglo-American, and NATO military policies and practices, was launched by the firing of MacArthur, thus introducing, immediately, the folly of a kind of protracted warfare in Korea, which was later reenacted in a more extreme, more disastrous form as the U.S. war in Indo-China, and, again, in wild-eyed utopian Zbigniew Brzezinski's 1979 launching of a protracted geopolitical war in Afghanistan.

We live today under the combined circumstances of an onrushing disintegration of the present world monetary-fi-

nancial system and the efforts of the confederates of Brzezinski to launch a generalized "clash of civilizations" state of planetary religious and ethnic warfare. There are certain lessons from modern history which must enjoy the foremost attention of serious political forces everywhere. The leading object-lesson of reference, ought to be the doom which the fascist emperor Napoleon Bonaparte encountered in his Russian campaign of 1812, a campaign against which a greatly superior military mind, Lazare Carnot, explicitly warned Emperor-turned-bandit Napoleon himself.

### **The Strategic Alternative**

Consider then the concept of citizen-soldier and the principle of defense, as advocated and practiced by Carnot, and adopted by Russia's allies Scharnhorst, et al. respecting Napoleon's Russia campaign of 1812.

The only justified purpose of warfare, is the establishment of a more or less durable condition of peace. This policy requires a defeat of the adversary, but never either the virtual extermination, or crushing of the defeated people. The intent must be, to define the defeated nation as an essential pillar of a post-war peace; his defeat is best brought about by his acceptance of that future role as a bright pillar of peace in a

## **Brazil-Argentina: 'The Hour of Truth'**

The fourth meeting on "Brazil-Argentina: Hour of Truth," held in Passo Fundo in the Brazilian state of Rio Grande do Sul on Jan. 18, marked a significant step forward in building a movement to unify South America around Lyndon LaRouche's New Bretton Woods strategy. The movement is being jointly organized by LaRouche's Ibero-American Solidarity Movement (MSIA) and the Movement for National Identity and Ibero-American Integration (MINeII), which is oriented by Argentine political prisoner and former colonel, Mohamed Alí Seineldín.

LaRouche's message to the meeting was read in its entirety.

Occurring as it did in the middle of the Argentine financial blowout, the meeting generated a lot of press interest, with one regional television program broadcasting an interview with LaRouche spokesman Lorenzo Carrasco on Argentina and LaRouche's New Bretton Woods.

Seventy-five people participated, including local dignitaries, 10-15 trade unionists from the region around Passo Fundo, agricultural producers, and a van-load of people from the neighboring state of Santa Catarina. Ar-

gentina was represented by two agricultural leaders from the northern state of Corrientes, who provided the Brazilians with a firsthand report on the crisis there.

The Mayor of Passo Fundo welcomed the participants, and two federal congressmen from the state attended the meeting: Deputy Luis Carlos Heinze, who chairs the Agriculture Commission of the House of Deputies and has participated in several previous "Brazil-Argentina" meetings, spoke on how regional integration can work. Deputy Augusto Nardes also spoke.

Many participants were shocked at how LaRouche and Seineldín had warned in advance of what is now happening in Argentina. Lorenzo Carrasco presented a global strategic overview, including graphs that show Argentina to be a case-study in why no solution other than LaRouche's can work. He also delivered greetings from Colonel Seineldín, reading parts of Seineldín's message to the second "Brazil-Argentina" meeting last August, in which he warned that governments around the world would fall, unless they addressed economic reality, and listened to LaRouche. *EIR* correspondent Silvia Palacios presented *EIR*'s new Portuguese-language book, *Terror Against the Nation-State*, which contains LaRouche's major post-Sept. 11 interviews, and exposes the World Social Forum as an instrument of irregular warfare. Nilder Costa spoke on development corridors as the way to develop the productive capabilities of Ibero-America.

post-war order.

MacArthur illustrated this brilliantly in the Pacific war of 1941-1945, especially when MacArthur's policies are compared with the bloody, but unnecessary battles fought in the Pacific by U.S. commanders of an errant, contrary persuasion. MacArthur's policy of blockade of Japan had brought the islands to the point of imminent, inevitable surrender; the use of nuclear bombs on civilians was one of the greatest moral and strategic follies of the past fifty-six years.

In all respects, neither war, nor the perpetual search of mad legionnaires for new choices of plausible choices of enemy, are the normal condition of mankind. War, to the extent it is justified, is a phase in the effort of mankind to achieve that "multi-polar" order prescribed by then-U.S. Secretary of State John Quincy Adams, as a community of principle among perfectly sovereign nation-state republics.

To this end, the lust of the legionnaire for new victim-enemies, and new wars, must be met by a philosophically republican emphasis on the principle of the citizen-soldiers' strategy of defense, as Carnot and Scharnhorst exemplify the principle of the matter. Just as the strategy of defense defeated the presumably unconquerable "Waffen-SS" of Napoleon's Grand Armée, so we must rely on the same underlying principle of a strategy of defense, today.

The soldier must be a builder, not a killer, by profession. Contrary to the aristocratic cabinet-warriors of the Eighteenth Century, Carnot was a scientist-engineer who upheld the lessons of Vauban's methods of defense. Scharnhorst was a citizen, educated, under the program designed by the great Moses Mendelssohn at the military academy of Wilhelm Graf Schaumburg-Lippe.

### The Soldier As Engineer

During 1792-1794 Carnot defeated all those foreign armies intent upon the destruction and dismemberment of France, not only by the *levée en masse*, but by the combination of excellent principles of command with the greatest science-engineering program undertaken in world history up to that time. Scharnhorst's conception of the essentially decisive role of the citizen serving as soldier, and the development of the general staff principle, by Carnot, and Scharnhorst, produced the most effective form of modern military policy. This was a policy based on the principle of strategic defense, and based upon the educational and scientific-technological development of the citizen of the sovereign nation-state republic.

These characteristic qualities emphasized by those great pioneers in the modern strategy of defense must be contrasted with the characteristic features of the mentality and practice of the utopian universal fascists of contemporary military and related practice. For the purposes of strategy, the key expression of that difference lies in the fact, that the republican army conquers by building economic potential, whereas the utopian seeks to conquer through his efforts to destroy that potential. Therein lies the key to outflanking the utopian's strategy.



*Lazare Carnot (1753-1823), France's "Organizer of Victory," based his policy upon the principle of strategic defense, and the educational and scientific-technological development of the citizen of the sovereign nation-state republic.*

Approximately half of the per-capita economic potential of any nation lies essentially in the development of what is called basic economic infrastructure. This features state-directed programs in revolutionizing the quality of land-areas, through large-scale water management, national and regional mass transportation systems, national and regional power systems of increasing energy-flux-density, urban organization, and educational systems which educate all of the population according to Classical standards for education in science and Classical culture.

While some part of this may be done by private entrepreneurs, the undivestible responsibility for the development, maintenance, and regulation of basic economic infrastructure lies with the executive powers of the national government. All basic economic infrastructure must be regulated by the relevant institutions of national, state, and local government, whether or not the work is done by government agencies, or franchised private entrepreneurs. Historically, the military corps of engineers, or, what are in effect, the same functions performed by the military under other titles, has been a crucial element within the national effort as a whole. The past contributions of the U.S. military Corps of Engineers, is exemplary.

The great military leaders never overlooked the tactical



*The Ostruznica railway bridge in Belgrade, destroyed by the U.S.-British bombing of Yugoslavia in May 1999. "We say to those who are duped into admiring the utopians: 'Soldier, could you rebuild what you just blew up?'"*

implications of training a national military force and its reserves as an engineering capability. The superior combat qualities of the German soldier, as developed under Moltke according to the intent of Scharnhorst, is a striking demonstration of the point. It was largely in this aspect, the logistical side, that the U.S. soldier, less capable than the German in combat equations, accomplished his mission in World War II. However, combining both national experiences, and those of other nations, we should recognize the role of the combination of Classical humanist education policies and technological progress, in providing the social basis for the successful implementation of that doctrine of *Auftragstaktik* upon which combat excellence of the German military unit substantially depended.

We say to those who are duped into admiring the utopians: "Soldier, could you rebuild what you just blew up?"

Today, throughout the world, we are faced with a terrible shrinkage of the average productive powers of labor relative to the past. Argentina offers the clearest example of the destruction of a nation's economic potential under the impact of post-1964 U.S. policies, especially post-1971, and post-1982 policies for the hemisphere. Throughout the Americas, there is a vast deficit in development of basic economic infrastructure. As in Argentina and Brazil, some of the vastest and richest potential of the planet as a whole, is sitting fallow because of (chiefly) foreign meddling to prevent that development of basic economic infrastructure, upon which the realization of that vast potential depends.

Given the hordes of massed unemployment and misemployment, and given the urgent need to bring these economies

substantially above the physical-economic break-even levels once again, the principal immediate opportunity for rapid increase in useful employment, lies in implementation of waiting plans for large-scale infrastructural development. For much of this work, the military engineering teams perform an indispensable role. This initiative on the military side, then provides the main body of the skeleton on which the civilian side of infrastructure-building adds the muscle and flesh.

The use of the principle of perfect sovereignty of the nation-state, to put corrupted financial systems into state-directed bankruptcy-reorganization, and to, simultaneously, mobilize and direct created national credit, for the vast expansion of employment, into infrastructure-building and other productive endeavors, is the only way in which to defend, and to save nations, under the present circumstances in the world at large.

The alternatives to that set of measures, are all horrible consequences for the nation and humanity at large.

### **The War on Terrorism**

In conclusion, I emphasize the following on the subject of the so-called "war against terrorism."

The universal-fascist policies of decadent utopians such as Brzezinski and Huntington, conquer by destroying what they consume. They have thus weakened the very forces on which their strength of capability depends. Unfortunately, by that very same logic, the present conduct of the U.S.'s military deployments under the rubric of "war against terrorism," tend to defeat the very stated purpose of that campaign.

The first source of the problem lies in the currently popular

misuse of the term “terrorism.”

There is a phenomenon which corresponds to some of that which the current policy calls “international terrorism.” Unfortunately, the lack of precision in the definition of the terms creates a problem potentially as deadly as the terrorism itself.

The proper word for the problem is not “terrorism.” The name of the problem is the utopian development of so-called “special warfare” during the recent fifty-odd years. The new doctrines and practice of “special warfare” were adapted to the new conditions defined by H.G. Wells’ and Bertrand Russell’s stated intent to use nuclear weapons as a threat so terrible that, as Wells and Russell stated, nations would give up their sovereignty to world government, to avoid war. States therefore relied increasingly on covert forms of “irregular warfare,” as ways of conducting warfare against other nations, or even targetted large sections of their own population.

An example of this is the way in which the Italian fascist element which the U.S. and Britain incorporated into the secret post-war organization “Gladio” was used as an instrument of Anglo-American and Israeli terrorist operations against Italy during the 1970s. The assassination of Aldo Moro was a notable example of this; the earlier assassination of Italy’s Enrico Mattei and attempted assassination of France’s President Charles de Gaulle, were also examples of this same method for targetting France’s President.

Under U.S. National Security Advisors Henry A. Kissinger and Zbigniew Brzezinski, increasingly large-scale use of irregular warfare using private armies financed largely by proceeds of weapons- and drug-trafficking, became the leading direction of development. “Iran-Contra” was a leading example of this. The shift to such forms of “special warfare,” begun on a large scale by Brzezinski in Afghanistan, was correlated with an accelerating purging of the U.S. and other military institutions of their traditional capabilities and outlooks, and increasing emphasis on the soldier as a wild-eyed “Nintendo killer.”

To defeat what is legitimately denounced as the effects of international terrorism, we must, first of all, clean out the money-laundering systems associated with the traffic in drugs, and related problems. This, relevant governments, so far, are unwilling to do. However, we must also do two other things.

We must uproot the capabilities for actions such as those of Sept. 11th, which exist only within the military institutions of the principal powers. We must outflank the utopian warriors, by using our weapon, economic growth, against their weapon, lunatic destruction. If we do not find the courage to defend economic growth against the demands that we dismantle essential elements of our economies, we, by our own negligence, would have surrendered already to the utopian reign of general destruction of humanity as a whole.

There is no price, a true patriot would not pay, to prevent such a dark age from descending upon humanity as a whole.

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## Conference Report

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# Egyptian Expert Raises Questions on Sept. 11

*Dr. Mahmoud Khalaf gave this speech, entitled “Who Committed the Sept. 11 Attacks, and Why?” at a seminar at the Center for Asian Studies at the University of Cairo, on Dec. 5, 2002. The meeting was hosted by the center’s director, Prof. Mohammed Selim. EIR correspondent Muriel Mirak-Weissbach also spoke, presenting Lyndon LaRouche’s analysis of Sept. 11 (see last week’s EIR). Dr. Khalaf is a strategic analyst; a retired Major General; a fellow of the Nasr Higher Military Academy; a member of the Royal College of Defense Studies (RCDS), London; and honorary member of the Association of the United States Army, Fort Benning, Georgia. He participated in several training courses with the U.S. Army in the United States and Germany. His speech has been translated from the Arabic, and subheads have been added.*

The lecture I just listened to [by Muriel Mirak-Weissbach] was very exciting, because it gave me answers to many questions that had remained unanswered on this issue as a whole, from the beginning in Sept. 11 to this moment.

There is one important part, which I want to explain to you very quickly. And this is military-strategic analysis. Military-strategic analysis is an independent branch of science within the strategic sciences, and not mere predictions and speculations. But, it has complete rules that are identical to “*post mortem* tests,” an autopsy process used to find out the causes of death. The truth is that those who analyzed this precise operation—and I, personally, worked in special operations for 20 years and acquired deep expertise in this subject. This subject, people say, is very complicated and difficult, when they look at it as a whole. But I will explain it to you very briefly. . . .

First, [regarding the Sept. 11 attacks], we are confronted with a technical operation of extremely great dimensions. We estimate that the planning organ for this operation must have consisted of at least 100 specialized technicians, who needed one year for planning. Each stage of this operation has many details, and every single technical detail needed measures, which are called “deception” and camouflaging, against around ten specialized organs in the United States of America, which are called the “intelligence community.” We will not say the CIA, but we will say the DIA, which is the Defense Intelligence Agency. The DIA has a highly qualified technical capability that enables it to—I will not exaggerate and say it can audio-visually monitor every single square meter of the planet at any moment. There is an agency called the National



Security Agency. Our question is, how could the intelligence community, which has an Executive Order from President Clinton, and President Bush, an okay from Bush, that this group [al-Qaeda] should be put under direct monitoring by American intelligence, and then it slips under their nose and manages to plan for two years for this operation? I agree with Mrs. Mirak-Weissbach, the speaker, that there was a penetration operation. Actually, I had difficulty in saying this [before]. Yes, there was a penetration of the security system and the U.S. Armed Forces, and I will tell you how.

We will ask some questions and try to answer them very briefly.

## Penetrating U.S. Air Defenses

The first question, the air defense system, the North American Air Defense Command (NORAD). This system is a very sophisticated system, and it is supposed to detect any airplane that takes off. Even when an airplane lifts its wheels above an airstrip in Russia, it knows about it. Now, the airplanes are flying. With all due respect to Dr. Selim, who said that the pilot [of the hijacked airplane] did not give the alarm signal—no, he did. One pilot did give warning. He contacted the Federal Aviation Administration (FAA), and indeed informed it that there was a hijacking, and the air defense command was informed. We have a surprising case here. Andrews Air Force Base—this airbase, by the way, has its own defense system around the base, which consists of two jet fighters (which can scramble); they would be in the air within two to three minutes. The squadron at Andrews received the alert at the same moment, but did not take off. This issue disappeared and nobody talked about it. This is noteworthy. This answers the question why President Bush was unable to enter Washington for ten hours. This, of course reveals, that there were security gaps at this time. Nobody in the White House was able to reach him before 7:00 p.m. There were extreme reservations.

We will now see the navigation system, so that you will know the difficulty. Every small country has a radar system, which sends a signal and the signal hits an airplane, and then returns to the radar and it appears on the screen. For the U.S., there are thousands of flights. This radar system is “outside.” Inside the U.S., of course, [let me give] an example: It is not reasonable to light up the whole mountain, therefore you give every person a lamp to find his way in the night. So, each airplane has a device called a transponder, inside the airplane. It works automatically, and conducts others to its location. As soon as a plane begins its approach to an airport, you get the flight schedule. The pilot knows his place. He takes the instructions and enters.

Here we have a puzzle at this stage. This is the first airplane (Flight 11). This one aroused my interest; I will explain it later. All the airplanes took off from 7:58 to 8:10. Combined, they were in flight 132 minutes in all. The first airplane took off at 7:59 and hit the tower at 8:45. It took 46 minutes. It made a maneuver, it went all the way and made a U-turn



*The Pentagon after the Sept. 11 attack. Egyptian General Khalaf's careful analysis of the preparation and timing of the attacks puts the lie to the “Osama bin Laden did it” cover story.*

and hit the tower in the 46th minute. We want to count in the 46 minutes. The group, which was reportedly on board Flight 11, whose list was published—their ages range between 22 and 32 years. If you add up their lifetimes, that would still not be enough time for such training; that he [the pilot or hijacker] shuts off [the transponder] while being on board a Boeing 767, and reaches his target, relying only on satellite navigation to do what he did in 46 minutes?! When did he hijack the plane? When did he get control over it? How could he shut down everything and continue his flight? Naturally, he turned off everything, and turned off the [transponder] transmission, because he expected that the air defense would pursue him. He turned off the transmission and made his maneuver. Those hijackers must have known a lot about the air defense system in detail, such as that the Air Force pilots and air flight controllers had never practiced procedures for confronting hijacked commercial airplanes.

## The Evidence Doesn't Add Up

There is a second issue. The high level of the operation does not match the level of the evidence presented. When we come and try—as policemen usually do in a murder investigation, they look for traces and evidence. The criminal breaks the glass or steals something and so forth. But this high-level performance didn't match the level of evidence: for example, the “How To Fly an Airplane” instruction manual left in their cars.

Targetting: Here is a question. There is something scientific in choosing targets, called “targetting.” This targetting science is very complicated. Naturally, we know that there are innumerable kinds of targets. The capability to hit targets may be limited to one time, or, we have to detect which had a first priority and which the second, etc. Whether they are in the air, sea, underground, or satellites in space, choosing the time to hit each target is subject to many factors (in military language), such as something called “target escalation.” So, the task of choosing targets must also be carried out by somebody who is a high-level military expert. He would say: “What would I strike? With what? And when?”

Now, there is a very strange point in the timing of the

strikes. When we analyze the strikes, we find that Flight 11 and Flight 175 [did the following]: The first hit the tower in 46 minutes, after making the maneuver. The second hit the North Tower after 67 minutes, with a 20 minute difference. Why? Why did it wait 20 minutes? There is a scientific answer. The first thing is called escalation of strikes. This means that someone is observing, he sees and registers: where the first strike hit, and where the second should hit. Somebody who can see and report. The other thing is, when they delay, and take a target with a certain time interval, this means that they strike the first target and make a “time outside,” [this is the time to] bring in the rescue equipment very quickly, and when all the rescue equipment and firefighters have completed their entry, the assailants move to make the second strike. And this is what actually happened that day. All the fire and rescue vehicles got inside the tower, and then it collapsed and they lost their rescue capability, and increased their losses.

In target number 3 [the Pentagon], which is very interesting indeed, the flight took off from Dulles, Washington at 8:10 and hit the crash point at 9:43. Dulles is just 10 minutes or less from the Pentagon. Instead, they made a trip westward, and returned. Why did they choose the timing 9:43? Why the delay? And why wait around 45 minutes from strike number 2? Because a group of specialized [U.S.] commanders was to be summoned. Therefore, they hit the helicopter pad. They thought about this meeting as a [meeting to develop a] military concept, to face what had happened. They planned to hit the pad. Now, who would be at the meeting, is another question. This was a tactical measure that was carried out. It was planned that [Defense Secretary Donald] Rumsfeld and his group would convene in a hurry and there would be a helicopter arriving at the Pentagon, and [therefore] the Pentagon helicopter pad would be hit exactly at this time. They did not strike immediately. This target was very well studied. This was studied rigorously; indeed, the airplane crashed at the pad. This was synchronized. . . .

The other point which we want to say was planned, involves the fourth plane. It crashed in Pittsburgh at 10:10. It went all the way to Cleveland and returned. This kind of flying is not easy: They turned off all navigation equipment and continued only with satellite navigation. All this was done while they were flying, and returning. It was planned to hit the White House at 10:30. It took off at 8:01. Two hours and half. Why this delay? Because the President was not yet in the White House and they had to wait until the President and his assistant came inside the target area. What kind of hijacker would be thinking this way? And it was planned to hit at 10:30. From this perspective, when we go back and take a look at the state of things at the White House—

Of course, the American leadership is very, very well aware of these things. They understood very well. The state of shock resulting from this performance, . . . —where was President Bush during that day? He left Florida, and headed to Barksdale [Air Force Base] in Louisiana, and put the U.S.

military on high alert, worldwide, at (1:04 p.m.), and flew to Offutt [Air Force Base], in Nebraska. It was a long time before the President would be back in Washington, with three fighter jet escorts, and arrived at the White House (6:54 p.m.), and at 8:30 p.m., delivered his address. Why was the President away from Washington all this time?

There was, of course, a great deal of confusion in the system, and the jet fighters that took off, came from Langley Air Base, and this is located about 140 miles south of Washington. Of course, by the time these planes were prepared and in flight and had barely entered Washington, everything was finished and completed at this stage.

These are the detailed explanations, which I wanted to mention about the puzzling part.

Now, the puzzling question, is the preparation and training of these people who had the capability to follow up and execute: When were they selected? When did the training take place? When were the surveillance, intelligence gathering, and study operations conducted? From the intelligence organs . . . —I believe that the U.S. intelligence community, which now has around \$150 billion in annual expenses, can gather information, and has “critical communications” and special satellites. Any “critical accident” that takes place in world, whether in Tokyo or Cairo, reaches the U.S. President within minutes, with all the details.

There is, actually, one question, which is posed here: That is, that there is no proportionality between the performance of the operation and the performance of bin Laden and his followers, as we have seen and heard later on in his speeches. Indeed, the question which we pose here again is. . . . It is known beforehand that if President Bush could say, “It was bin Laden,” in his speech one hour after his arrival at the White House, at 8:30 p.m., and he ordered the U.S. Army to move to Afghanistan, that means he made bin Laden and his followers into huge enemies of the U.S.A., [although] they are worth nothing—and know nothing about Islam either. We are not saying this is a plan, because planning takes a long time. But what we are saying is that, what happened after Sept. 11 was planned before Sept. 11. Everything was prepared beforehand. The U.S. needed to work under the cover of fighting terrorism to achieve a lot of mysterious objectives.

As for the amount of ordnance which is now hitting Afghanistan: I would say that Afghanistan has been turned into a target practice field, because what one learns in the first years of military college is that aerial bombardment [in a mountain area] does not yield any results, especially if there is no military infrastructure on the ground. Afghanistan is a mountainous region. This bombardment is incomprehensible and not clear at all. Now, what is going on after three months, using the tremendous U.S. war machine in Afghanistan, against whom? But we have some answers, such as testing for new weapons like neutron bombs and ground-penetrating bombs and more. . . .

In the end we still have the question: Who planned and executed the Sept. 11 strategic operation against the U.S.?

# War on Iraq Would Be 'Catastrophic': Ecevit

by William Jones

The red-carpet treatment given Turkish Prime Minister Bulent Ecevit, during his week-long visit to Washington on Jan. 14-20, may have been motivated, on the part of certain circles, by an attempt to "acclimatize" him to the possibility of U.S. military action against Iraq. But he made no pretense of agreeing with the Wolfowitz-Perle cabal's policy of launching "preemptive" military action against neighboring Iraq's Saddam Hussein.

At his July 17 press conference after his meetings with President George Bush and other U.S. officials, *EIR* asked Ecevit what he would say concerning any military action against Iraq. Ecevit replied that it would be "catastrophic" as far as Turkey was concerned. "I understand that a definite decision about how to solve the so-called Iraqi question has not yet been reached," Ecevit said. "President Bush, of course, mentioned it to me in rather strong terms yesterday, saying, as he did so on various occasions publicly, that America cannot stand Saddam Hussein."

At a joint press availability before their meeting, President Bush had responded to a question on Iraq by reiterating what he has been saying for the last month. "I expect Saddam Hussein to let inspectors back into the country," Bush said. "We want to know whether he's developing weapons of mass de-

struction. He claims he's not. Let the world in to see. And if he doesn't, we'll have to deal with that at the appropriate time."

"Well, a way out can be found, of course, and should be found," Ecevit continued, "but I hope that it will not include a military operation, because such an operation could be catastrophic for Turkey, even if Turkey did not participate in it. You know, I am sure, that we have suffered a lot as a result of the Gulf crisis, the Gulf War, when Iraq was virtually divided into three parts, particularly two parts; one major part adjoining Turkey. And this has cost us a lot of money, a lot of lives, and we don't want the same thing to happen again."

The utopian faction, which includes co-thinkers of Deputy Defense Secretary Paul Wolfowitz in the administration, are mooting a "Balkanization" of the Iraqi nation into a Kurdish section in the north, a Sunni section (minus Saddam Hussein) in the center, and a Shiite entity in the south. If this were to occur, as the Turkish leader warned, there would be even greater calls for an independent Kurdistan, which would threaten the integrity of Turkey, which has a very active Kurdish minority population in the eastern part of the country. "But the human mind is imaginative," Ecevit said, "and I'm sure that we can find a better way out for the solution."

## Pipeline Politics

The importance of Turkey was underlined by the tremendous attention Ecevit received on his visit. Aside from his meeting with President Bush on July 16, Ecevit also met with Vice President Dick Cheney, Defense Secretary Donald Rumsfeld, Commerce Secretary Don Evans, and Treasury Secretary Paul O'Neill, as well as International Monetary Fund (IMF) Director Horst Köhler and World Bank President James Wolfensohn. There was certainly a lot of "courting" going on.



*Turkey's President Bulent Ecevit, after meeting with President Bush, firmly opposed any American attack on Iraq as disastrous for the well-being and interests of Turkey.*

With the blessing of the Bush Administration, Turkey looks as if it will succeed in the dubious goal of obtaining a deal with the IMF. During Ecevit's visit, the U.S. State Department announced on Jan. 16 the creation of a joint United States-Turkey Economic Partnership Commission, thereby upgrading the economic cooperation and the trade relationship with Turkey. At his press conference, the Prime Minister also announced that the Baku-Ceyhan pipeline—a major project for building a pipeline from the Caspian Sea which does not pass through Russia or through Iran, but through Turkey—was again on the table. The pipeline, developed more for political than economic reasons during the first Bush Administration, has remained something of a dead letter, largely due to the lack of funding for such a major undertaking, when it is not even known how much oil can be gotten out of the Caspian Sea.

While President Bush has announced a “new relationship” with Russia's President Vladimir Putin, there are efforts being made by the Brzezinski faction to use the “war on terrorism” to establish a permanent military presence in Central Asia, against Russian influence in the area, and to use Turkey as a counter to Russia in the primarily Turkic-speaking countries in this part of the world.

In addition, Turkey's new strategic relationship with Israel has also enhanced its importance in the eyes of the Perle-Wolfowitz faction, who work hand-in-glove with the “Mega” networks comprising the extreme right-wing of the Israeli political scene. Turkey realizes this carries the danger of being placed in confrontation with Russia, on behalf of this faction of “new imperialist” war-mongers.

In response to another question from *EIR* at his Jan. 17 press conference, Ecevit indicated that he felt that Turkey would not be placed in such a position. “With regard to the Caspian oil and gas, sir, the Baku-Tbilisi-Ceyhan gasline project is a very important project not only for economic reasons, but also for strategic and political reasons.

“Our relation with Russia does not present a difficulty,” Ecevit continued. “I have been able to detect in recent months that a much warmer atmosphere seems to be emerging between the United States and the Russian Federation, and maybe we could all cooperate in other forms of gas and oil pipeline projects so it will not be any handicap in the way of normal and friendly relations between the West and Russian Federation.”

Time will tell whether Turkey will indeed be willing to serve as a “marcher lord” for the New Imperialism. Turkey's own disastrous economic situation would benefit greatly by increased regional economic cooperation, in particular with their great neighbor to the north, Russia.

In addition, there is Turkey's significance over the past century, as a secular nation with a Muslim majority, in which Ecevit takes great pride. Thus Turkey would certainly take a beating in the Muslim world were it to enlist as a centurion in the “New Empire” scenario, which clearly aims to foment a “clash of civilizations” against the entire Muslim world.

## Cooperation Was Focus Of Zhu's Visit to India

by Mary Burdman

Amid a complicated strategic situation in South and Central Asia, Chinese Prime Minister Zhu Rongji made an official visit to India and Bangladesh on Jan. 12-18. The five-day trip to India, the first by a Chinese prime minister since 1991, had been set for November 2001, but was delayed because of the volatile international situation in the wake of the coup attempt against the U.S. government beginning Sept. 11, and the subsequent U.S. war on Afghanistan. Despite the alleged defeat of the Taliban, the security situation in the region has become much worse in the past months: There is essentially a dual-power situation in Pakistan, a long-term ally of China; the violent Dec. 13 attack against the national Parliament of India, one among several attacks on Indian institutions, has sharply raised Indian-Pakistani tensions; the U.S. military deployments, in Pakistan itself and into Central Asian nations, including Kyrgyzstan, which borders China, are obviously of serious concern to Beijing.

One commentary, by a deputy director of a government research institute, in China's national *Outlook Weekly* on Jan. 14, warned not only of the “fundamental impact of the slackening world economy” on China, but also of the critical problem of “China's oil security.”

“In the name of dealing blows to terrorism, the United States launched severe military attacks on the Taliban government in Afghanistan after the Sept. 11 incident. However, many men of insight, pointed out that the real purpose of the United States is to make the presence of its military force felt in Central Asia. This has posed a real threat to the source and channels of China's strategic resources,” the article stated.

Another indication that Beijing is fully aware that the “war on terrorism” has only increased regional tensions, was the State Council report issued on Jan. 21, on separatism in “East Turkestan,” or the Xinjiang Autonomous Region in western China. While noting that the “East Turkestan” separatists “are closely connected with international terrorist forces,” especially the Osama bin Laden network and the Taliban, the paper warns that these forces are going to *expand* their operations—something India has also experienced. “The terrorist organizations in South Asia lost no time in conducting a secret strategic shift, evacuating their members in Afghanistan to the surrounding South and Central Asian and Middle East regions, to preserve and accumulate their strength,” it said.

Clearly, there was much to be discussed between the leaders of the world's two most populous nations. The friendly atmosphere of the visit during these tense times, demonstrates the potential for greater cooperation.

As one South Asian analyst recently pointed out, while much emphasis is put on the 1962 border war between China and India, it should be kept in mind that a possibly even more dangerous situation, during the 1971 Bangladesh war for independence, was defused, when China refused to act along the provocative lines set up by the Richard Nixon-Henry Kissinger government in Washington. India took military action to help Bangladesh against Pakistan; Kissinger pressured China to support Pakistan against India; and in December 1971, the United States sent an aircraft carrier to the Bay of Bengal. But China refused to be drawn in, and Bangladesh won its independence.

### **Potential for Cooperation**

In the recent period, China has emphasized that it is going to strengthen its policy to develop friendly relations with *all* nations of South Asia. Beijing has repeatedly and publicly made clear it would not waver from its stance, that the Indian-Pakistani dispute over Kashmir is a bilateral issue, which only those two nations can resolve, through peaceful negotiations.

During December-January, Pakistani President Gen. Pervez Musharraf paid two visits to Beijing, the second on his way to the South Asian cooperation summit in Nepal on Jan. 4. During both visits, all the Chinese leaders consistently called for restraint and diplomatic efforts from both sides to prevent war, in the interests of overall Asian, and international, stability.

Zhu Rongji's visit to India, a year after the visit of China's National People's Congress leader Li Peng, was well received. He led a 145-member delegation, mostly of officials from economic ministries and entrepreneurs. The theme of the visit, was the need for expanded economic and other cooperation. Together, China and India have 35-40% of the world's population. At the same time, despite world depression, these two economies are maintaining real economic growth. What, Zhu asked wherever he went, would be the potential if our nations work together?

Two years ago, the Shanghai Institute for International Studies published an account of China's "national economic security policy," which said that "China shares common interests with other nations to maintain economic development. It is necessary to maintain these interests with other big powers, and China's neighbors. The focus of China's foreign policy, is to make good terms with other big powers, and to seek cooperation and a lasting peaceful and stable international environment that favors economic development."

During 2000, India and China both undertook several initiatives toward Central and Southeast Asia, to increase cooperation with their "national neighborhoods." Economic crisis

and war have blunted those initiatives, but they could be revived.

### **Stability in Asia**

Zhu Rongji went to Bangladesh on Jan. 12-13, the first foreign head of government to pay an official visit since the formation of the new government of Prime Minister Khaleda Zia. The two sides signed seven agreements for economic and technical cooperation. China has already helped Bangladesh build five bridges, and will now assist in building a sixth. With Zia and President A.Q.M. Badruddoza Choudhury, Zhu discussed the importance of stability in South Asia.

On his arrival in New Delhi, his first stop in India, Zhu Rongji stated: "We stand ready to work together with the Indian government and people, to push Sino-Indian relations constantly forward, on the basis of the Five Principles of Peaceful Coexistence," which had been initiated by the two nations 50 years ago. Zhu expressed his hope that his visit would give "fresh impetus" to the China-India constructive partnership of cooperation. In his meetings with India's leaders, Zhu condemned the Dec. 13 attack on the Indian Parliament.

Zhu Rongji met on Jan. 13 with Indian President K.R. Narayanan, Prime Minister Atal Behari Vajpayee, and other government and parliamentary leaders. President Narayanan, who had been ambassador to China, said that India and China are ancient civilizations, which have become important political and economic forces in the world. It is India's view, he said, that the two nations could make important contributions to world peace and development, if they continue economic development, learn from each other, and provide mutual support. Problems still exist, but this should not affect cooperation.

Prime Minister Vajpayee stressed that both countries face the huge task of national building and increasing their economic growth. Peace, stability, and cooperation are essential for this, he said. China does not pose any threat to India, nor does India believe that China regards India as a threat. Zhu invited Vajpayee to visit China.

In a speech that evening, Vajpayee referred to the maturity of mutual relations. Zhu Rongji responded that, "as the two largest developing countries in the world, China and India have on their shoulders important responsibilities for maintaining peace, stability, and prosperity in Asia. . . . There should be only one future for China-India relations—coexistence, in harmony and friendship, from generation to generation. . . . A stable and consolidated China-India relationship will give greater hope to the solidarity, stability, and prosperity of Asia."

### **Joint Group on Terrorism**

Zhu Rongji announced "with great pleasure," that direct air links would be established for the first time between the two countries, when China Eastern Airlines begins regular flights from Beijing to New Delhi on March 28. He called on

Indian airlines to do the same, and invited India's External Affairs Secretary, Jaswant Singh, to take the first direct flight.

More important, Vajpayee and Zhu agreed to create a Joint Working Group on Terrorism, to cooperate on intelligence and other matters. Cooperation against terrorism, Vajpayee said, must be "at the top of the agenda of all peace-loving countries." India is happy "that we have agreed today to jointly counter this menace."

There were two other indications of the amicable nature of the visit. While Zhu was in India, Chinese President Jiang Zemin and military leaders received Pakistan's Chairman of the Joint Chiefs of Staff Gen. Mohammad Aziz Khan and a delegation in Beijing. Jiang called on South Asia to "preserve peace and stability." Neither this visit, nor the reported delivery to Islamabad of ten new F-7 PG fighter aircraft from China, caused much disturbance in India. The outspoken Indian Defense Minister George Fernandes called the delivery "routine. . . . This is not the first time that Pakistan has acquired weaponry from China. I would not attach any significance to this."

## **Economic Relations**

From New Delhi, Zhu Rongji went to Mumbai, India's business center, where he addressed the Confederation of Indian Industry (CII). "India and China can play a major role if we join hands for peace and economic prosperity in the region," Zhu told the CII.

While telling the press that he is "fully confident" that China's economy would "advance on a larger scale and to a higher level," Zhu was also frank that, due to world economic slowdown and shrinking markets for its exports, "I believe it would be very difficult [for China] to attain last year's level" of growth. He even indicated that Beijing has "room for an interest rate cut."

Zhu Rongji invited Indian entrepreneurs to "explore business opportunities in China," while "we will continue to encourage Chinese enterprises to invest and set up factories in India." In the coming five years, China will import equipment, technology, and products worth \$1.4 trillion, which should benefit China's Asian neighbors such as India, Zhu said. Neighbors will also "benefit directly" from the implementation of China's strategy to develop its vast western regions.

The current level of cooperation is "by no means commensurate with both countries' strength and status," Zhu said. Trade is some \$3 billion; it should triple in worth to \$10 billion. One basis of this is the "marked complementarity" of the Chinese and Indian economies, Zhu said. He pointed to the recent big expansion of Chinese-Russian trade, already worth \$20 billion.

China is stronger in mechanical and electrical products, light industry, and engineering and construction, Zhu said. He was emphatic on the advanced level of India's information technology. "Your achievements have made us, your friendly

neighbor, very proud," he said. He proposed that the two nations "make progress together." India is stronger in computer software and China in computer hardware, Zhu said: "We can set up joint ventures in India, where labor is cheap, and make available IT products at a cheaper cost."

While interesting, this proposal is not what India and China urgently need. Both countries have huge populations, with 75-80% of the people still trapped in poverty and basic agriculture. Both nations need big increases in energy, transport, and other physical infrastructure; and, even more important, the social infrastructure, such as health care and education, to bring their hundreds of millions of peasants into an industrial economy.

Of note was the memo of understanding to study water flow in the Yarlang Zangpo-Brahmaputra. This river rises in Tibet, and flows through India and Bangladesh. India will now receive hydrological data on the river in China, which will help in forecasting the often disastrous floods in northeast India, and in Bangladesh.

What could be of even greater importance is the discussion in China, which has been conveyed to India, on building what would be the world's biggest hydropower project in the great canyon through which the river flows on its way to India. Such a plant could generate 38 million kilowatts of energy—as much as 35-40 European nuclear power plants. Such energy abundance would be of enormous benefit to the entire region.

Further potential for cooperation was noted by Shi Guangsheng, Minister of Foreign Trade and Economic Cooperation who had accompanied Zhu Rongji to India, in Beijing on Jan. 20. China, he said, will focus on increasing machinery and electronics exports to both India and Russia this year. China wants to increase these exports, and must develop new markets due to the slowdown in the United States, Japan, and Europe. Russia's economy has developed rapidly in recent years, and China's exports of machinery and electronics, worth \$370 million, were up 56.5% in 2001. Shi said that he was impressed by the potential of the Indian market, especially since the technical level of China's products has improved.

## **The Visit Was a Success**

As Zhu Rongji left Bangalore for China, Indian Foreign Ministry spokesman Nirupama Rao said of his trip that there was a "a very perceptible improvement" in the relationship with China, and their bilateral ties were not defined by India's stand-off with Pakistan.

Chinese Deputy Foreign Affairs Minister Wang Yi, who accompanied his prime minister, said just before the departure that the visit "has been a big success. . . . Zhu's visit, amid the escalating tension in South Asia, has indicated the Chinese government's positive political will. . . . Only when there is stability in South Asia can there be greater stability in areas around China."

# U.S. 'Phase II' Escalation Pushes The Philippines Closer To Chaos

by Michael Billington

Phase two of the U.S. "war on terrorism" has commenced in the Philippines. Although the deployment could, conceivably, remain small-scale, with the 650 U.S. combat troops limited to a purely advisory and training function, the reality is that the Philippines is threatened with a military, social, and political catastrophe. As reported in last week's issue ("Marines, and Mini-Coup, Hit the Philippines," *EIR*, Jan. 25, 2001), the effort on the U.S. side has been promoted especially by Deputy Secretary of Defense Paul Wolfowitz. Given the leading role that Wolfowitz is playing in the attempted coup d'état in the United States itself, commencing with the Sept. 11 attacks, aimed at pushing the United States into a global religious war, it is certain that the intention of at least some of those behind this reckless deployment is to increase the global tension, with the Philippines caught in the crossfire.

In the center of this mess is General (ret.) and former President Fidel Ramos. Ramos has dutifully represented the interests of the New York and London financial oligarchy since at least 15 years ago, when, in 1986, as head of the Philippines Army, he turned against his Commander in Chief, President Ferdinand Marcos, turning the country, lock, stock, and barrel, over to the looting of the International Monetary Fund (IMF). This was called the "Edsa Revolution." Then, just one year ago, Ramos again used his influence (and the power of his sponsors in Washington) to coerce the military leadership to repeat his earlier exercise, withdrawing support from the elected President, Joseph Estrada, and installing his Vice President, Gloria Macapagal-Arroyo (this was called "Edsa II").

But President Arroyo, whatever her intentions, has had no room to maneuver, has been overshadowed by Ramos and his cohorts, and is now deemed expendable. Perhaps she was too friendly with other leaders in Asia, who are increasingly aware of the need to build alternatives to the bankrupt and moribund IMF system. Or, perhaps she was too reticent to approve of the U.S. military deployment—the Philippines Constitution explicitly forbids foreign troops to engage in combat on Philippine soil. Whatever the reason, Ramos and the circles responsible for past coups—the Makati Business Club, the corrupt Catholic Church officials around Cardinal Jaime Sin, the press, and the non-governmental organizations under Ramos' control—have moved to destabilize the Arroyo Administration.

## Challenge To U.S. Deployment Fails

As of Jan. 23, the effort of Teofisto Guingona—who serves as both Vice President and Foreign Affairs Secretary to President Arroyo—to stop the illegal U.S. military deployment, has failed. At an emergency meeting of the National Security Council (NSC), Guingona challenged the policy, and publicly threatened to resign from the government, were it to proceed without his approval. Several aspects of the military deployment, including the granting of the right for foreign troops to remain in the country for more than four weeks, and a new "logistics agreement" being negotiated between the two countries, require his signature as Foreign Minister.

However, the NSC meeting ended with apparent unanimity in support of the so-called "exercise" between U.S. and Filipino troops. The "exercise" will last at least six months; it will be held on the front lines of an active war between the Philippine Army and the terrorist bandits, the Abu Sayyaf, while armed confrontations with three other small armies are taking place in the immediate vicinity; and the rules of engagement allow the U.S. forces to use full military power in self-defense. The pro-Ramos press pictured Guingona as having "bowed" to the decision, but it is also possible that Guingona recognized that his resignation could potentially bring down the Arroyo government. He chose to temporize. After the meeting, Ramos denied that he had applied any pressure on Guingona. The legality of the U.S. military deployment was crudely sidestepped by a decision of the Department of Justice, that President Arroyo could sign the agreements herself, bypassing Guingona at the Foreign Ministry. Guingona did not acquiesce completely, saying that he remains opposed, but that he had "no choice."

The Philippines Congress is in an uproar. As we went to press, there were hearings scheduled on Jan. 24, called by Sen. Rodolpho Biazon, who is a former Chief of Staff of the Armed Forces. The head of the Senate Foreign Relations Committee, Blas Ople—primary author of the Visiting Forces Agreement (which governs foreign military involvement in the Philippines)—described the U.S. deployment, as currently constituted, as strictly outside the law, and said that it "must be stopped." Congresswoman Imee Marcos, the daughter of former President Marcos, warned that the new logistical agreement being rammed through by executive or-

der, contained appropriations which can only legally be initiated by the Congress.

## Ramos' Open Threats

The character of Ramos' maneuvers was revealed on Jan. 20, the anniversary of the "Edsa II" coup against President Estrada. At the Edsa Shrine, the scene of the mass demonstrations associated with the coups against Presidents Marcos and Estrada, Ramos taunted the population, and directly threatened President Arroyo. He ridiculed the popular uprising of May 1, 2001—a series of demonstrations of hundreds of thousands which had threatened to bring down the Arroyo government, calling for Estrada to be reinstated to the Presidency he had won by the largest majority in Philippines history. This movement, known as "Edsa III," was not in line with the wishes of the business and "civil society" oligarchs who had carried out the previous coups, so it was militarily crushed, with much bloodshed. Ramos, on Jan. 20, dismissed this movement as "nothing." "There was no Edsa III," he said, because the business community and the military had not supported it! "And," he added, "this is the most important thing: Edsa I and Edsa II succeeded." Such disdain for the population can only have been a calculated provocation, intended to fuel the potential for anarchy.

Ramos referred to such anarchy as a warning to Arroyo. He had earlier instructed Arroyo that she must stop her public efforts to identify with the poor: This, he said, showed too much interest in getting reelected. She should "concentrate on the economy," he said, meaning the dictates of the IMF and the Makati Business Club. On Jan. 20, he spelled out what he meant: While the May 1 events were not a real Edsa III, he said, there might yet be another such upheaval, if Arroyo did not "secure the support of civil society and the business sector in the next 12 months."

President Arroyo has responded to these threats by trying to appease Ramos and the IMF/Makati Business Club. Ramos was appointed head of a newly created Council of State, with advisory powers on all issues of concern to the nation, although that is unlikely to satisfy him at this point. On the economy, the President's economic team released a set of nine "free-market reforms" to be rushed through the Congress, further selling off the economy to foreign and domestic speculators at fire-sale rates. President Arroyo has been boxed into an untenable position, unable to defend the nation either economically or strategically.

Thus far, most of the opposition to the Arroyo regime has recognized the coup plotting by the oligarchy. Sen. Ping Lacson, a possible candidate against Arroyo, has called for his supporters to "stand down" from the calls for mass demonstrations against the administration, so as not to be used by the plotters around Ramos. Commentator Herman Laurel, an associate of Estrada who regularly features *EIR* reports and analyses in his columns and radio broadcasts, has called on the organizations which filled the streets on May 1, 2001, for

Edsa III, to remain calm and avoid anarchy, while forging economic and social policies and alliances to deal with the real problems in the next elections.

## A New Quagmire?

The military situation is extremely dicey. Abu Sayyaf, the ostensible target of the deployment, is composed of several hundred well-armed bandits, with arms purchased with the ransom money from kidnappings (their primary occupation). The Abu Sayyaf are no revolutionary or Islamic force, but simply bloodthirsty criminals. That does not lessen the likelihood of a military confrontation with U.S. troops, however.

But Mindanao, the southern island where the troops are based, and the smaller adjacent islands of Basilan and Jolo, where they will deploy in search and destroy operations against Abu Sayyaf, are also home to two substantial Islamic armed movements, the Moro National Liberation Front (MNLF) and the Moro Islamic Liberation Front (MILF). The MILF has been at war with the Army for many years, although it has recently signed a fragile cease-fire, and is engaged in peace negotiations. Occasional shootouts still occur, and the number of incidents could explode overnight.

Just such an explosion has already taken place with the MNLF, which had been at peace for nearly a decade, and had assumed official leadership in an autonomous region of Mindanao. In November, the MNLF split, and supporters of the founder and leader of the group, Nur Misuari, led an armed assault on an Army camp which left over 100 people dead. Misuari is now a prisoner of the government, but confrontations continue. If either the MNLF or the MILF were to come into conflict with U.S. forces, it could trigger a social and political explosion among the Muslim population in the region.

Even more incendiary is the possibility of an encounter with some combination of the extensive Communist Party guerrilla organizations in the Philippines, which have about 12,000 armed cadre across the country—including in Mindanao. The New People's Army (NPA), the military wing of the Communist movement, has been placed on the official U.S. terrorist list, although it has no known connections with the Afghansi. If U.S. troops engaged in the "exercise" are attacked, by chance or by intention, by the NPA, will the United States root them out, throughout the country?

President George Bush, together with Secretary of State Colin Powell, has thus far successfully frustrated the efforts of the Wolfowitz faction in his administration to start a war in the Mideast, against Iraq or some other Islamic nation. But Wolfowitz has demonstrated in the Philippines that he can play the British game of imperial manipulation—and he is looking beyond the Philippines to Indonesia, the largest Muslim nation in the world. Wolfowitz has openly called for "Phase II" to commence in the Philippines and Indonesia. Senator Ople's words should be heeded: Such operations "must be stopped."



# LaRouche Interview Online in Italy: Eliminate Maastricht, Or No Europe

*The Italian online daily, Affari Italiani (Italian Business), on Jan. 20 published this in-depth interview with Lyndon LaRouche on the current strategic-economic crisis. The interviewer was Amedeo Valli, whose questions were translated by Andrew Spannaus for EIR.*

**Affari Italiani:** Mr. LaRouche, when the markets were at their peak two years ago, you were one of the only economists, possibly the only one, who foresaw the crash. The Italian people are very confused, and they are wondering when they will be able to get their savings back. So can you tell us when you think things might change?

**LaRouche:** Well, they're not going to change spontaneously. We are in what some economists, especially Social-Democratic economists, forecast or discussed at the beginning of the Twentieth Century—that is, before World War I—discussed as a theoretical possibility of something worse than a depression, a general breakdown crisis of the system. What we're in now, if it is allowed to continue, cannot go anywhere except to a generalized breakdown of the system.

So, therefore the question is, what kind of an intervention could prevent a general breakdown from occurring? What are the measures that have to be instituted to cause a reversal of that trend, at what is now a fairly late date? Essentially, the answer for people who study the history of the postwar period, or from 1933 on, particularly from the inauguration of President Franklin Roosevelt in the United States, [is] that in the

postwar period, from 1945—a little earlier for Italy in some respects—but from 1945 until about 1963-64, the world was operating on the basis of international monetary and economic agreements which were highly protectionist, were based on a fixed-exchange-rate system among currencies, and had, at that time, the purpose of utilizing the liberated productive capacity of the United States to supply especially Western Europe with the capital goods and, initially, foodstuffs required to enable a recovery in Western Europe.

So this system, this so-called postwar, Bretton Woods, or fixed-exchange-rate system, worked very well—with injustices, admittedly—but very well for the Americas, for Japan, for Western Europe, during that period of 1945 to about 1964. We had subsequently, beginning really with about 1965-66, but most emphatically in 1971, with the introduction of a floating-exchange-rate monetary system, the entire system has been in the process of long-term decay over a period of about 35 years to date, and what we are now in, is the end-phase of a cycle of decay which started actually in the middle of the 1960s.

So, if we compare what made the 1945-1964 period work, with what has not worked, obviously, at this point, then we can, from that, draw certain conclusions about what policies we should reverse, and what kind of changes we should make immediately in financial-monetary-economic policy to start a recovery process and stop this crash.

**Affari Italiani:** So, there is no alternative to changing

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**LaRouche: default del Sistema, non solo dell'Argentina**  
18 gennaio 2002

Eppure in Europa, e ovviamente anche in Italia, è tutto un ripetere che la ripresa arriverà - seppur con ritardo sui tempi previsti - e che l'euro sarà una grande possibilità di sviluppo.

No, non è così. Il fatto è che sotto gli attuali accordi di Maastricht - che possono essere cambiati - ma

*Italy's daily on-line business journal published one of the most thorough major interviews with Lyndon LaRouche on the global crisis, especially the economic predicament facing Europe. LaRouche's policies are widely debated among business, government, and church circles in Italy.*

the system?

**LaRouche:** None.

**Affari Italiani:** I would like to ask a question about Europe, and the euro. Europe is changing, the Maastricht Treaty is operative, and we have now changed the currency. Many people say that this is an opportunity for development. What do you think?

**LaRouche:** No, it's not. Because under the present agreements—now, the agreements could be changed—but under the present agreements of Maastricht and the present policies of the European Union, it is impossible to do what is indispensable to save the economies of Europe from a general collapse: rolling perhaps from Poland, which is the most likely nation to collapse, rolling down across Germany, across France, across Spain, into Italy. So, without a change in the character of this Euro agreement, a change in the Maastricht agreements, to allow for nation-state mobilization of long-term, low-price credit for capital investment in physical production—without those measures, it's impossible that Europe would survive, politically and economically, as nation-states, under the conditions of the euro today.

**Affari Italiani:** Tommaso Padoa-Schioppa said that in the present [Maastricht] agreements, the thing that can absolutely not be changed is the Stability Pact. What should the Italians do in this situation?

**LaRouche:** That agreement, on the Stability Pact, should be eliminated. It has to be eliminated, otherwise there is no chance for the survival of the economies of Western Europe. The problem here is, that this idea is a result of radical monetarism, and it's an attempt to maintain the theory of inflation of these radical monetarists, and to impose that upon the future generations of Europe, if there are any; which is the problem. That is exactly what must be eliminated. What is needed is to establish a set of fixed parities among currencies, to establish low-cost credit—we're talking about 1-2% credit, generated by the authority of governments and by agreements among sovereign governments. This credit should not be allowed to float freely on markets, but rather, should be directed into areas of investment which will benefit physical production and benefit the general welfare of households and farms and so forth. That is the way it has to be done. That requires a general recovery program, as opposed to—and in this case you must eliminate that Stability Pact. Otherwise, no Europe.

**Affari Italiani:** The Nobel economist Franco Modigliani recently said that the situation in Argentina is serious, but Argentina is a small country and not so important, and thus, will not have any significant effect on the world economy. What do you think about this, and how do you see the Argentine crisis?

**LaRouche:** It is having a tremendous effect, but it's not the biggest effect. The only degree to which the Argentina crisis is being exaggerated is that people are focussing on it so much,

that they are now focussing on Argentina to pretend not to see the really big explosion which can sink the entire system. If the Japan yen goes under—as it can, in this quarter, even earlier—if the Japan yen goes under, the Japan banking system goes under, the dollar will collapse with it, and the whole system will be gone. So therefore, Argentina is a warning of the crisis, one of the many warnings of the crisis, but it's not the biggest one.

On Argentina, one should recognize, of course, that Argentina, earlier in the last century, was, at various times, third or fourth in the world in standard-of-living and economy. For example, in the immediate postwar period Argentina developed the first aircraft we called the MiG fighters. These were developed, and produced, about 25 of them, in Argentina, using the plans developed in Germany at the northern end of Peenemünde, in the aircraft development area. So the MiG in Russia was a copy of this German design during the war. It was never built by the Germans, but the design was made. Twenty-five of these things were produced at the end of the war, before the Russians produced one, and were produced in Argentina. That is only typical of the exceptionally high quality of the labor-force, the tradition, the economy generally of Argentina, which has been ruined since then.

What has been done, is that you would never send the IMF, which has ruined Argentina, to tell Argentina how to recover. So, saying Argentina is not important is whistling in the dark; it's extremely important. It portends what could happen to Turkey, or likely to Poland, and it also is a warning about the big bomb, the really big bomb in the economy which is the third largest, in monetary terms, in the world: Japan. Japan goes under? A chain reaction throughout the world immediately. The full force of a general economic and financial collapse will be on.

**Affari Italiani:** Could you say something about the devaluation? Are the devaluation and the dollar-peg good policies for Argentina? And could you say something about the idea of creating a new, internal currency, the argentino?

**LaRouche:** First of all, devaluation of a currency because of monetary problems is called "rape." What has happened since 1971, and this has been characteristic of all of the economies of Central and South America—you have the London market, which is the biggest financial market in the world for this kind of purpose, would organize a run against a currency, just on the basis of trading. On the basis of a devaluation of the currency on the market, on the market in currencies. Then, the IMF would be called in to advise these governments how to come into conformity with new rules under which they would be allowed to survive. Now, these rules meant, devalue your currency, but compensate for the devaluation of your currency, compensate your creditors, by creating an artificial debt, a fictitious debt, based on the devaluation of the outstanding old debt.

As a result of this process, Ibero-America—that is, Cen-



*LaRouche speaks on the “dialogue of civilizations” at a June 2001 conference with business leaders and parliamentarians in Rome, one of his three major visits to the Italian capital in the second half of the year.*

tral and South America—have more than repaid the total debt they have ever incurred to this date, but they still have a greater debt than they ever had before. The reason is because of this swindle. When the IMF comes in and says you have to devalue your currency because you have a financial problem or monetary problem, that is a form of rape, and it is precisely that kind of devaluation of the Argentine currency which brought Argentina into the present crisis. So, it’s the worst possible policy you can imagine.

Now, the alternative is very simple. The world as a whole is financially bankrupt. The economy is crashing and is in a deflationary spiral worldwide. The only economies which are still viable, relatively speaking, are Russia, which is enjoying some growth; China, which relies chiefly upon internal resources for growth; India, which is growing. You also have Brazil, which is a model of potential growth; that is, Brazil relies chiefly on its internal market, rather than on external ones, which is a source of strength. But most parts of the world, including the United States, Western Europe, Japan, other parts of the world, are actually financially bankrupt. That is, their outstanding debt obligations, including derivatives, financial derivatives, far exceed any possibility of repaying these debts. What they have been doing is rolling over these debts with more and more borrowings of one kind or another, or printing of money. This won’t work, which means you have to put the world system through bankruptcy reorganization. That is, the governments, the sovereign governments and nations must meet and agree to put the financial and monetary system under bankruptcy reorganization. Which means that much of this debt would be simply written off or frozen, and the amount of payments made against the debt would be limited in a way which allows the economies to

undergo actual growth. And the economies therefore would be organized with a view to growth.

Now, the method we would use, essentially, would be the successful experience of the 1945 to 1963-64 period, in terms of the reconstruction of Western Europe and other parts of the world in cooperation with the United States. And that would be the kind of model which would: first, work; and second, would be preferred because it has a well-established precedent. And therefore, people who have to make sudden decisions, like to have good models which worked in the past to use in the present.

**Affari Italiani:** Is this what you call the New Bretton Woods?

**LaRouche:** Essentially. Governments meet, sovereign governments put the existing IMF [system] into bankruptcy reorganization. Remember, the IMF has no legal basis for existence except as a creation, a treaty organization created by governments. Therefore, when the IMF goes bankrupt—as it is bankrupt as a system right now—then it is the responsibility of sovereign governments, which own the IMF legally, to put the IMF into bankruptcy reorganization, in the same way you would put a bank into bankruptcy reorganization. So you treat the IMF as if it were a bank. You declare the bank bankrupt, you move in, take over the bank, you reorganize the bank in order to continue its proper function.

What you essentially would do, is simply take the IMF system and throw it back into what it was in the 1950s, in terms of general policy. You might make some changes to that, but that would be the basic point. Then you would have to have, as matching that, a general global economic recovery program, a stimulus program, which would be based on creat-

ing credit, to fund investments in large-scale projects, and whole categories of investment, which would be beneficial for real economic growth: agriculture, industry, and so forth.

**Affari Italiani:** A question on the conflict in Israel, regarding Sharon and Arafat. What bearing does this crisis have on the international economic crisis? That is, to what degree does the end of the economic crisis depend on the resolution of the crisis in the Middle East? And how do you see the situation there?

**LaRouche:** The danger is not an economic one in a simple sense. What you have [is] the Israeli military command, the Israeli Defense Forces command (IDF), which really is controlling Sharon. Sharon is essentially a puppet of those people and controlled by people who are part of a group called “Mega” in the United States, which is people like the Bronfmans and others, but especially Ronald Lauder, the guy whose mother was an ambassador to Austria, some time past. And Lauder is essentially the chief controller of Sharon from the U.S. side right now.

This group, which is actually responsible for the assassination of Prime Minister [Yitzhak] Rabin, the former Prime Minister of Israel, assassinated Rabin to prevent the implementation of the Oslo agreements which had been negotiated with the help of a number of European governments, including Italy.

So therefore, the idea was, to do—what? The idea was that on the pretext of starting a religious war over the destruction of the [third] most sacred Islamic holy place in the world—the mosque of al-Haram al-Sharif on the top of the Mount in Jerusalem—that would start a religious war under these conditions. And the purpose of the forces behind Sharon and the IDF, and their backers in the world, is to proceed on the Brzezinski-Huntington, et al. policy, of having a clash of civilizations war, centered on a war against Islam.

If such a thing starts, under present conditions, you are not worried about economy any more, because the effect on the world—especially Eurasia—will be similar to the effect of the Thirty Years’ War of 1618-1648 in Central Europe. A protracted religious war, or a religious-ethnic war of this type, which Huntington and Brzezinski and the Israelis are projecting: That kind of war would lead to a kind of New Dark Age throughout at least most of Eurasia.

So, it’s not an economic question. The issue is: Are forces going to have the courage to shut down these Nazi-like actions by this faction in Israel? Now, there are many sane Israelis—you know many of them—and they don’t all agree with each other ordinarily. But more and more voices in Israel, and more and more [Jews] outside of Israel, are raising a protest about the danger of a continuation of this kind of murderous activity targetting the Palestinians, and particularly Arafat. This is the danger, so we’re beyond economics as such.

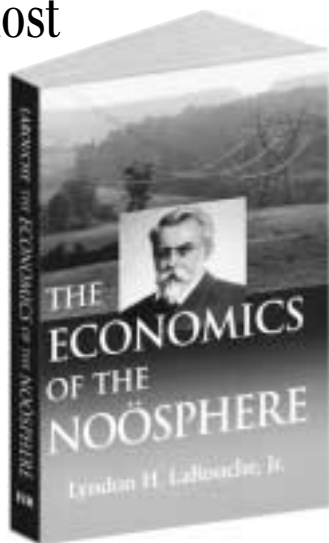
If you unleash on this planet, a large-scale religious war of the type that Huntington, Brzezinski, and others are proposing, and the Israelis are proposing; if you do that, then you’re not going to talk about economy any more, you’re going to talk about a New Dark Age.

**Affari Italiani:** The situation which you describe is very ugly and difficult. The question I ask you is this: Should we have hope? In what and in whom can we have hope in this new year?

**LaRouche:** Well, we can have hope. You have the Pope, who is doing the right thing in his framework of influence. He is showing great leadership, in exactly the right way, to give a vision of a peaceful world, a vision of a peace among religions. This is modelled essentially on Nicholas of Cusa’s famous dialogue, *De Pace Fidei*, from the Fifteenth Century. This is after the Turkish victory at that time, and the question of religious war became prominent. And Cusa proposed his dialogue, *De Pace Fidei*, which set forth the ecumenical principles for relations among Islam, Christianity, and Judaism, as a model.

We have in the world, from Iran and elsewhere, you have proposals for a dialogue of cultures: not a stupid one, but the type that the Pope, for example, has proposed; which I have proposed. If we can mobilize people, if they can have a sense of the horror which threatens us, then maybe that sense of horror will shame them into taking the kinds of actions which can be taken, which will bring us out of this nightmare we find ourselves in today.

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# LaRouche Speaks To Russians on World Crisis

*The following are excerpts from an interview of Lyndon LaRouche with Alexander Krutov, anchorman of the Russian TV program "Rusky Dom," on Dec. 12, 2001. Excerpts were aired on national Channel 3, the week of Jan. 7, 2002.*

**Krutov:** Mr. LaRouche, would you tell us, what's your view about the state of relations between the United States and Russia, especially after the events of Sept. 11?

**LaRouche:** Oh, I think perhaps many people in Russia don't understand some aspects of this relationship, as I do. I strongly suspect that President Putin knows things of great importance which he has not felt at liberty to state publicly. And I would think it's the responsibility of some others, such as myself, who do know some of these things, to make this knowledge public, which would help to eliminate certain dangerous frictions in U.S.-Russia relations at this time.

**Krutov:** What, in your view, should Russian people come to know, in order to have a better understanding of the current actions of the United States?

**LaRouche:** Well, let me say this: Let me speak very carefully, that I'm speaking as an American Presidential pre-candidate, who does know certain things; but I do not wish, on Russian soil, to interfere with the internal affairs of Russia. With that qualification, I can say certain things (some of these things have been said publicly by President Bush himself): That on Sept. 11, what happened was, that an attempted military coup d'état occurred inside the United States. And, as a result of a discussion which occurred between Presidents Putin and Bush, in the course of that morning, that was averted; and President Bush shut down a very dangerous escalation of a military scale—nuclear alert. And since that time, there have been good features to cooperation between Putin and President Bush, but there were also many defects in the relationship, which will have to be corrected.

[After a clarification of the Russian translation of this reply by LaRouche.] No, I concluded that it was a military coup. And I said so, at the moment it was occurring. And it was occurring.

**Krutov:** A military coup within the United States?

**LaRouche:** Absolutely. It was entirely inside the United States.

**Krutov:** But what kind of forces could there be, within the United States, behind such a coup?

**LaRouche:** Let me just explain one thing, which many peo-

ple in Russia will understand, who also have expertise in these matters of strategic nuclear problems.

When an attack is made, directly on the Pentagon of the United States, there is automatically a full-scale wartime nuclear alert put up. I would think the same thing would happen in Russia, in a comparable situation.

The complication is this: When this occurs, secondary and tertiary military command structures are activated, on the presumption that the President might be killed. And the only way that could be shut down, is for the President to order it shut down. And then you heard what President Bush said repeatedly about what happened to him, in the discussion with President Putin.

Remember, President Bush was flying to Offutt base, which is a second-strike base in the United States. Since that time, you've seen that the relationship between President Putin and President Bush, which was rather amiable from the beginning, has much improved. That is good. Some of the other things that have happened don't please me, and I suspect they would not please President Putin either.

The problem is, we're still in a very dangerous world situation. The people behind this problem are a group of Anglo-American groups, which want what's called a "clash of civilizations"—war between Islam and other forces. I don't think there were *any* Islamic forces of any significance involved in this, but nonetheless, there is a problem.

**Krutov:** So, you think that behind this tragedy were the Anglo-Americans, or the Americano-English, so to speak, that is, the Americans themselves, people from the West, rather than Islam?

**LaRouche:** Absolutely. However, you've got two problems; you've got two groups to consider. Running a military coup of the type that was attempted, is a very sophisticated operation, which involves a very tight conspiratorial command structure. But the world as a whole has seen what the larger group is, typified by Brzezinski. The world sees now, that there's an attempt—on which I believe President Putin and Bush agree—to try to prevent the spread of the war now going on in Afghanistan, and elsewhere, to larger parts of the world. I'm not satisfied with what Secretary Powell is doing, or what General Zinni is doing—both of whom I respect in this matter—but we *must* solve this problem.

**Krutov:** President Bush has declared that the United States will withdraw from the ABM Treaty unilaterally. How do you assess this posture, considering the fact that Russia has been always advocated preservation of the ABM Treaty? . . .

**LaRouche:** . . . There is a proposal, which I've discussed with people in Russia, and so forth, on this, in which I have some expertise, as people in Russia know. What is now proposed, or has been proposed, as nuclear missile defense, is a hoax; it could never work. However, if Russia, on the basis of its scientific knowledge of the area, and the United States, and other nations were to agree, we could jointly, over a long



*Part of the reason LaRouche's opinion on the U.S. withdrawal from the ABM Treaty is sought and discussed in Russia: He was the original author of Reagan's SDI offer, and always promoted U.S.-Russian cooperation on new principles of missile defense—as here, at 1993 summit.*

period of time, develop new technologies, which could, in the future, deal with the threat of somebody throwing nuclear weapons. If the thing is being *forced* on Russia, by unilateral action of the United States, I consider that dangerous and bad. If Russia agrees, that's a different proposition.

**Krutov:** This is clear. But please tell me, do you support the unilateral withdrawal of the United States from the ABM Treaty, or not?

**LaRouche:** No.

**Krutov:** There is another question, which greatly concerns us in Russia at the present time—and I know this could be the subject of a long discussion, for many hours; I know that you have great expertise on this, and I would be glad to hear you give a lecture on the topic, but since in TV we have limited time, I would like to formulate concisely. The process of globalization, which concerns us at present: Do you think that it is being managed or directed by somebody, or is it a spontaneous process?

**LaRouche:** No, it's a conspiracy.

**Krutov:** Whose conspiracy?

**LaRouche:** Obviously those Anglo-American rentier-financier interests who, when the Soviet Union disintegrated, decided they could have a world empire.

It wouldn't work, and it'd be a disaster for all humanity. Not all criminals are competent.

**Krutov:** Do you think that this current process of globalization, is beneficial *only* to this group of people?

**LaRouche:** No, it's not beneficial to anyone. It's a piece of

idiocy. It won't work, but they believe it's beneficial. They're stupid enough to believe in it.

I could qualify that. The basis for creating credit is the modern, sovereign nation-state. Without protectionism, you cannot protect long-term investments, or long-term agreements. We're in the worst financial crisis in modern history. What we need is multipolar cooperation among sovereign nation-states, to rebuild the world economy.

**Krutov:** What do you see as the main danger of this globalization process?

**LaRouche:** The main danger is the New Dark Age of humanity, under present circumstances.

**Krutov:** You said that we are going into a very severe financial crisis, but the world financial system today is based on the U.S. dollar. Do you think that this dollar is an inflated monetary unit, a virtual dollar, which will collapse, and the entire financial system will collapse, followed by the collapse of all trade and economic relations?

**LaRouche:** We're now at the point that an instant collapse of the entire system, including the dollar, could occur at any time. Or it could be dragged out in an awful, prolonged process of some months.

**Krutov:** . . . Now there is another phenomenon: anti-globalism. Who are these anti-globalists? Who is financing them? What are they trying to accomplish? Aren't they being directed from the same center as the process of globalization itself?

**LaRouche:** Yes. For example, the key leader of the anti-globalization movement internationally is Edward Gold-

smith, a British citizen, a resident of France. He's been a high-ranking leader in Anglo-American intelligence services since the 1950s.

The way you run a nasty operation, particularly a British intelligence operation, is, you try to run both sides simultaneously. Goldsmith was the intellectual leader of what happened [at the July Group of Eight summit] in Genoa. He was sitting in Italy directing it.

**Krutov:** So it turns out that there is one body, one head, but two hands.

**LaRouche:** Yes, exactly. It's often that. I've studied a lot of these funny operations that went on in the past, particularly when the Soviet Union and the Anglo-Americans were in conflict, and this is the kind of games that were played.

**Krutov:** Fine. Also today, there is the idea that the whole [world] has united against international terrorism. So, what is this mythical notion—international terrorism? How do you understand what this means? What is it?

**LaRouche:** A bad fairy story. But there's a reason for it. Sometimes you have to find a reason for fairy stories, sometimes not.

In this case, the problem was, the President of the United States—who's opposed to bombing Iraq and other Arab countries—along with his faction in his government, used Afghanistan as a diversion from the issue of the Middle East crisis, which is the real danger at this time. But the people they're bombing, or accusing—not the ones they're bombing, but the people they're accusing—are the same people, that the same circles in New York and London were using against Russia in Central Asia a short time before this happened.

**Krutov:** So, it turns out that the whole world today is dancing to the music of this Anglo-American group, which has taken power worldwide. Is that how things are?

**LaRouche:** But there's a division. It's not a unified group. There's a big fight within it.

**Krutov:** Do you think that we have a world government, or not?

**LaRouche:** Oh no, we'll never have a world government. They may try to do it, but it won't work.

**Krutov:** But, if there were no world government, how could a process like globalization be run from some center?

**LaRouche:** Well, you had the Roman Empire, you had the Byzantine Empire, you had Venice, which was operating during a period from about 1000 A.D. until the middle of the 17th Century, as an international maritime financier power.

**Krutov:** Yes, and Venice also organized the Crusades. But then Venice was kind of a center. Doesn't that mean that there *is* some group of financiers and politicians, who get

together and make their decisions in common, unified decisions?

**LaRouche:** They meet constantly. What you're talking about in the United States, also in Britain (they're also in other parts of the world)—these are, on the one side, they're financier families, interests, not banks and others, but financier family interests. And then large law firms which are associated with them. I could give you a long list of names of Boston, New York, Washington, D.C., other places, London, and so forth—these people do represent a very powerful interest. They're a small minority. They don't have exclusive power, but they keep trying.

**Krutov:** They keep trying. What do you think will be the outcome of the events in the Middle East, between Palestine and Israel?

**LaRouche:** The only sane solution is a Palestinian state. If you look at what [Israeli Prime Minister] Yitzhak Rabin said, before he was assassinated, there is no way Israel could win that kind of war. It's a perpetual war. You have a small group in the Israeli military, and elsewhere, who, despite the fact that this is insane, from a military and every other standpoint, are determined to do it.

**Krutov:** Do you think that there may be a clash between the Western world and the East, or between Christianity and Islam?

**LaRouche:** I'm trying to do everything possible to prevent that, myself. I have, at this point—because of this crisis, my voice has been heard widely in Arabic, and other, Islamic, press. I hope we can stop it.

If we're successful in what President Putin most recently has attempted to do, in China, India, and elsewhere, and in Western Europe, we can stop this nonsense. My problem is, that at this stage, the United States government is not willing—even President Bush, who admires Putin, actually, quite frankly—to recognize the changes in economic policy which are needed to carry out the kind of mission, which President Putin has been working to develop, following what Prime Minister [Yevgeni] Primakov was doing earlier.

**Krutov:** . . . We wish you every success in your political activities, and we hope that you will win the Presidential campaign. America needs such people!

**LaRouche:** Thank you.

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## Electioneering for Fall 2002 Begins in Denial

by Marcia Merry Baker

As of mid-January, with the national committee meetings of the Republican and Democratic Parties, and the reopening of Congress, the election year “debate” began, with talk of the economy, terrorism, and war—but screaming denial of the epic crisis unfolding.

One incident typified the complete failure of Congressional, as well as White House leadership, to face the collapse of the economy around their ears. On Jan. 22, House Democratic leader Dick Gephardt (D-Mo.) suddenly scheduled a Jan. 24, 1:00 p.m. webcast from the headquarters of the Democratic Leadership Council—precisely the time, and the mode, of Lyndon LaRouche’s Washington webcast, announced publicly weeks before. And with what policy did Gephardt “challenge” LaRouche’s economic prognosis? With globalization, and the broken-down and discredited “New Economy.” “Take advantage of the sweeping impact of globalization,” said Gephardt. “We can’t afford to throw the rule book out now. . . . The new economy is not just a global economy, it is an engine of growth for all Americans.”

Only last October-November, the combined impact of 2001’s economic plunge (see *Economics*, p. 4) and the Sept. 11 attacks, had Democrats and even some Republicans *talking* about railroad infrastructure, a public-health preparedness mobilization, a return to state direction and regulation. But no sooner did the Federal budget revenue collapse, than that “useful talk” vanished.

Over the weekend of Jan. 18-20, a Punch-and-Judy exchange took place between Republican strategist Karl Rove and Democrat Gephardt, over the issue of who has the greater right to claim “patriotism.” Rove said Republicans will win votes in this year’s mid-term elections, by campaigning on the success of Bush’s war on terrorism. Gephardt rejoined,

by accusing Rove of calling Democrats unpatriotic. And so the “debate” goes. On Jan. 23, the day Congress reconvened, bipartisan spats took place over who is responsible for the economic “downturn,” and budget deficits at hand.

What stands out dramatically is denial (at least publicly) of the realities of *systemic* economic breakdown and strategic threats. LaRouche forewarned of the collapse process, and many “good” offices in Washington, D.C. are well aware of this. But they stick with delusion and fraudulent debate. This continues where things left off, when Congress recessed in December. At that time, legislators were castigated for leaving town without having passed bills on many matters: the economy (“stimulus”), agriculture, energy, etc.

But even had there been bipartisan agreement in Washington, D.C. last Fall, what was proposed was unworthy of action. Now, in 2002, going from bad to worse will mean catastrophe. So far, that is the name of the game, as on Jan. 23, the House and Senate began with a meeting with President Bush on prospects for economic legislation.

### Strategy Sessions Outside Reality

The Republican National Committee met in Austin, on Jan. 18-19. Backhand recognition of the economic crisis was shown in the change of party chairmen. Half-way through his two-year term, James S. Gilmore III, former governor of Virginia, was replaced by former Montana governor Marc F. Racicot. Gilmore’s claim to fame was his Jimmie-one-note cut-taxes approach to economics, pledging to eliminate the motor-vehicle tax, and coast forever on the momentum of state-budget surplus. When the financial bubbles began to burst—capital gains, dot-coms, and the others—Virginia’s budget surplus headed south, right behind those in 44 other



states. Gilmore's Republican Party chairmanship exit was announced before Christmas. The White House has been making other announcements, including that President Bush will give a national address on economics, soon after his Jan. 29 State of the Union speech.

But the headliner of the Austin gathering was White House strategist Karl Rove's statement that the Republican election strategy to win back control of the Senate, and retain House control this Fall, will be to claim "war leadership" against terrorism. Rove said, "We can go to the country on this issue because they trust the Republican Party to do a better job of protecting and strengthening America's military might, and thereby protecting America."

The rejoinder came from Gephardt the next day, speaking at the Democratic National Committee meeting, who called Rove's statement, "shameful." He said, "I hope the President will set the record straight. This [war] is not a partisan issue." The Democrats otherwise confirmed their perspective for early-in-the-year Presidential primaries, purged from leadership black DNC members who had opposed Terry McAuliffe's candidacy for DNC chairman, and then went home.

Gephardt continued to lead the Democrats down the losing path blazed by Al Gore, at a Democratic Leadership Council meeting in Washington on Jan. 24. Gephardt, once known as someone who attempted to appeal to labor, gave an unabashed paean to globalization, saying that the United States had beaten out the rest of the world in this area, and should continue to do so.

Gephardt *attacked* the idea that Sept. 11 should usher in a shift toward more government intervention in the economy, and put forward a four-point program of goals, including an "Apollo project for environmentally smart renewable energy," education proposals, a universal pension system, and "deploying new technologies, to protect our people and grow our economy."

At the same time, President Bush was announcing plans for a \$20 billion package of increased military, and domestic preparedness spending, thus playing the war-fighting "issue," on top of his demand for a \$48 billion increase in the defense budget. The announcement came at a White House reception for members of the National Conference of Mayors, who are seeing their local economies disappear, along with their tax base. Meantime, local costs are skyrocketing for security, and for attempts to patch up the social collapse of unemployment, health care, outright homelessness, and hunger.

### **It's the Economy, Mr. Congressman**

This is the partisan backdrop to the resumption in Congress of unreal deliberations. LaRouche forewarned during the 2000 election campaign, of the imminent blowout of the financial bubble economy, and need for emergency debt-management, and economic build-up measures.

Sporadically, over 2001, as the situation worsened, there were acknowledgments and gestures of action. In August

2001, Sen. Harry Reid (D-Nev.) spoke out for a "Marshall Plan for Renewal," for infrastructure-building across the board: "Our infrastructure is more than just the network of roads, bridges, railways, seaports, and airports. . . . It's also the systems which bring us clear drinking water and treat our wastewater. It's the power grids," and other necessities. In early September, even Senate Republican Pete Domenici (N.M.) floated the idea of productive investments of the Social Security Trust Fund "for bad economic times."

Commenting on these isolated calls, LaRouche advised on Sept. 8, "The crash is on! It's time for all good Democrats to propose public works, public spending on economic infrastructure." And his campaign continued the mass circulation of the pamphlet, "How to Beat the Depression." In the months following the Sept. 11 attacks, as the economic crisis worsened drastically, there were some *gestures* in the right direction. For example, some railroad-building bills received new impetus as part of the momentum toward a policy response to both restore the economy and provide transport security. On Sept. 25, the "RIDE-21" rail expansion bill (H.R. 2950) was introduced by Rep. Don Young (R-Ak.). It calls for \$71 billion in different types of funding, for rail-corridor planning. An earlier bill, H.R. 2329, the "High-Speed Rail Investment Act of 2001," largely sponsored by Democrats, called for an expenditure of \$12 billion. As a Congressional staff member commented, "We proposed \$12 billion before the Sept. 11 incidents. If we had proposed \$70-80 billion then, we would have been denounced as crazy, and the legislation wouldn't have been considered. But since Sept. 11, things are changing." Both bills are intended to rebuild sections of the U.S. rail grid, and to build high-speed rail networks, including, potentially, magnetically levitated train systems.

Senator Reid teamed up with Sen. Robert Byrd (D-W.V.) to push a lesser package of \$15 billion of infrastructure spending, in the name of Homeland Security preparedness, which was thwarted at the time.

### **The Budget Collapsed**

But by December, the Federal "multitrillion-dollar surpluses" had disappeared in the plunge of economic activity and stock values; and all the brave "national security economic mobilization" talk had vanished with them. The Wall Street-serving media gloated how nothing had happened. The Dec. 20 *Washington Post* wrote of Reid: "His Marshall Plan proposal fell flat." And, as of January, Democrats deserted or flat-out opposed senior Sen. Edward Kennedy (D-Mass.) when he proposed that some of the futile tax cuts of 2001 be rolled back to allow for health care, education, and infrastructure spending.

As LaRouche publicly denounced the Democrats on Jan. 24, they "have not had anything to offer" in their six months' control of the Senate; "they are the problem, not part of the solution."

# Who Are The People Making U.S. Nuclear Weapons Policy?

by Carl Osgood

Since Sept. 11, President George Bush has made a public show of the close relationship that now exists between the United States and Russia. Indeed, on a number of occasions, he has referred to the importance of the phone call he received from Russian President Vladimir Putin on that day.

As the attacks were unfolding, *EIR* founder and 2004 Democratic Presidential pre-candidate Lyndon LaRouche called on President Bush to seek cooperation with world leaders, including Putin, to defeat what he identified as an unfolding coup attempt against the U.S. government. While Bush appears to have built a close personal relationship with Putin, such as evidenced by their summit meeting last November in Crawford, Texas, his administration's strategic policy is in the hands of those close to the "clash of civilizations" outlook, who seek to ignite religious and ethnic wars on a global scale.

The pedigrees of these nuclear strategic policymakers prompted LaRouche to express grave reservations about the team handling current negotiations with Russia. LaRouche questioned whom these men actually represent, noting that all have been accused of being closer to the Israelis than to American national security and foreign policy interests. Where do they stand, LaRouche asked, in respect to the U.S.-Russian cooperation struck by Presidents Bush and Putin, and greatly reinforced by President Putin's support for his American counterpart on Sept. 11?

## 'Strategic Reserve' Problem

Some of the pitfalls inherent in this situation were exposed during January, when the Department of Defense presented its Nuclear Posture Review (NPR) to the House and Senate Armed Services Committees; and a week later, when a Russian delegation visited the Pentagon for two days of meetings on strategic issues. For the Russians, the key issues are the Dec. 13 announcement by the Bush Administration of the U.S. withdrawal from the 1972 Anti-Ballistic Missile Treaty; the destruction of warheads that are removed from their delivery systems; and making any agreed-upon reduction of strategic nuclear forces legally binding and "irreversible."

The destruction-of-warheads issue came about because of the NPR, which provides for an eventual reduction of the U.S. nuclear stockpile from the current level of about 6,000, to between 1,700 and 2,200 warheads, by 2012. This is com-

parable to Russia's announced plans to reduce its stockpile to about 2,000 warheads. However, the U.S. plan also calls for maintaining a "strategic reserve." These are warheads that would be retained after removal from their delivery systems.

Assistant Secretary of Defense for International Security Policy J.D. Crouch II "explained" that this reserve would provide "the ability to augment the operationally deployed force in a way where, over weeks, months, and even years, . . . we could respond to changes . . . in the security environment that were more adverse than we thought."

What Crouch neglected to mention was stated by Russian Col. Gen. Yuri Baluyevsky, first deputy chief of the Russian General Staff and leader of the Russian delegation. General Baluyevsky told reporters after the meetings that the Russian principle—also the principle applied to Russian nuclear warheads since 1991—is that "war charges [i.e., warheads] dismounted from their carriers should be destroyed and eliminated."

## The U.S. Team

The team that was sitting opposite Baluyevsky, however, are all members of what has become known as the "Wolfowitz cabal," the neo-conservative grouping around Deputy Secretary of Defense Paul Wolfowitz. In addition to Crouch, this include Undersecretary of Defense for Policy Doug Feith and Undersecretary of State for Arms Control and International Security John Bolton. All have strong ties to the Israeli right-wing circles of Prime Minister Ariel Sharon and are deeply infected with the "clash of civilizations" disease.

During 1993-94, Crouch was a leading public advocate of a pre-emptive military strike on North Korea, against President Bill Clinton's attempts to de-escalate the crisis around North Korea's nuclear program. In an article in the January 1995 issue of the journal *Comparative Strategy*, Crouch declared that the George H.W. Bush Administration's decision to withdraw tactical nuclear weapons from South Korea "was a major geopolitical mistake," and that the Clinton Administration's policy of engagement with North Korea would embolden other nations with nuclear ambitions, especially Iran and Iraq. He fully endorsed a February 1994 advertisement in the *New York Times* placed by the International Security Council, an outfit run by Jewish Defense League co-founder



*The “war of civilizations” cabal of Deputy Secretary Paul Wolfowitz in the Pentagon, though held back from their earlier demands for bombing Arab countries after Sept. 11, now dominate arms talks with Russia—one of the sabotage operations against Putin-Bush cooperation.*

# Israeli Espionage: The Corporate Nexus

by Jeffrey Steinberg

According to U.S. government investigators probing a massive Israeli spy apparatus inside the United States—with possible links to the Sept. 11 attacks on the World Trade Center and the Pentagon—many of the several hundred Israeli nationals detained in the past two years on suspicion of espionage, visa violations, etc., entered the United States on special exemption visas and work permits. During the height of the information technology bubble, the U.S. government set up a special category of visas, for foreign nationals hired to work for American companies in the telecommunications and computer field.

The sources report that the Israeli detainees who were in the United States on these special work permits all worked for an Israeli company, Amdocs. Amdocs is one of Israel’s computer and information technology giants, founded by veterans of Israel’s sophisticated “signals intelligence” agency, the parallel to America’s National Security Agency. The bulk of Amdocs’ financing and business, however, is not in Israel, but in the United States, where Amdocs has automated billing contracts with 25 of the largest U.S. telephone companies. Amdocs is now preparing to further expand its presence in the U.S. telecommunications market, by moving into the operating systems area—unless the ongoing U.S. government spy probe sinks the Israeli expansion move.

## Spy Saga

As first reported by *EIR*’s Executive Alert Service on Dec. 4, 2001, U.S. intelligence and law enforcement agencies have been probing a massive Israeli spy network, operating coast-to-coast, and possibly linked to the attacks of Sept. 11. Beginning in the late 1990s, officials of the Drug Enforcement Administration and other Federal law enforcement agencies began assembling reports about Israeli “art students” attempting to penetrate government buildings, safehouses, private residences of top officials, and military bases. Under the guise of selling Israeli works of art and toys, these “students” conducted aggressive surveillance of the sites, and also made efforts to profile law enforcement officials and staff personnel for prospective recruitment by Israel.

Following the attacks on the World Trade Center and the Pentagon, U.S. law enforcement tracking of these Israelis

Joseph Churba, calling for a “firm deadline for the destruction of North Korea’s nuclear complex.” If this destruction were not carried out by the North Koreans themselves, Crouch said, then it should be done by U.S. air power.

Doug Feith, Crouch’s boss, comes from the same circles. Feith was a key advisory board member of neo-conservative Frank Gaffney’s Center for Security Policy, and during the second Reagan Administration in the late 1980s, he served as special counsel to then-Assistant Secretary of State for International Security Policy Richard Perle. Both were investigated by the Secretary of Defense’s Office of General Counsel as suspected participants in the Jonathan Jay Pollard Israeli spy ring. During the 1990s, Feith denounced President Clinton’s peace efforts in the Middle East, and attacked the Chemical Weapons Convention. His collaborators, Gaffney and Perle, are now leading the attack on the current President Bush for his close collaboration with President Putin, his failure to attack Iraq, and his refusal to back Sharon’s drive to crush the Palestinians.

John Bolton served in the first Bush Administration, then spent several years at the neo-conservative American Enterprise Institute, where he helped found, along with former British Prime Minister Margaret Thatcher, the New Atlantic Initiative, co-chaired by former Secretary of State Henry Kissinger. Bolton was also a leading proponent of a full-scale invasion of Iraq to overthrow Iraqi President Saddam Hussein.

During his confirmation hearing last March, Bolton was roundly criticized by Democrats for his hostility toward arms control agreements. Sen. Byron Dorgan (D-N.D.) complained that Bolton “doesn’t care a whit about arms control,” and would be a “fox in the chicken coup.” Bolton’s nomination was endorsed by Kissinger, former Secretary of State James Baker III, and former Deputy Secretary of State Lawrence Eagleburger.

was given higher priority; it was soon discovered that the “students,” most of whom had specialized Israeli Defense Forces backgrounds, were also infiltrating Arab-American communities, and had long-established connections to some suspected Islamic terrorist cells.

The investigation of the Israeli “art students” is continuing, according to Federal government sources, and the probe is an integral part of the “war on terrorism.” Despite howls of protest from the Sharon government in Israel, and from Zionist Lobby organizations led by the Committee for Accurate Middle East Reporting in America (CAMERA) and the Jewish Institute for National Security Affairs (JINSA), the United States is still holding an undisclosed number of Israelis in custody, as part of the anti-terror sweep.

### **Amdocs, Comverse, and Telrad**

The linkage of several of the detained Israeli suspected spies with Amdocs, reportedly set off alarm bells, among some Federal investigators, including officials of the National Security Agency and the CIA. For years, according to *EIR*'s sources, Amdocs has been under scrutiny for suspected links to the Israeli Mossad or military intelligence. Repeated investigations turned up no direct proof of this, although some links were unearthed to Israeli organized-crime rings, involved in “Ecstasy”-for-diamonds smuggling in the United States.

The reason for the concern is that Amdocs, along with two other Israeli high-tech companies—Comverse and Telrad—have become major sub-contractors for sensitive U.S. national security activity. Comverse is one of two prime contractors with the FBI for the administering of Federal court-authorized wiretaps. Telrad has been contracted in the past to revamp the telephone systems at the White House, and at other high-security government installations. During the Clinton Administration, at the height of the “Lewinsky Affair” and the impeachment process, there were widespread allegations of Israeli wiretapping of the President’s personal phone calls. Then-Israeli Prime Minister Benjamin Netanyahu made no secret of the fact that his government was fully engaged in the “Clintongate” assault on the U.S. Presidency.

The three Israeli companies constitute a core component of what *EIR* has called the Mega apparatus—the combination of wealthy and politically connected American Zionists, typified by Edgar Bronfman and Ronald Lauder; the vast neo-conservative “Israel First” apparatus, heavily penetrated into the U.S. government and national security think-tank circuit; and the Israeli spy apparatus, including the “scientific espionage” agencies, which, in the 1980s, ran the Jonathan Jay Pollard spy ring.

To provide our readers with an appreciation of the depth of penetration of the U.S. national security structures by the Mega apparatus, we publish, below, dossiers on the three Israeli firms presently at the center of the U.S. government probe of the “Israeli connection” to Sept. 11.

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## Company Profiles

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### Amdocs

Israeli-owned Amdocs is one of the leading providers of customer-billing and customer-relations services to telecommunications companies in the U.S.A. and internationally. As such, it is reported to have access to a record of almost every phone call made in the United States. Its senior management are reported to be senior members of the Israeli military and intelligence services.



Amdocs International Ltd., the parent company in Israel, is owned by the Morris Kahn Group, which was among its founding investors in 1982. Morris Kahn owns the Aurec telecommunications group in Israel, of which Amdocs was previously a part, and was known as Aurec Information. The name was changed to Amdocs, and it went public, around 1998.

Kahn is a business partner of Ian G. Koblick, who runs the Marine Resources Development Foundation based in Florida, engaged in deep-sea research around the world. Kahn is also a partner in Coral World (underwater observatories) with the Steinmetz group, which controls Ampal-American Israeli Corp. (AMEX: AIS), which has large holdings in the Israeli communications, real estate, and diamond industries.

Kahn’s Aurec and the American International Group (AIG) have a joint venture in Israel, Golden AIG Direct Insurance Co.

SBC (Southern Bell), which has a long relationship with Aurec, helped launch Amdocs in the United States in the early 1980s with a \$25 million investment that gave it a 50% stake. SBC held about 23% of Amdocs stock in 1999. The other major shareholders are the New York investment firm of Welsh, Carson, Anderson & Stowe, and Amdocs International, Inc. (the Morris Kahn Group).

#### **Major Product Lines:**

- Billing and order-management software;
- Customer Relationship Management (CRM) software that provides instant access to wide-ranging information on customers. In October 2001, Amdocs purchased Nortel’s Clarify unit for \$200 million cash, which became part of Amdocs CRM division.
  - A Fraud Management System (FMS), which is described as detecting fraudulent activity, such as hacking, calling-card cloning, and subscription fraud. Using “data-mining” techniques, FMS profiles customers and detects abnormal usage that might indicate fraud. (In February 2001, Amdocs contracted with Deutsche Telekom to implement a

fraud-management system for DT's customer base of 46 million.)

Amdocs describes its product as "the world-leading fraud detection system," and it can define specific parameters, or "fraud detection rules," to meet specific requirements.

Sources note that this can be used in the opposite manner, to discover patterns of activity among police and other law-enforcement agents; since each call generates a CDR (Call Dialing Record), it is possible to use these "data-mining" techniques to determine patterns of activity by police agencies—whom the agencies are in contact with, how often, etc. Using this method, it would be possible to discover whom police, FBI, or Drug Enforcement Administration (DEA) agents are using as informants and undercover operatives, for example. (see *EIR*, Dec. 28, 2001, "EIR Blows Israeli Spies Cover in Sept. 11 Case," for details of how Amdocs has used this capability.)

**Major customers include:** SBC, Verizon, Bell South, Nextel, Sprint, British Telecom, Deutsche Telekom, Libertel-Vodafone (Netherlands), Bell Canada, and Bezeq (Israel).

**Amdocs Ltd.**

Channel Islands

Ticker symbol: (NYSE) DOX

Annual sales: \$1,500,000 (2001)

Employees: 8,400

**Amdocs, Ltd.**

8 Hapnina St.

Ra'anana 43000 Israel

**Amdocs, Inc.**

1390 Timberlake Manor Parkway

Chesterfield, Mo. 63017

www.amdocs.com

**Officers and Directors:**

**Bruce K. Anderson**, Chairman of the Board and CEO of Amdocs, Inc. since September 1997. General partner of investment firm WCAS, formerly with ADP.

**Avinoam Naor**, Director of Amdocs Ltd., Chief Executive Officer of Amdocs Management Ltd., a founder of Amdocs in 1982; 28 years in software development for communications systems, member of the team that established the computerized system for Golden Pages, the Israeli yellow pages company.

**Robert A. Minicucci**, Chief Financial Officer, Director of Amdocs Ltd.; General Partner of WCAS; previously with First Data Corp.; Senior Vice President and Treasurer of the American Express Co.; and a Managing Director of Lehman Brothers.

**Adrian Gardner**, Director; Managing Director of Lazard LLC, London.

**James S. Kahan**, Director; SBC Senior Executive Vice

President-Corporate Development; previously with Western Electric, Bell Laboratories, South Central Bell, and AT&T.

**John T. McLennan**, Director; Vice Chairman and Chief Executive Officer of AT&T Canada; previously President and Chief Executive Officer of Bell Canada.

**Lawrence Perlman**, Director; previously Chairman of Ceridian Corp.

**Michael J. Price**, Director; Co-Chairman of FirstMark Communications International LLC; previously Vice President and Managing Director of Lazard Frères & Co. LLC.

**Modi Rosen**, Director; founder and a co-manager of Magnum Communications Fund, a venture capital fund specializing in the Israeli telecommunications industry; previously Vice President of Monitor Co.; managing partner at Shaldor, an Israeli consultancy firm.

**Ron Zuckerman**, Director; founder and former Chairman of Precise Software Solutions; founder and Chairman of Sapiens International; Chairman of EC-Gate.

**Thomas G. O'Brien**, Treasurer and Secretary of Amdocs Ltd.; previously Controller of Big River Minerals Corp.; Arthur Young and Co.

**Kevin Picker**, Director and General Manager of Amdocs (U.K.) Ltd.; previously general manager of Myers Tyres in Australia; financial director of KM Printing and Publishing; member of the Australian and South African Institutes of Chartered Accountants, and Israeli Institute of Certified Public Accountants.

**Paul Atkinson**, Senior Vice President, Amdocs Management Ltd.; CEO of Solect until the acquisition of Solect by Amdocs in April 2000; previously President and co-founder

## Hiding the Blue-and-White

"Israeli companies trading on U.S. exchanges are always striving to hide their blue-and-white markings," writes Jonathan Nassie, referring to the colors of Israel's flag. Nassie is a correspondent for the Israeli-based financial news source TheMarker.com, an affiliate of TheStreet.com. In a story datelined Tel Aviv, on Oct. 12, 2000, Nassie notes that every notice by Converse Technologies, or Check Point Software, always begins with an American city where they base their U.S. operations. They almost never mention Israel, supposedly on the assumption that foreign companies, and particularly Israeli companies, trade at a discount on U.S. markets.

"Once an Israeli, always an Israeli," Nassie declares, "and even if Converse plants itself in New Jersey or Amdocs registers itself in Guernsey Island, it's Israeli, tried and true."

of Southwest Sun, representative of Sun Microsystems in central Canada.

**Dov Baharav**, Senior Vice President and Chief Financial Officer of Amdocs Management Ltd.; previously Chief Operating Officer of Optrotech Ltd.

**Shlomo Baleli**, Senior Vice President, Amdocs Management Ltd., joined Amdocs in 1982; previously, member of the team that established the computerized system for Golden Pages, the Israeli yellow pages company.

**Simon Cassif**, Senior Vice President of Amdocs Ltd. (U.K.); previously, Chief Information Officer and Vice President, Systems and Computers at Bezeq, the Israel Telecommunication Corp. Ltd.

**Eli Gelman**, Senior Vice President of Amdocs Management Ltd.,

**Nehemia Lemelbaum**, Senior Vice President of Amdocs Management Ltd.; previously with Contahal Ltd., a leading Israeli software company; from 1967 to 1976, with the Ministry of Communications of Israel, the organization that eventually became Bezeq, the Israel Telecommunication Corp. Ltd.

**Melinos Pissourios**, General Manager of Amdocs Development Ltd.; Financial Controller of Amdocs Development Ltd. in Cyprus. previously, Group Financial Controller at AEC Holland Group; KPMG Peat Marwick.

**Mario Segal**, Senior Vice President and Chief Operating Officer of Amdocs Management Ltd.; previously with a major North American yellow pages publisher; major Israeli insurance company.

## Comverse Infosys, Inc.

Comverse is one of the leading suppliers of wiretap equipment to U.S. law-enforcement agencies; many

U.S. law-enforcement and intelligence officials believe that Israel security agencies have direct access to U.S. wiretap information via Comverse equipment.

Comverse describes itself as a world leader in the “lawful interception market” for law-enforcement agencies. It supplies its Audiodisk line of multimedia digital recording monitoring systems to law-enforcement and intelligence agencies; the system is also used by financial institutions, correctional institutions, 911 systems, etc. Audiodisk was apparently first developed for the Israeli military, and in 1990 Comverse sold its first Audiodisk system to a European government. Comverse President Kobi Alexander said at the time, that this order “is the first major order for our defense products outside of Israel.”

In October 2001, Comverse introduced a new product, Reliant SL, described as “a compact, cost-effective solution

used by law-enforcement agencies to conduct court-ordered electronic surveillance.” A Comverse official stated: “As a global provider of lawful interception, we are aware of our customers’ wide range of needs. Reliant SL allows us to offer a complete set of lawful interception solutions to all our customers, supporting them with a compact system that can easily migrate to a full-scale, country-wide monitoring center.”

Comverse has developed at least two other capabilities which are as befitting a national intelligence agency, as a private telecommunication company:

- Facial-recognition systems, which have become a hot topic since Sept. 11, allowing law-enforcement and intelligence agencies to pick suspects or wanted persons out of a crowd. The system being marketed to businesses, is promoted as using security cameras to provide face recognition on persons working anywhere within a company, and keeping track of people who enter and leave a company during the day. Facial-recognition systems are being tested in U.S. airports and other places where crowds gather; they are even used in Las Vegas gambling casinos. A recent news story quotes Visionics, a New Jersey firm which has an alliance with Loronix, a wholly-owned subsidiary of Comverse, saying that “facial recognition is a valuable new technology that has a role to play in counter-terrorism.” Visionics cites testimonials from British police in the London suburb of Newham, who have been using the system.

- Voice-recognition systems—Comverse is involved in developing and marketing voice-activated voice-mail systems in a partnership with the wireless carrier SunCom. Comverse was involved in recording regional dialects and constructing a data base of 26 regional markets for voice-recognition. Although not mentioned in the news coverage, this is a technology which the U.S. National Security Agency (NSA) has been working on for years, enabling it to automatically process and analyze wiretap data.

### Company Profile and History:

Comverse started in Israel in 1982, where it was known as Efreat Future Technology, Ltd. It was started by the Alexander family. Zvi Alexander (the father of Amdocs Chairman Kobi Alexander) formerly headed the Israeli National Oil Co. According to the *Long Island Business News* (Jan. 21, 1991), Kobi Alexander “served in the Israeli armed services as an intelligence officer in an elite commando unit.”

Comverse was established in 1984 in the United States, when Kobi Alexander teamed up with an eight-year veteran of the British Royal Air Force, Brian Wiltshire. The latter, who claimed to be impressed by the company’s three Israeli founders, also formed a strategic alliance with British Telecom.

In early 2000, another founder and senior executive of Comverse, Carmel Vernia, was appointed by the Israeli Ministry of Industry and Trade, as Chief Scientist of the State of Israel, a position which oversees government investment in the high-tech sector. (According to many sources, the devel-



opment of the Israeli high-tech sector, including telecommunications, was sponsored by the Israeli military.)

Comverse does nearly all its manufacturing in Israel, where it can take advantage of government subsidies and tax credits. A 1993 article on Comverse in *World Trade* magazine reported: "By virtue of its Israeli operations, Comverse enjoys tax breaks and subsidies provided by the Tel Aviv government to high-tech companies," adding that it also receives Israel government grants for research and development. "But as an American company, Comverse has been able to open doors that, as an Israeli outfit, it probably couldn't have," the article continues, noting that being a "U.S. company" helped it in Europe, Mexico, and Chile, for example.

In 1997, when President Bill Clinton appointed U.S. Air Force Gen. Robert T. Marsh (ret.) to head the President's Commission on Critical Infrastructure Protection, Marsh was also the Chairman of the Board of Comverse Government Systems Corp., which provided telephone interception equipment to the U.S. government. Comverse Government Systems Corp. (first called Comverse Government and Defense Systems Division) is now called Comverse Infosys. (Marsh was with the U.S. Air Force from 1949-84; He was named Chairman of Board of Thiokol Corp., when Morton-Thiokol spun off its aerospace division in 1989 to create Thiokol Corp. He is former Chairman and now a Director of CAE Electronics, a leading company providing flight training and simulation; also named in August 1991 to the board of Flight International, which provides flight and training services, and is a director of Teknowledge, which specializes in Internet financial transactions, computer security, and firewalls for the U.S. Department of Defense and private companies. Teknowledge's officers and board members come from ING Barings, Schroder & Co., L.F. Rothschild, and Rand Corp.)

In January 1997, George Soros' Quantum Industrial Holdings Ltd. and Comverse Technology announced the formation of a \$30 million technology venture capital fund, to be known as ComSor Investment Fund. The primary purpose of the new fund, which was created and based in the Netherlands, was to invest in high-technology companies in Israel. "We believe that Comverse's knowledge of high technology in general, and the Israeli high-technology sector in particular, combined with Soros Fund Management financial and investing acumen, create a team with all the skills to successfully identify and nurture emerging technology firms," said Comverse Chairman Kobi Alexander.

Since that time, ComSor has periodically announced investments in Israeli-based telecommunications firms, including Witcom Wireless Telecommunication, NetReality, HarmonyCom (based in Tel Aviv, London, and Ann Arbor, Michigan), Global Factory, Inc. of Santa Clara, California (in which Charles Bronfman's Koor Industries is also an investor), and, during this past year, Mindsense Biosystems of Rehovot, Israel.

### **Comverse Technology, Inc.**

170 Crossways Park Dr., Woodbury, New York 11797  
www.cmvt.com

Ticker symbol: (NASDAQ) CMVT

Annual sales: \$1.2 billion (2000)

Employees: 6,370

#### **Officers and Directors:**

**Kobi Alexander**, CEO, Chairman of Board.

**Brian Wiltshire**, Executive VP.

**David Kreinberg**, VP, CFO.

**Itsik Danziger**, President.

**William F. Sorin**, Secretary.

#### **Susidiaries and Divisions:**

**Comverse**—primary operating division

Wakefield, Mass.

www.comverse.com

#### **Officers and Directors:**

**Zeev Bregman**, CEO, formerly with Clarity Ltd.

**Francis Girard**, Vice Chairman, previously President and CEO of Boston Technology, which merged with Comverse Technology to form Comverse. Previously with NEC and Wang.

**Michael Ben-Assa**, VP-Europe, previously VP of Telrad Telecommunication until March 1999, and before that, was with Optrotech Israel. (See section on Telrad, below.)

**Gideon Be'ery**, VP Marketing, joined Comverse in 1988, after serving in the Israeli Air Force where he developed data communications systems; also taught at Tel Aviv University.

**Gadi Bahat**, VP and General Manager, previously at RAD Data Communication and Scitex.

**Menashe Rothschild**, CTO, previously with Tecnomatix, Elron, and Motorola.

**Kevin Allen Wood**, President-Americas.

**Carmel Sofer**, President-Europe, previously VP of an Israeli paging company.

**Yossi Shabat**, VP-Asia Pacific.

**Comverse Information Systems (Infosys)** (see above, provider of wiretap equipment to U.S. government agencies)

234 Crossways Park Dr., Woodbury, New York 11797

www.cominfosys.com

Annual sales: \$60 million (1999)

Employees: 200

**Loronix** (facial-recognition systems)

Durango, Colorado

www.loronix.com

**Startel** (networking software for Call Centers)

Irvine, California  
www.startelcorp.com

**Star\*Home** (mobile phone services for international travellers)

Zurich, Switzerland  
www.starhome.com

**Ulticom** (telecommunications software)

Mt. Laurel, New Jersey  
www.ulticom.com

**Wydeband** (broadband services)

Tel Aviv, Israel  
www.wydeband.com

**Persay** (voice-verification and recognition systems)

Woodbury, New York and Tel Aviv, Israel  
www.persay.com

## Telrad

Telrad Telecommunications and Electronics Industries Ltd. describes itself as Israel's leading telecommunications company, which began by supplying phone sets to the Israeli Ministry of Communications in 1951. It is the major supplier of digital switches to Bezeq (Israel's telecommunications company), and international operators Barak, Golden Lines, and Bezeq International. Telrad also "provides secure communications systems for the Israeli Defense Forces," according to the website of its parent company, Koor Industries, which is Israel's largest industrial conglomerate. Koor owns 80% of Telrad; the other 20% is owned by Nortel, formerly Canada's Northern Telecom, which paid \$45 million for its holding in Telrad in 1996. Nortel and Koor formed Nortel Networks Israel (NNI) to deliver Nortel Internet services in Israel; Nortel also acquired some of Telrad's markets outside of Israel. Koor is a holding company. One of its major lines of business is "defense electronics"—providing electronics for the Israeli military.

The chairman of Koor Industries is Charles Bronfman, a co-founder of the Mega Group—the secretive organization of American and Canadian "mega-millionaires" who set policy for the Israeli lobby in the United States.

Koor Industries is owned 35% by Claridge (of which Bronfman is Chairman), and 20% by Hapoalim Properties (which is also owned by Claridge).

The *Sunday Times* of London reported on May 21, 2000,

that Israeli intelligence agents had infiltrated Telrad, a company subcontracted by Nortel to develop a communications system for the White House, and that, as a result, Israeli agents were able to tap data flowing from the White House, which was copied into a secret Israeli computer in Washington and then transferred to Tel Aviv two to three times a week.

### **Koor Industries, Ltd.**

Platinum House  
21 Ha'arba'ah Street  
Tel Aviv, Israel  
www.koor.com  
Ticker symbol: (NYSE) KOR

**Edgar Bronfman**, Chairman; Chairman, Claridge Israel Inc.; former Co-Chairman of Seagram Co. Ltd.

### **Telrad Networks, Ltd.**

P.O. Box 50  
Lod 71100 Israel

### **Telrad Telecommunications, Inc.**

135 Crossways Park Dr.  
Woodbury, New York 11797  
www.telradusa.com

Officers and Directors (partial listing):

**Israel Ron**, President and CEO.

**Edith Friedman**, VP and CFO.

**Tony Arote**, VP Sales and Marketing.

**Craig Chawner**, VP Engineering.

**Yiftach Atir**, Director; Executive VP, Koor Corporate Venture Capital; previously Managing Partner, Evergreen Venture Capital; 20 years in the Israeli Defense Forces, including serving as military attaché in Japan and South Korea.

**Yuval Yanai**, Director; Senior VP and CFO of Koor Industries; Director, ECI Telecom; previously officer of Nice System Ltd. and Elscint Ltd.

**Aaron Zuker**, Director; VP of Koor Industries and Director of other companies in Koor Group; Managing Director of R.M. Renaissance Management Ltd.

**Shlomo Heller**, Director; General Counsel and Corporate Secretary of Koor Industries; previously General Counsel of United Mizrahi Bank Ltd.

### **Quality Sales Corp.**

incorporated in Delaware on April 16, 2001;  
d/b/a N.B.S. Supplies, Inc. in Florida  
2020 North East 163rd Street, Suite 103  
North Miami Beach, Florida 33162

### **Officers and Directors:**

**Amit Raibi**, President, CEO, and Director.

**Oren Anker**, Co-President, COO, and Director.

**Samantha Thurman**, Director.





## Congressional Delegation Pressures Arafat

On Jan. 17, three members of a four-person delegation from the House Intelligence Committee reported back on their tour of Egypt, Jordan, Syria, and Israel. The delegation was led by Saxby Chambliss (R-Ga.), chairman of the Intelligence Committee's terrorism subcommittee, and included Jane Harman (D-Calif.), Richard Burr (R-N.C.), and Peter Hoekstra (R-Mich.). The group met with Egyptian President Hosni Mubarak, King Abdullah of Jordan, Syrian President Bashar Assad, Israeli Prime Minister Ariel Sharon, Palestinian Authority President Yasser Arafat, and intelligence officials of all their governments.

Chambliss had praise for Egypt and Jordan and their cooperation with the United States in its war on terrorism. He praised Assad's cooperation with the United States in tracking down al-Qaeda operatives in Syria, declaring that "this is the kind of spirit we have to have." However, Chambliss said that Assad is going to have to make some "tough decisions" regarding other terrorist groups that operate out of Syria.

On the Israeli-Palestinian conflict, however, the delegation tended to blame Arafat for the Mideast bloodshed. Chambliss called on Arafat to stop the violence and to meet his commitments under the Tenet-Mitchell proposals. Both he and Harman blamed the *Karine A* incident—a ship seized in the Red Sea by Israel allegedly containing Iranian arms bound for the Palestinians, but which Arafat has identified as under Israeli control—on the Palestinian Authority and the Iranians, and called on Arafat to investigate the incident and punish anyone in the Palestinian Authority who may have been involved. Only then, Chambliss declared, will we see the U.S. attitude toward the Palestinian Authority improve.

When *EIR* pointed out that the Israeli bombing of Palestinian police stations, the assassinations policy, and provocations, make it nearly impossible for Arafat to do what he is being asked to do, Chambliss admitted that indeed, the Israelis have responsibilities as well. He said that in their meetings in Israel, "We expressed strong concerns . . . that Israel has an obligation also to move in the direction of peace." He admitted there have been "incidents," but said that the delegation was there to reinforce a communiqué from the Bush Administration to Arafat.

## Budget Wrangling Continues Unabated

No sooner was the Fiscal Year 2002 budget put to rest just before Christmas, than the battle over the FY 2003 budget began. On Jan. 4, Senate Majority Leader Tom Daschle (D-S.D.) said that last year's tax cut is the biggest reason for the disappearance of the budget surplus. In a speech sponsored by the Center for National Policy, he said that "not only did the tax cut fail to prevent a recession, as its supporters said it would, it probably made the recession worse."

Daschle proposed certain targeted business tax cuts and restoring "long-term fiscal integrity to our budget." He called for re-authorizing the 1996 welfare reform bill, "to ensure that people who have made the transition from welfare to work can remain in the workforce and not slide back into dependency."

On Jan. 13, John Spratt (D-S.C.), the ranking member on the House Budget Committee, explained how the Republicans squandered the \$5.6 trillion budget surplus that was forecast at the beginning of last year. Spratt was at least honest about the continued abdication of leadership that has charac-

terized the Democratic Party in recent years, when he said, "I'm not prepared to make a serious proposal" to address the budget problem. The only thing he suggested was a mechanism by which future surpluses would be used to repay the money that will be borrowed from Social Security and Medicare to paper over the budget deficits looming in the next three or four years.

Republicans are calling for more tax cuts. In two speeches in West Virginia on Jan. 22, President George Bush called on Congress to pass the GOP stimulus plan, which is mostly tax cuts. He also called on Congress to address energy, education, health care, and economic issues, above partisan politics, and not to be distracted by the Enron collapse. With eight Congressional investigations of Enron getting under way as Congress returns from its Winter break, that seems unlikely.

## Daschle Offers Compromise On Economic Stimulus Bill

On Jan. 23, Senate Majority Leader Tom Daschle (D-S.D.) revealed the details of a compromise he has been discussing with GOP leaders to get movement on an economic stimulus bill. He told reporters, "What we have suggested is that we take those pieces that are common to both bills and try to move the process forward." Those pieces would include extension of unemployment benefits, tax rebates for those workers who did not get one last year, the bonus depreciation package, and \$5 billion in Medicaid assistance to the states. Under the process that Daschle proposed, a bill with those components would come to the Senate floor as the underlying bill for debate, which would then be subject to amendment by both sides. "The whole idea," he said, "is to move this process along." Initially, Republicans reacted favorably to Daschle's proposal.

### *Tell the Truth About Israel*

As this is written, the Bush Administration is widely reported to be “reconsidering” its policy stance toward Palestinian Authority President Yasser Arafat, to the point of contemplating a break in relations with the acknowledged leader of the Palestinian people. Such a shift would represent a victory for the proponents of a world war against Islam, and a giant step toward World War III. Worse yet, it would mean the triumph of a miserable lie.

The lie is, that it is PA President Arafat who is responsible for the collapse of the peace process which was memorialized in the 1993 Oslo Accords. The reference is to the meetings at Camp David which President Bill Clinton brokered in the Summer of the year 2000, in order to try to force through agreement between the PLO and then-Israeli Prime Minister Ehud Barak. According to the Israeli, and most U.S., accounts of those negotiations, Arafat rejected a “great” deal, and thus set off the decline which has ensued ever since.

But the truth is, it was *Barak* who sabotaged any agreement at Camp David! What Barak did, was to bring in the question of Jerusalem and control over the holy places there, and demand that Arafat make concessions on the most sensitive question in the entire Arab world. Arafat *could not* make a deal on Islamic holy places in Jerusalem, and expect to maintain Arab support, or even to stay alive.

President Clinton then compounded the error by blaming Arafat for the subsequent breakdown. The pathway to a workable agreement—which would have involved U.S. commitments to extensive economic development, especially water projects, in the region—was not taken up, and recriminations were the order of the day. All it took was Sharon’s deliberate provocation in September 2000—his militarily-escorted trip to al-Haram al-Sharif, the third holiest site in Islam—and the Intifada, and escalating cycle of violence, were launched.

So, if Arafat was not responsible for putting the Mideast on a road to war, who was? It was Ariel Sharon,

and the leadership of the Israeli Defense Forces, both of whom have a long-standing plan to *expel* the Palestinians from Israel, and carry out a program of *genocide*.

You’ll never find the truth in the major U.S. press, but it must be faced. Ariel Sharon and the IDF are thugs and/or lunatics, who are willing to throw the world—not to mention Israel—into flames, because of their Nazi-like hatred of the Palestinians. The policies which they are carrying out against the Palestinian population are eerily similar to that of the Nazis. They send in provocateurs to create “terror” incidents—like those of Hamas. Then they carry out “collective retribution” against families, and now whole areas of towns—actions which were branded “crimes against humanity” by international institutions a long time ago. A recent Israeli paper which circulates among Russian emigres even called for *castration* of Palestinians, in order to reduce the population.

The IDF’s Nazi atrocities, predictably, make it impossible for PA President Arafat to prevent reaction. In addition, the IDF has systematically destroyed his police infrastructure, so that he could hardly “crack down” on terrorist criminals on a large scale.

President Bush has, up until now, tried to resist the Sharon-IDF outlook. He and Secretary of State Powell have pledged support for a Palestinian state, living side-by-side with Israel. They have refused to accept the trashing of Arafat as a “terrorist,” and opposed the Israeli moves to reoccupy Palestinian territory. But simply trying to hold the line does not, and will not, work. The Bush Administration has to tell the truth, about the genocidal intentions and actions of Sharon and the IDF.

There are still some Israelis of stature stepping forward, and taking risks, for a peace policy. Leading Palestinian peacemakers are almost as likely as Hamas leaders, to be assassinated by Israel. Sharon and the IDF *want* war, as do their international controllers, and many leading Democratic Party hawks. President Bush should slam those Democrats and Sharon, before it’s too late.

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 2nd Mondays—8 pm

• LONG BEACH  
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 Thursdays—1:30 pm  
 • MARINA DEL REY  
 Adelphia Ch. 3  
 Thursdays—4:30 pm  
 MediaOne Ch. 43  
 Wednesdays—7 pm  
 • MARTINEZ—Ch.26  
 2nd Fridays—9 pm

• MID-WILSHIRE  
 MediaOne Ch. 43  
 Wednesdays—7 pm

• MODESTO—Ch.8  
 Mondays—2:30 pm  
 • MORAGA/ORINDA  
 AT&T-Comcast Ch.26  
 2nd Fridays—9 pm

• PALOS VERDES  
 Cox Ch. 33  
 Saturdays—3 pm

• PLACENTIA  
 Adelphia Ch. 65  
 Tuesdays—6:30 pm

• PLEASANT HILL  
 AT&T Ch. 1/99  
 Mondays—9 pm  
 • SAN DIEGO Ch.19  
 Fridays—5 pm

• SANTA ANA  
 Adelphia Ch.53  
 Tuesdays—6:30 pm

• SANTA MONICA  
 Adelphia Ch. 77  
 Thursdays—4:30 pm

• TICE VALLEY  
 AT&T-Comcast Ch.6  
 2nd Fridays—9 pm

• TUJUNGA—Ch.19  
 Fridays—5 pm  
 • VENICE—Ch.43  
 Wednesdays—7 pm

• WALNUT CREEK  
 AT&T-Comcast Ch.6  
 2nd Fridays—9 pm

• W.HOLLYWOOD  
 Adelphia Ch. 3  
 Thursdays—4:30 pm

**COLORADO**  
 • DENVER—Ch.57  
 Saturdays—1 pm

**CONNECTICUT**  
 • CHESHIRE—Ch.15  
 Wednesdays—10 pm

• GROTON—Ch. 12  
 Mondays—10 pm

• MANCHESTER Ch.15  
 Mondays—10 pm

• MIDDLETOWN—Ch.3  
 Thursdays—5 pm

• NEW HAVEN—Ch.29  
 Sundays—5 pm  
 Wednesdays—7 pm

• NEWTON/NEW MIL.  
 Cablevision Ch. 21  
 Mondays—9:30 pm  
 Thursdays—11:30 am

**DIST. OF COLUMBIA**  
 • WASHINGTON—Ch.5  
 Alt.Sundays—3:30 pm

**FLORIDA**  
 • ESCAMBIA COUNTY  
 Cox Ch. 4  
 2nd Tue. 6:30 pm

**IDAHO**  
 • MOSCOW—Ch. 11  
 Mondays—5 pm

**ILLINOIS**  
 • CHICAGO—Ch.21\*

All programs are *The LaRouche Connection* unless otherwise noted. (\*) Call station for times.

• QUAD CITIES  
 MediaCom Ch. 6  
 Mondays—11 pm

• PEORIA COUNTY  
 Insight Ch. 22  
 Sundays—7:30 pm

• SPRINGFIELD Ch.4  
 Wednesdays—5:30 pm

**INDIANA**  
 • DELAWARE COUNTY  
 Comcast Ch. 42  
 Mondays—11 pm

**IOWA**  
 • QUAD CITIES  
 MediaCom Ch. 75  
 Mondays—11 pm

**KENTUCKY**  
 • LATONIA—Ch.21  
 Mon: 8 pm; Sat: 6 pm

• LOUISVILLE Ch.98  
 Fridays—2 pm

**LOUISIANA**  
 • ORLEANS PARISH  
 Cox Ch. 78  
 Tuesdays & Saturdays  
 4 am & 4 pm

**MARYLAND**  
 • ANNE ARUNDEL  
 Annapolis Ch.20  
 Millennium Ch.99  
 Fri. & Sat.—11 pm

• MONTGOMERY Ch.19  
 Fridays—7 pm

• P.G.COUNTY Ch.76  
 Mondays—10:30 pm

• W.HOWARD COUNTY  
 Comcast Ch. 6  
 Monday thru Sunday  
 1:30 am, 11:30 am,  
 4 pm, 8:30 pm

**MASSACHUSETTS**  
 • AMHERST—Ch. 10\*  
 • BOSTON—BNN Ch.3  
 Thursdays—3 pm

• CAMBRIDGE  
 MediaOne Ch. 10  
 Mondays—4 pm

• WORCESTER—Ch.13  
 Wednesdays—3 pm

**MICHIGAN**  
 • BATTLE CREEK  
 ATT Ch. 11  
 Mondays—4 pm

• CANTON TOWNSHIP  
 Comcast Ch. 18  
*Zajak Presents*  
 Mon: 6-8 pm

• DEARBORN HEIGHTS  
 Comcast Ch. 18  
*Zajak Presents*  
 Mon: 6-8 pm

• GRAND RAPIDS  
 GRTV Ch. 25  
 Fridays—1:30 pm

• KALAMAZOO  
 Thu—11 pm (Ch.20)  
 Sat—10 pm (Ch.22)

• MT. PLEASANT  
 Charter Ch. 3  
 Tuesdays—5:30 pm  
 Wednesdays—7 am

• PLYMOUTH  
 Comcast Ch.18  
*Zajak Presents*  
 Mon: 6-8 pm

**MINNESOTA**  
 • ANOKA\*  
 GCTV Ch. 15  
 2nd Fridays—5:30 pm

• BURNSVILLE/EGAN  
 ATT Ch.14,57,96  
 Tuesdays—5:30 pm

• COLD SPRING  
 U.S. Cable Ch. 3  
 Nightly after PSAs

• COLUMBIA HTS.  
 MediaOne Ch. 15  
 Wednesdays—8 pm

• FRIDLEY  
 Time Warner Ch. 5  
 Fridays—7 pm  
 Saturdays—8:30 pm

• MINNEAPOLIS  
 MTM Ch. 67  
 Saturdays—7 pm

• NEW ULM—Ch.14  
 Fridays—5 pm

• PROCTOR/  
 HERMANTOWN—Ch.12  
 Tue., btw. 5 pm-1 am

• ROSEVILLE  
 AT&T Ch. 14  
 Thu—6 pm & Midnite  
 Fri—6 am & Noon

• ST.CROIX VALLEY  
 Valley Access Ch.14  
 Thursdays—4 & 10 pm  
 Fridays—8 am

• ST.LOUIS PARK  
 Paragon Ch. 15  
 Wed., Thu., Fri.  
 12 am, 8 am, 4 pm

• ST.PAUL (city)  
 SPNN Ch. 15  
 Saturdays—10 pm

• ST.PAUL (NE burbs)\*  
 Suburban Community  
 Ch.15  
 St.PAUL (S&W burbs)  
 AT&T-Comcast Ch.15  
 Tue & Fri—8 pm  
 Wednesdays—10:30 pm

**MISSISSIPPI**  
 • MARSHALL COUNTY  
 Galaxy Ch. 2  
 Mondays—7 pm

**MISSOURI**  
 • ST.LOUIS—Ch.22  
 Wed.-5 pm; Thu.-Noon

**NEBRASKA**  
 • LINCOLN  
 T/W Ch. 80/99  
*Citizen Watchdog*  
 Tue.—6 & 7 pm  
 Wed.—8 & 10 pm

**NEVADA**  
 • CARSON—Ch.10  
 Sun-2:30 pm; Wed-7 pm  
 Saturdays—3 pm

**NEW JERSEY**  
 • HADDON TOWNSHIP\*  
 Comcast Ch. 19  
 • MERCER COUNTY  
 Comcast\*

• TRENTON Ch. 81  
 WINDSORS Ch. 27  
 • MONTVALE/MAHWAH  
 Time Warner Ch. 27  
 Wednesdays—4 pm

• NORTHERN NJ  
 Comcast Comm. Access  
 Channel 57\*

• PISCATAWAY  
 Cablevision Ch.71  
 Wed—11:30 pm

• PLAINSBORO  
 Comcast Ch. 3\*

**NEW MEXICO**  
 • ALBUQUERQUE  
 Jones Ch. 27  
 Thursdays—10 pm

• LOS ALAMOS  
 Adelphia Ch. 8  
 Sundays—7 pm

• NEW MEXICO  
 Mondays—9 pm

• TAOS—Ch.2  
 Mondays—7 pm

**NEW YORK**  
 • AMSTERDAM  
 Time Warner Ch.16  
 Thursdays—4:30 pm

• BROOKHAVEN  
 (E. Suffolk)  
 Cablevision Ch.1/99  
 Wednesdays—9:30 pm

• BROOKLYN—BCAT  
 Time Warner Ch. 35  
 Cablevision Ch. 68  
 Sundays—9 am

• HORSEHEADS—Ch.1  
 Mon., Fri.—4:30 pm

• HUDSON VALLEY  
 Cablevision Ch. 62/90  
 Fridays—5 pm

• ILION—Ch. 10  
 Mon. & Wed.—11 am  
 Saturdays—11:30 pm

• IRONDEQUOIT Ch.15  
 Mondays—7 pm  
 Thu.—9:30 am & 7 pm

• JOHNSTOWN—Ch.7  
 Tuesdays—4 pm

• MARSHALL—MNN  
 T/W Ch.34; RCN Ch.109  
 Alt. Sundays—9 am

• NASSAU—Ch. 71  
 Fridays—4 pm

• NIAGARA FALLS  
 Adelphia Ch. 24  
 Thursdays—10:30 pm

• ONEIDA—Ch.10  
 Thursdays—10 pm

• PENFIELD—Ch.12  
 Penfield Comm. TV\*  
 • POUGHKEEPSIE Ch.28  
 1st, 2nd Fri.—4 pm  
 • QUEENSBURY Ch.71  
 Thursdays—7 pm  
 • RIVERHEAD Ch.27  
 Thurs.—12 Midnight

• ROCHESTER—Ch.15  
 Fri-11 pm; Sun-11 pm

• ROCKLAND—Ch. 71  
 Mondays—6 pm

• SCHENECTADY Ch.16  
 Tuesdays—10 pm

• STATEN ISL. Ch.57  
 Thu.—11 pm; Sat.—8 am

• SUFFOLK—Ch. 25  
 2nd, 4th Mon.—10 pm

• SYRACUSE—T/W  
 City: Ch. 3  
 Suburbs: Ch. 13  
 Fridays—8 pm

• TOMPKINS COUNTY  
 Time Warner  
 Sun.—9 pm (Ch.78)  
 Tue.—5 pm (Ch.13)  
 Sat.—9 pm (Ch.78)

• TRI-LAKES  
 Adelphia Ch. 2  
 Sun: 7 am, 1 pm, 8 pm

• UTICA—Ch. 3  
 Thursdays—6 pm

• WATERLOO—Ch.2  
 Tue: btw. Noon-5 pm

• WEBSTER—Ch.12  
 Wednesdays—8:30 pm

• W. MONROE  
 Time Warner Ch.12  
 4th Wed.—1 am

• W.SENeca Ch.68  
 Thu.—10:30 pm

**NORTH CAROLINA**  
 • HICKORY—Ch.3  
 Tuesdays—10 pm

• MECKLENBURG  
 Time Warner Ch. 18  
 Saturdays—12 Noon

**OHIO**  
 • FRANKLIN COUNTY  
 Ch. 21: Sun—6 pm

• LORAIN COUNTY  
 Ch.32: Daily—9 pm

• OBERLIN—Ch.9  
 Tuesdays—7 pm

• REYNOLDSBURG  
 Ch.6: Sun.—6 pm

**OREGON**  
 • CORVALLIS/ALB.  
 AT&T Ch. 99  
 Tuesdays—1 pm

• PORTLAND  
 AT&T Ch. 22  
 Tuesdays—6 pm  
 Thursdays—3 pm

• SALEM—Ch.28  
 Tuesdays—12 Noon  
 Thu: 8 pm; Sat: 10 am

• SILVERTON  
 SCANVY Ch. 10  
 Alt. Tuesdays  
 12 Noon, 7 pm

• WASHINGTON ATT  
 Ch.9: Tualatin Valley  
 Ch.23: Regional Area  
 Ch.33: Unincorp. Towns  
 Wed—7 am, 8 pm  
 Saturdays—10 pm

**RHODE ISLAND**  
 • E.PROV.—Ch.18  
 Tuesdays—6:30 pm

• STATEWIDE  
 R.I. Interconnect\*  
 Cox Ch. 13  
 Full Ch. 49

**TEXAS**  
 • DALLAS Ch.13-B  
 Tuesdays—10:30 pm

• EL PASO—Ch.15  
 Wednesdays—5 pm

• HOUSTON  
 Houston Media Source  
 Sat, 1/26: 10 am  
 Mon, 1/28: 5 pm  
 Tue, 1/29: 5 pm  
 Sat, 2/2: 11 am  
 Tue, 2/5: 5 pm

• RICHARDSON  
 AT&T Ch. 10-A  
 Thursdays—6 pm

**UTAH**  
 • GLENWOOD, Etc.  
 SCAT-TV  
 Ch. 26,29,37,38,98  
 Sundays—about 9 pm

**VIRGINIA**  
 • ALEXANDRIA  
 Comcast Ch. 10  
 Tuesdays—5:30 pm

• ARLINGTON  
 ACT Ch. 33  
 Mondays—4:30 pm  
 Tuesdays—9 am

• CHESTERFIELD  
 Comcast Ch. 6  
 Tuesdays—5 pm

• FAIRFAX—Ch.10  
 Tuesdays—12 Noon  
 Thursdays—7 pm

• LOUDOUN  
 Adelphia Ch. 23/24  
 Thursdays—7 pm

• ROANOKE—Ch.9  
 Thursdays—2 pm

**WASHINGTON**  
 • KING COUNTY  
 AT&T Ch. 29/77  
 Sundays—6 pm

• SPOKANE—Ch.14  
 Wednesdays—6 pm

• TRI-CITIES  
 Falcon Ch. 13  
 Mon-Noon; Wed-6 pm  
 Thursdays—8:30 pm

• YAKIMA—Ch. 9  
 Sundays—4 pm

**WISCONSIN**  
 • KENOSHA—Ch.21  
 Mondays—1:30 pm

• MADISON—Ch.4  
 Tue-2 pm; Wed-11 am

• MARATHON COUNTY  
 Charter Ch. 10  
 Thursdays—9:30 pm

• QUEENSBURY Ch.71  
 Fridays—12 Noon

**WYOMING**  
 • GILLETTE—Ch.36  
 Thursdays—5 pm

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